

**HAMPTON-DUMONT COMMUNITY SCHOOL DISTRICT
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2015**

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Introductory Section



Board of Education and School District Officials

As of June 30, 2015

Name	Title	Term Expires
Board of Education		
Ronald Raney	President	September, 2015
Stacy Miller	Vice President	September, 2015
Thomas Brotsma	Board Member	September, 2017
Chad Hanson	Board Member	September, 2017
Erran Miller	Board Member	September, 2015
Jeff Rosenberg	Board Member	September, 2017
Kristin Wragge	Board Member	September, 2015
School Officials		
Todd Lettow	Superintendent	Indefinite
Lisa Lewis	District Secretary/Treasurer	Indefinite

Financial Section

Independent Auditor's Report

Board of Education
Hampton-Dumont Community School District
Hampton, Iowa

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Hampton-Dumont Community School District, Hampton, Iowa, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Hampton-Dumont Community School District as of June 30, 2015, and the respective changes in financial position and cash flows, where applicable, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 15 to the financial statements, Hampton-Dumont Community School District adopted new accounting guidance related to Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27*. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, the budgetary comparison information, the schedule of proportionate share of the net pension liability, the schedule of contributions and the schedule of funding progress for the retiree health plan on pages 4 through 13 and 43 through 49 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Hampton-Dumont Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the three years ended June 30, 2014 (which are not presented herein) and expressed unmodified opinions on those financial statements. The financial statements for the six years ended June 30, 2011 (which are not presented herein) were audited by other auditors in accordance with the standards referred to in the third paragraph of this report who expressed unmodified opinions on those financial statements. The supplementary information included on pages 50 through 57, including the schedule of expenditures of federal awards required by the U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated January 12, 2016 on our consideration of Hampton-Dumont Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Hampton-Dumont Community School District's internal control over financial reporting and compliance.

HOGAN - HANSEN

HOGAN - HANSEN

Mason City, Iowa
January 12, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

Hampton-Dumont Community School District provides this management's discussion and analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2015. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

FINANCIAL HIGHLIGHTS

- General Fund revenue increased from \$13,257,334 in fiscal year 2014 to \$13,751,900 in fiscal year 2015, and General Fund expenditures increased from \$13,513,121 in fiscal year 2014 to \$13,771,073 in fiscal year 2015. The District's General Fund balance was \$1,315,339 as of the end of fiscal year 2014 and decreased to \$1,296,166 as of the end of fiscal year 2015, a 1.5% decrease.
- The fiscal year 2015 increase in General Fund revenue was primarily attributable to an increase in state and local sources.
- The increase in expenditures was due primarily to an increase in salaries and employee benefits.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's discussion and analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The government-wide financial statements consist of a statement of net position and a statement of activities. These provide information about the activities of Hampton-Dumont Community School District as a whole and present an overall view of the District's finances.

The fund financial statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Hampton-Dumont Community School District's operations in more detail than the government-wide financial statements by providing information about the most significant funds. The remaining financial statements provide information about activities for which Hampton-Dumont Community School District acts solely as an agent or custodian for the benefit of those outside the District.

Notes to the financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required supplementary information further explains and supports the financial statements with a comparison of the District's budget for the year, the District's proportionate share of the net pension liability and related contributions, as well as presenting the schedule of funding progress for the retiree health plan.

Supplementary information provides detailed information about the nonmajor governmental funds. In addition, the schedule of expenditures of federal awards provides details of various federal programs benefiting the District.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

FIGURE A-1

**HAMPTON-DUMONT COMMUNITY SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT**

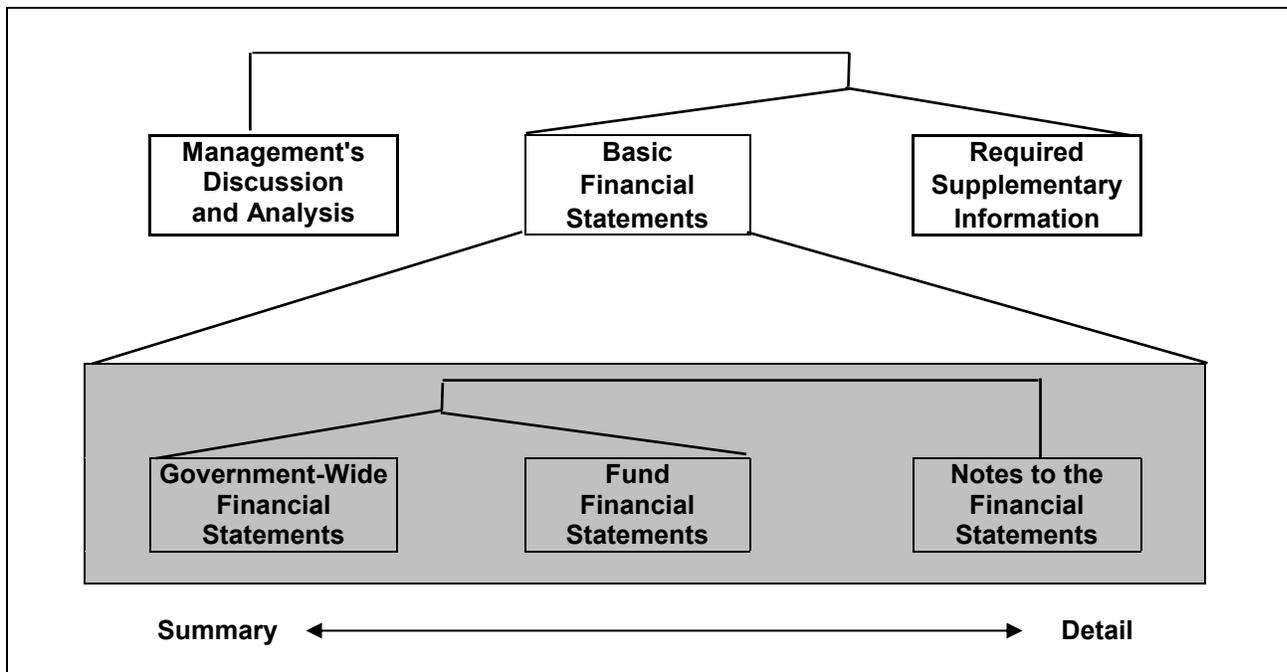


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

Figure A-2				
Major Features of the Government-Wide and Fund Financial Statements				
	Government-Wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services and internal services	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> • Statement of net position • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statements of revenue, expenditures and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net position • Statement of revenue, expenses and changes in fund net position • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net position • Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of deferred outflow/inflow information	Consumption/acquisition of net position that is applicable to a future reporting period	Consumption/acquisition of fund balance that is applicable to a future reporting period	Consumption/acquisition of net position that is applicable to a future reporting period	Consumption/acquisition of net position that is applicable to a future reporting period
Type of inflow/outflow information	All revenue and expenses during year, regardless of when cash is received or paid	Revenue for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenue and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-Wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the District's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. All of the current year's revenue and expenses are accounted for in the statement of activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net position and how it has changed. Net position is one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net position are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional nonfinancial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories.

- **Governmental activities:** Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- **Business-type activities:** The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law or by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for various student activity funds or to show it is properly using certain revenue, such as federal grants.

The District has three kinds of funds:

- **Governmental Funds:** Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, the Debt Service Fund and the Capital Projects Fund.

The required financial statements for governmental funds include a balance sheet and a statement of revenue, expenditures and changes in fund balances.

- *Proprietary Funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's enterprise fund, one type of proprietary fund, is the same as its business-type activities, but provides more detail and additional information, such as cash flows. The District's enterprise fund is the School Nutrition Fund. Internal service funds, the other type of proprietary fund, are optional and available to report activities that provide supplies and services for other District programs and activities. The District's Internal Service Fund is used to account for health insurance benefits.

The required financial statements for proprietary funds include a statement of net position, a statement of revenue, expenses and changes in fund net position and a statement of cash flows.

- *Fiduciary Funds:* The District serves as the trustee, or fiduciary, for assets that belong to others. These funds include a Private-Purpose Trusts Fund.
 - Private-Purpose Trusts Fund - The District accounts for outside donations for scholarships for individual students in this fund.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a statement of fiduciary net position and a statement of changes in fiduciary net position.

Reconciliations between the government-wide financial statements and the governmental fund financial statements follow the governmental fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net position as of June 30, 2015 compared to June 30, 2014.

FIGURE A-3
CONDENSED STATEMENT OF NET POSITION

	Governmental Activities		Business-Type Activities		Total District		Total Percentage Change June 30, 2014-2015
	June 30,		June 30,		June 30,		
	2015	2014 (Not Restated)	2015	2014 (Not Restated)	2015	2014 (Not Restated)	
Current and other assets	\$ 12,400,271	\$ 12,007,361	\$ 130,565	\$ 121,189	\$ 12,530,836	\$ 12,128,550	3.3%
Capital assets	15,111,331	14,553,359	101,793	119,149	15,213,124	14,672,508	3.7
Total Assets	27,511,602	26,560,720	232,358	240,338	27,743,960	26,801,058	3.5
Deferred Outflows of Resources	1,368,978	129,314	38,740	—	1,407,718	129,314	988.6
Total Assets and Deferred Outflows of Resources	\$ 28,880,580	\$ 26,690,034	\$ 271,098	\$ 240,338	\$ 29,151,678	\$ 26,930,372	8.2%

	Governmental Activities		Business-Type Activities		Total District		Total Percentage Change June 30, 2014-2015
	June 30,		June 30,		June 30,		
	2015	2014 (Not Restated)	2015	2014 (Not Restated)	2015	2014 (Not Restated)	
Long-term liabilities	\$ 14,699,921	\$ 10,074,486	\$ 169,004	\$ —	\$ 14,868,925	\$ 10,074,486	47.6%
Other liabilities	2,223,195	1,796,264	7,183	15,660	2,230,378	1,811,924	23.1
Total Liabilities	16,923,116	11,870,750	176,187	15,660	17,099,303	11,886,410	43.9
Deferred Inflows of Resources	6,964,664	4,929,885	57,589	—	7,022,253	4,929,885	42.4
Net Position							
Net investment in capital assets	6,496,058	5,283,359	101,793	119,149	6,597,851	5,402,508	22.1
Restricted	2,570,097	2,695,488	—	—	2,570,097	2,695,488	(4.7)
Unrestricted	(4,073,355)	1,910,552	(64,471)	105,529	(4,137,826)	2,016,081	(305.2)
Total Net Position	4,992,800	9,889,399	37,322	224,678	5,030,122	10,114,077	(50.3)
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 28,880,580	\$ 26,690,034	\$ 271,098	\$ 240,338	\$ 29,151,678	\$ 26,930,372	8.2%

The District's total net position decreased 50.3%, or approximately \$5,084,000 from the prior year. The largest portion of the District's net position is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets.

Restricted net position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position decreased by approximately \$125,000, or 4.7%, from the prior year. The decrease was primarily a result of a decrease in restricted funds held for school infrastructure.

Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements decreased by approximately \$6,154,000, or 305.2%. This decrease in unrestricted net position was primarily a result of the District's net pension liability and net pension expense recorded in the current year.

Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB No. 27*, was implemented during fiscal year 2015. The beginning net position as of July 1, 2014 for governmental activities and business-type activities were restated by \$5,813,983 and \$179,814, respectively, to retroactively report the net pension liability as of June 30, 2013 and deferred outflows of resources related to contributions made after June 30, 2013 but prior to July 1, 2014. Fiscal year 2013 and 2014 financial statement amounts for net pension liabilities, pension expense, deferred outflows of resources and deferred inflows of resources were not restated because the information was not available. In the past, pension expense was the amount of the employer contribution. Current reporting provides a more comprehensive measure of pension expense which is more reflective of the amounts employees earned during the year. Beginning net position for the business-type activities was also restated by \$14,000 to record the net OPEB liability. See Note 15 to the financial statements.

Figure A-4 shows the changes in net position for the year ended June 30, 2015 compared to the year ended June 30, 2014.

**FIGURE A-4
CHANGES IN NET POSITION**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total District</u>		<u>Total Percentage Change 2014-2015</u>
	<u>2015</u>	<u>2014</u> (Not Restated)	<u>2015</u>	<u>2014</u> (Not Restated)	<u>2015</u>	<u>2014</u> (Not Restated)	
Revenue							
Program Revenue							
Charges for service	\$ 808,840	\$ 836,650	\$ 276,015	\$ 326,333	\$ 1,084,855	\$ 1,162,983	(6.7)%
Operating grants and contributions	2,617,330	2,725,664	572,922	525,278	3,190,252	3,250,942	(1.9)
General Revenue							
Property tax	4,986,652	4,893,827	—	—	4,986,652	4,893,827	1.9
Income surtax	195,975	201,974	—	—	195,975	201,974	(3.0)
Statewide sales, services and use tax	1,146,673	1,052,551	—	—	1,146,673	1,052,551	8.9
Unrestricted state grants	6,430,836	6,086,772	—	—	6,430,836	6,086,772	5.7
Unrestricted investment earnings	33,809	55,202	144	202	33,953	55,404	(38.7)
Other	201,737	39,568	—	—	201,737	39,568	409.8
Total Revenue	<u>16,421,852</u>	<u>15,892,208</u>	<u>849,081</u>	<u>851,813</u>	<u>17,270,933</u>	<u>16,744,021</u>	<u>3.1</u>
Program Expenses							
Instruction	10,270,603	10,332,001	—	—	10,270,603	10,332,001	(0.6)
Support services	4,354,213	4,051,300	—	—	4,354,213	4,051,300	7.5
Noninstructional programs	—	—	842,623	876,082	842,623	876,082	(3.8)
Other expenses	879,652	875,997	—	—	879,652	875,997	0.4
Total Program Expenses	<u>15,504,468</u>	<u>15,259,298</u>	<u>842,623</u>	<u>876,082</u>	<u>16,347,091</u>	<u>16,135,380</u>	<u>1.3</u>
Change in Net Position	917,384	632,910	6,458	(24,269)	923,842	608,641	51.8
Net Position - Beginning of Year, as restated (Note 15)	<u>4,075,416</u>	<u>9,256,489</u>	<u>30,864</u>	<u>248,947</u>	<u>4,106,280</u>	<u>9,505,436</u>	<u>(56.8)</u>
Net Position - End of Year	<u>\$ 4,992,800</u>	<u>\$ 9,889,399</u>	<u>\$ 37,322</u>	<u>\$ 224,678</u>	<u>\$ 5,030,122</u>	<u>\$ 10,114,077</u>	<u>(50.3)%</u>

In fiscal year 2015, property tax and unrestricted state grants accounted for 69.5% of governmental activities revenue while charges for service and operating grants and contributions accounted for almost 100% of business-type activities revenue. The District's total revenue was approximately \$17.3 million of which approximately \$16.4 million was for governmental activities and \$0.9 million was for business-type activities. As shown on Figure A-4, the District as a whole experienced a 3.1% increase in revenue and a 1.3% increase in expenses.

Governmental Activities

Revenue for governmental activities was \$16,421,852 and expenses were \$15,504,468 for the year ended June 30, 2015.

The following table presents the total and net cost of the District's major governmental activities, instruction, support services and other expenses for the year ended June 30, 2015 compared to the year ended June 30, 2014.

**FIGURE A-5
TOTAL AND NET COST OF GOVERNMENTAL ACTIVITIES**

	Total Cost of Services			Net Cost of Services		
	2015	2014 (Not Restated)	Percentage Change 2014-2015	2015	2014 (Not Restated)	Percentage Change 2014-2015
Instruction	\$ 10,270,603	\$ 10,332,001	(0.6)%	\$ 7,535,704	\$ 7,455,358	1.1%
Support services	4,354,213	4,051,300	7.5	4,203,993	3,882,601	8.3
Other expenses	879,652	875,997	0.4	338,601	359,025	(5.7)
Total	<u>\$ 15,504,468</u>	<u>\$ 15,259,298</u>	<u>1.6%</u>	<u>\$ 12,078,298</u>	<u>\$ 11,696,984</u>	<u>3.3%</u>

For the year ended June 30, 2015:

- The cost financed by users of the District's programs was \$808,840.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$2,617,330.
- The net cost of governmental activities was financed with \$6,329,300 in property and other taxes and \$6,430,836 in unrestricted state grants.

Business-Type Activities

Revenue for business-type activities during the year ended June 30, 2015 was \$849,081, representing a 0.3% decrease from the prior year, while expenses totaled \$842,623, a 3.8% decrease from the prior year. The District's business-type activities include the School Nutrition Fund. Revenue from these activities was comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

As previously noted, Hampton-Dumont Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balances of \$4,076,151, a decrease from last year's ending fund balances of \$4,268,521. The primary reason for the decrease in combined fund balances in fiscal year 2015 is largely due to the North Side Renovation Project.

Governmental Fund Highlights

- The General Fund balance decreased from \$1,315,339 as of the end of fiscal year 2014 to \$1,296,166 as of the end of fiscal year 2015. The decrease was due to an increase in instruction related expenditures.
- The Capital Projects Fund balance decreased from \$2,479,674 as of the end of fiscal year 2014 to \$2,326,150 as of the end of fiscal year 2015. This decrease was largely due to the North Side Renovation Project.

Proprietary Fund Highlights

School Nutrition Fund net position increased from \$30,864 as of June 30, 2014 to \$37,322 as of June 30, 2015, representing an increase of 20.9%. The increase is mainly due to increases in state and federal reimbursements in the current year.

Internal Service Fund net position increased from \$931,797 as of June 30, 2014 to \$956,048 as of June 30, 2015, representing an increase of 2.6%. The increase was a result of premium contributions in excess of premiums, claims and fees.

BUDGETARY HIGHLIGHTS

Over the course of the year, Hampton-Dumont Community School District amended its budget one time to reflect additional expenditures for the North Side Renovation Project.

The District's total revenue was \$210,965 more than total budgeted revenue, a variance of 1.2%.

Total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures higher than anticipated to allow for unforeseen circumstances in the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget will usually exceed actual expenditures for the year.

In spite of the District's budgetary practice, the certified budget was exceeded in the support services and other expenditures functional areas due to timing of expenditures at year end without sufficient time to amend the certified budget.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2015, the District had invested \$15,213,124 net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net increase of 3.7% from last year. More detailed information about the District's capital assets is presented in Note 5 to the financial statements. Depreciation expense for the year was \$540,000.

The original cost of the District's capital assets was \$21,018,686. Governmental funds account for \$20,788,561 with the remainder of \$230,125 accounted for in the Proprietary, School Nutrition Fund.

**FIGURE A-6
CAPITAL ASSETS, NET OF DEPRECIATION**

	Governmental Activities		Business-Type Activities		Total District		Total Percentage Change June 30, 2014-2015
	June 30,		June 30,		June 30,		
	2015	2014	2015	2014	2015	2014	
Land	\$ 202,500	\$ 202,500	\$ —	\$ —	\$ 202,500	\$ 202,500	0.0%
Construction in progress	629,604	49,038	—	—	629,604	49,038	1,183.9
Buildings and improvements	13,778,760	13,869,820	—	—	13,778,760	13,869,820	(0.7)
Furniture and equipment	500,467	432,001	101,793	119,149	602,260	551,150	9.3
Total	\$ 15,111,331	\$ 14,553,359	\$ 101,793	\$ 119,149	\$ 15,213,124	\$ 14,672,508	3.7%

Long-Term Debt

As of June 30, 2015, the District had \$4,225,000 of general obligation bonds outstanding. This represents a decrease of 9.0% from last year. (See Figure A-7.) Additional information about the District's long-term debt is presented in Note 6 to the financial statements.

The District also had outstanding revenue bonds of \$4,340,000 for a geothermal heating and cooling system at the high school as of June 30, 2015. This represents a decrease of 6.2% from last year.

During the current fiscal year, the District entered into a lease purchase agreement to acquire laptops and iPads as part of the 1 to 1 initiative and the remaining obligation as of June 30, 2015 was \$381,676.

**Figure A-7
Outstanding Long-Term Obligations**

	<u>Total District</u>		Total
	<u>June 30,</u>		Percentage
	2015	2014	Change
			June 30,
			2014-15
General obligation bonds	\$ 4,225,000	\$ 4,645,000	(9.0)%
Unamortized bond premium	50,273	21,026	139.1
Revenue bonds	4,340,000	4,625,000	(6.2)
Lease purchase obligation	381,676	—	100.0
Total	<u>\$ 8,996,949</u>	<u>\$ 9,291,026</u>	<u>(3.2)%</u>

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware that low supplemental state aid and declining enrollment could significantly affect its financial health in the future.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Lisa Lewis, District Secretary/Treasurer, Hampton-Dumont Community School District, 601 - 12th Avenue, NE, Hampton, IA 50441.

Basic Financial Statements

Statement of Net Position

As of June 30, 2015

	Governmental Activities	Business- Type Activities	Total
Assets and Deferred Outflows of Resources			
Assets			
Cash, cash equivalents and pooled investments.....	\$ 6,487,998	\$ 83,014	\$ 6,571,012
Receivables			
Property Tax, Net of Allowance			
Current year delinquent.....	59,751	—	59,751
Succeeding year	5,102,631	—	5,102,631
Accounts	66,731	—	66,731
Due from other governments	677,694	13,334	691,028
Inventories and prepaid expenses	5,466	14,881	20,347
Capital assets, net of accumulated depreciation	15,111,331	101,793	15,213,124
Total Assets	<u>27,511,602</u>	<u>213,022</u>	<u>27,724,624</u>
Deferred Outflows of Resources			
Refunding loss	116,382	—	116,382
Pension-related deferred outflows	1,252,596	38,740	1,291,336
Total Deferred Outflows of Resources	<u>1,368,978</u>	<u>38,740</u>	<u>1,407,718</u>
Total Assets and Deferred Outflows of Resources ...	<u>\$ 28,880,580</u>	<u>\$ 251,762</u>	<u>\$ 29,132,342</u>
Liabilities, Deferred Inflows of Resources and Net Position			
Liabilities			
Accounts payable.....	\$ 710,339	\$ 242	\$ 710,581
Salaries and benefits payable.....	1,346,310	6,941	1,353,251
Internal balances.....	19,336	(19,336)	—
Accrued interest payable	147,210	—	147,210
Long-Term Liabilities			
Portion Due Within One Year			
General obligation bonds, net of unamortized premium.....	435,586	—	435,586
Revenue bonds	490,000	—	490,000
Lease purchase obligation	127,225	—	127,225
Early retirement.....	54,453	—	54,453
Portion Due After One Year			
General obligation bonds, net of unamortized premium.....	3,839,687	—	3,839,687
Revenue bonds	3,850,000	—	3,850,000
Lease purchase obligation	254,451	—	254,451
Early retirement.....	172,049	—	172,049
Net pension liability	4,882,470	151,004	5,033,474
Net OPEB liability.....	594,000	18,000	612,000
Total Liabilities	<u>16,923,116</u>	<u>156,851</u>	<u>17,079,967</u>
Deferred Inflows of Resources			
Unavailable property tax revenue	5,102,631	—	5,102,631
Pension-related deferred inflows	1,862,033	57,589	1,919,622
Total Deferred Inflows of Resources	<u>6,964,664</u>	<u>57,589</u>	<u>7,022,253</u>
Net Position			
Net investment in capital assets	6,496,058	101,793	6,597,851
Restricted for			
Categorical funding.....	61,661	—	61,661
Debt service	1,018,222	—	1,018,222
Management levy purposes.....	83,640	—	83,640
Physical plant and equipment.....	970,444	—	970,444
School infrastructure.....	306,656	—	306,656
Student activities.....	129,474	—	129,474
Unrestricted.....	(4,073,355)	(64,471)	(4,137,826)
Total Net Position	<u>4,992,800</u>	<u>37,322</u>	<u>5,030,122</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 28,880,580</u>	<u>\$ 251,762</u>	<u>\$ 29,132,342</u>

See accompanying notes to the financial statements.

Statement of Activities

Year Ended June 30, 2015

Functions/Programs	Expenses	Program Revenue		Net (Expenses), Revenue and Changes in Net Position		
		Charges for Service	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities						
Instruction						
Regular	\$ 6,353,331	\$ 409,007	\$ 1,635,242	\$ (4,309,082)	\$ —	\$ (4,309,082)
Special	2,235,017	48,050	320,165	(1,866,802)	—	(1,866,802)
Other	1,682,255	268,702	53,733	(1,359,820)	—	(1,359,820)
Total Instruction	<u>10,270,603</u>	<u>725,759</u>	<u>2,009,140</u>	<u>(7,535,704)</u>	<u>—</u>	<u>(7,535,704)</u>
Support Services						
Student	365,281	—	—	(365,281)	—	(365,281)
Instructional staff	1,132,579	—	22,488	(1,110,091)	—	(1,110,091)
Administration	1,271,615	29,966	—	(1,241,649)	—	(1,241,649)
Operation and maintenance of plant	1,094,661	26,187	44,651	(1,023,823)	—	(1,023,823)
Transportation	490,077	26,928	—	(463,149)	—	(463,149)
Total Support Services	<u>4,354,213</u>	<u>83,081</u>	<u>67,139</u>	<u>(4,203,993)</u>	<u>—</u>	<u>(4,203,993)</u>
Other Expenses						
Long-term debt interest and fiscal charges	338,601	—	—	(338,601)	—	(338,601)
AEA flows through	541,051	—	541,051	—	—	—
Total Other Expenses	<u>879,652</u>	<u>—</u>	<u>541,051</u>	<u>(338,601)</u>	<u>—</u>	<u>(338,601)</u>
Total Governmental Activities	<u>15,504,468</u>	<u>808,840</u>	<u>2,617,330</u>	<u>(12,078,298)</u>	<u>—</u>	<u>(12,078,298)</u>
Business-Type Activities						
Noninstructional Programs						
Food service operations	<u>842,623</u>	<u>276,015</u>	<u>572,922</u>	<u>—</u>	<u>6,314</u>	<u>6,314</u>
Total	<u>\$ 16,347,091</u>	<u>\$ 1,084,855</u>	<u>\$ 3,190,252</u>	<u>(12,078,298)</u>	<u>6,314</u>	<u>(12,071,984)</u>
General Revenue						
Property Tax Levied for						
General purposes				3,948,039	—	3,948,039
Management levy purposes				151,651	—	151,651
Debt service				521,131	—	521,131
Capital outlay				365,831	—	365,831
Income surtax				195,975	—	195,975
Statewide sales, services and use tax				1,146,673	—	1,146,673
Unrestricted state grants				6,430,836	—	6,430,836
Unrestricted investment earnings				33,809	144	33,953
Other				201,737	—	201,737
Total General Revenue				<u>12,995,682</u>	<u>144</u>	<u>12,995,826</u>
Change in Net Position				<u>917,384</u>	<u>6,458</u>	<u>923,842</u>
Net Position - Beginning of Year, as previously reported				9,889,399	224,678	10,114,077
Prior period adjustment (Note 15)				(5,813,983)	(193,814)	(6,007,797)
Net Position - Beginning of Year, as restated				<u>4,075,416</u>	<u>30,864</u>	<u>4,106,280</u>
Net Position - End of Year				<u>\$ 4,992,800</u>	<u>\$ 37,322</u>	<u>\$ 5,030,122</u>

See accompanying notes to the financial statements.

Balance Sheet - Governmental Funds

As of June 30, 2015

	General	Capital Projects	Nonmajor	Total
Assets				
Cash, cash equivalents and pooled investments	\$ 2,487,682	\$ 2,535,515	\$ 488,446	\$ 5,511,643
Receivables				
Property Tax, Net of Allowance				
Current year delinquent.....	48,139	4,019	7,593	59,751
Succeeding year	4,110,195	374,912	617,524	5,102,631
Accounts	45,769	11,160	9,802	66,731
Due from other funds.....	49,998	—	77	50,075
Due from other governments	<u>498,636</u>	<u>179,058</u>	<u>—</u>	<u>677,694</u>
Total Assets	<u>\$ 7,240,419</u>	<u>\$ 3,104,664</u>	<u>\$ 1,123,442</u>	<u>\$ 11,468,525</u>
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities				
Accounts payable	\$ 278,879	\$ 403,602	\$ 2,085	\$ 684,566
Salaries and benefits payable.....	1,346,310	—	—	1,346,310
Due to other funds	<u>19,413</u>	<u>—</u>	<u>49,998</u>	<u>69,411</u>
Total Liabilities	<u>1,644,602</u>	<u>403,602</u>	<u>52,083</u>	<u>2,100,287</u>
Deferred Inflows of Resources				
Unavailable Revenue				
Succeeding year property tax.....	4,110,195	374,912	617,524	5,102,631
Income surtax	<u>189,456</u>	<u>—</u>	<u>—</u>	<u>189,456</u>
Total Deferred Inflows of Resources	<u>4,299,651</u>	<u>374,912</u>	<u>617,524</u>	<u>5,292,087</u>
Fund Balances				
Restricted for				
Categorical funding	61,661	—	—	61,661
Debt service	—	1,049,050	14,219	1,063,269
Management levy purposes	—	—	310,142	310,142
Student activities	—	—	129,474	129,474
School infrastructure	—	970,444	—	970,444
Physical plant and equipment	—	306,656	—	306,656
Unassigned	<u>1,234,505</u>	<u>—</u>	<u>—</u>	<u>1,234,505</u>
Total Fund Balances	<u>1,296,166</u>	<u>2,326,150</u>	<u>453,835</u>	<u>4,076,151</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 7,240,419</u>	<u>\$ 3,104,664</u>	<u>\$ 1,123,442</u>	<u>\$ 11,468,525</u>

See accompanying notes to the financial statements.

Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position

As of June 30, 2015

Total Fund Balances for Governmental Funds (Page 16)....		\$ 4,076,151
<i>Amounts reported for governmental activities in the statement of net position are different because:</i>		
Income surtax receivable is not available to pay current year expenditures and, therefore, is recognized as deferred inflows of resources in the governmental funds.....		189,456
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.....		15,111,331
An internal service fund is used by management to charge the costs of health insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position.....		956,048
Unamortized refunding losses are amortized over the life of the bonds and, therefore, are not reported as assets in the governmental funds.....		116,382
Accrued interest payable on long-term liabilities is not due and payable in the current year and, therefore, is not reported as a liability in the governmental funds.....		(147,210)
Pension-related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental funds, as follows:		
Deferred outflows of resources	\$ 1,252,596	
Deferred inflows of resources	<u>(1,862,033)</u>	(609,437)
Long-term liabilities are not due and payable in the current year and, therefore, are not reported as liabilities in the governmental funds.		
General obligation bonds, net of unamortized premium....	\$ 4,275,273	
Revenue bonds	4,340,000	
Lease purchase obligation.....	381,676	
Early retirement.....	226,502	
Net OPEB liability	594,000	
Net pension liability	<u>4,882,470</u>	<u>(14,699,921)</u>
Net Position of Governmental Activities (Page 14)		<u>\$ 4,992,800</u>

Statement of Revenue, Expenditures and Changes in Fund Balances - Governmental Funds

Year Ended June 30, 2015

	General	Capital Projects	Nonmajor	Total
Revenue				
Local Sources				
Local tax	\$ 4,122,563	\$ 365,831	\$ 672,782	\$ 5,161,176
Tuition	387,847	—	—	387,847
Other	308,826	121,012	267,456	697,294
State sources	8,076,571	1,146,673	—	9,223,244
Federal sources	856,093	—	—	856,093
Total Revenue	<u>13,751,900</u>	<u>1,633,516</u>	<u>940,238</u>	<u>16,325,654</u>
Expenditures				
Current				
Instruction				
Regular	6,033,971	—	102,895	6,136,866
Special	2,288,862	—	—	2,288,862
Other	1,479,068	—	200,701	1,679,769
Total Instruction	<u>9,801,901</u>	<u>—</u>	<u>303,596</u>	<u>10,105,497</u>
Support Services				
Student	374,643	—	—	374,643
Instructional staff	605,937	539,549	—	1,145,486
Administration	1,240,310	60,677	—	1,300,987
Operation and maintenance of plant	831,392	12,808	170,399	1,014,599
Transportation	375,839	104,757	15,991	496,587
Total Support Services	<u>3,428,121</u>	<u>717,791</u>	<u>186,390</u>	<u>4,332,302</u>
Other Expenditures				
Facilities acquisition	—	1,054,275	—	1,054,275
Long-Term Debt				
Principal	—	—	705,000	705,000
Interest and fiscal charges	—	—	236,322	236,322
AEA flowthrough	541,051	—	—	541,051
Total Other Expenditures	<u>541,051</u>	<u>1,054,275</u>	<u>941,322</u>	<u>2,536,648</u>
Total Expenditures	<u>13,771,073</u>	<u>1,772,066</u>	<u>1,431,308</u>	<u>16,974,447</u>
Revenue Under Expenditures	<u>(19,173)</u>	<u>(138,550)</u>	<u>(491,070)</u>	<u>(648,793)</u>
Other Financing Sources (Uses)				
Proceeds from lease purchase	—	381,676	—	381,676
Proceeds from sale of assets	—	74,747	—	74,747
Transfers in	—	—	471,397	471,397
Transfers out	—	(471,397)	—	(471,397)
Total Other Financing Sources (Uses)	<u>—</u>	<u>(14,974)</u>	<u>471,397</u>	<u>456,423</u>
Change in Fund Balances	<u>(19,173)</u>	<u>(153,524)</u>	<u>(19,673)</u>	<u>(192,370)</u>
Fund Balances - Beginning of Year	1,315,339	2,479,674	473,508	4,268,521
Fund Balances - End of Year	<u>\$ 1,296,166</u>	<u>\$ 2,326,150</u>	<u>\$ 453,835</u>	<u>\$ 4,076,151</u>

See accompanying notes to the financial statements.

Reconciliation of the Statement of Revenue, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities

Year Ended June 30, 2015

Change in Fund Balances - Total Governmental Funds (Page 18) \$ (192,370)

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the statement of activities and are allocated over their estimated useful lives as depreciation expense in the statement of activities. The amounts of capital outlays and depreciation expense for the year are as follows:

Capital outlays.....	\$ 698,031	
Depreciation expense.....	<u>(521,735)</u>	176,296

Income surtax not collected for several months after year end is not considered available revenue and is recognized as deferred inflows of resources in the governmental funds.....		21,452
---	--	--------

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the governmental funds when due. In the statement or activities, interest expense is recognized as the interest accrues, regardless of when it is due.....		(60,100)
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Amortization of premiums and refunding losses on bonds payable did not provide or use current financial resources of governmental funds but it decreases deferred outflows of resources and liabilities in the statement of net position		(42,179)
--	--	----------

Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term debt in the statement of net position.....		705,000
---	--	---------

The current year District employer share of IPERS contributions is reported as expenditures in the governmental funds, but is reported as a deferred outflow of resources in the statement of net position.....		743,672
---	--	---------

An internal service fund is used by management to charge the costs of health insurance to individual funds. The change in net position in the internal service fund is reported with governmental activities in the statement of activities		24,251
---	--	--------

Some expenses in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Early retirement.....	\$ 86,958	
Pension expense.....	(421,596)	
Other post employment benefits.....	<u>(124,000)</u>	<u>(458,638)</u>

Change in Net Position of Governmental Activities (Page 15) \$ 917,384

Statement of Net Position - Proprietary Funds

As of June 30, 2015

	<u>Nonmajor Enterprise School Nutrition</u>	<u>Internal Service Health Insurance</u>
Assets and Deferred Outflows of Resources		
Current Assets		
Cash, cash equivalents and pooled investments	\$ 83,014	\$ 976,355
Due from other funds	19,336	—
Due from other governments	13,334	—
Inventories and prepaid expenses	14,881	5,466
Total Current Assets	<u>130,565</u>	<u>981,821</u>
Capital Assets, Net of Accumulated Depreciation	<u>101,793</u>	<u>—</u>
Total Assets	<u>232,358</u>	<u>981,821</u>
Deferred Outflows of Resources		
Pension-related deferred outflows	<u>38,740</u>	<u>—</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 271,098</u>	<u>\$ 981,821</u>
Liabilities, Deferred Inflows of Resources and Net Position		
Current Liabilities		
Accounts payable	\$ 242	\$ 25,773
Salaries and benefits payable	6,941	—
Total Current Liabilities	<u>7,183</u>	<u>25,773</u>
Noncurrent Liabilities		
Net pension liability	151,004	—
Net OPEB liability	18,000	—
Total Noncurrent Liabilities	<u>169,004</u>	<u>—</u>
Total Liabilities	<u>176,187</u>	<u>25,773</u>
Deferred Inflows of Resources		
Pension-related deferred inflows	<u>57,589</u>	<u>—</u>
Net Position		
Net investment in capital assets	101,793	—
Unrestricted	(64,471)	956,048
Total Net Position	<u>37,322</u>	<u>956,048</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 271,098</u>	<u>\$ 981,821</u>

See accompanying notes to the financial statements.

Statement of Revenue, Expenses and Changes in Fund Net Position - Proprietary Funds

Year Ended June 30, 2015

	<u>Nonmajor Enterprise School Nutrition</u>	<u>Internal Service Health Insurance</u>
Operating Revenue		
Local Sources		
Charges for service	\$ 268,469	\$ —
Other receipts	7,546	—
Health insurance contributions	<u>—</u>	<u>1,577,938</u>
Total Operating Revenue	<u>276,015</u>	<u>1,577,938</u>
Operating Expenses		
Noninstructional Programs		
Food Service Operations		
Salaries and benefits	383,820	—
Purchased services and supplies	440,538	—
Depreciation	18,265	—
Health insurance premiums, claims and fees	<u>—</u>	<u>1,556,448</u>
Total Operating Expenses	<u>842,623</u>	<u>1,556,448</u>
Income (Loss) From Operations	<u>(566,608)</u>	<u>21,490</u>
Nonoperating Revenue		
State sources	6,891	—
Federal sources	566,031	—
Interest on investments	<u>144</u>	<u>2,761</u>
Total Nonoperating Revenue	<u>573,066</u>	<u>2,761</u>
Change in Net Position	<u>6,458</u>	<u>24,251</u>
Net Position - Beginning of Year, as previously reported	224,678	931,797
Prior period adjustment (Note 15)	<u>(193,814)</u>	<u>—</u>
Net Position - Beginning of Year, as restated	<u>30,864</u>	<u>931,797</u>
Net Position - End of Year	<u>\$ 37,322</u>	<u>\$ 956,048</u>

See accompanying notes to the financial statements.

Statement of Cash Flows - Proprietary Funds

Year Ended June 30, 2015

	<u>Nonmajor Enterprise School Nutrition</u>	<u>Internal Service Health Insurance</u>
Cash Flows From Operating Activities		
Cash received from sale of lunches and breakfasts.....	\$ 249,133	\$ —
Cash received from other	7,546	—
Cash received from assessments made to other funds	—	1,600,943
Cash payments to employees for services	(398,280)	—
Cash payments to suppliers for goods or services.....	(387,738)	—
Cash payments for insurance premiums, claims and fees	—	(1,546,417)
Net Cash Provided by (Used in) Operating Activities	<u>(529,339)</u>	<u>54,526</u>
Cash Flows From Noncapital Financing Activities		
State grants received.....	6,891	—
Federal grants received.....	508,751	—
Net Cash Provided by Noncapital Financing Activities	<u>515,642</u>	<u>—</u>
Cash Flows From Capital and Related Financing Activities		
Acquisition of capital assets.....	(909)	—
Cash Flows From Investing Activities		
Interest on investments	144	2,761
Net Increase (Decrease) in Cash, Cash Equivalents and Pooled Investments	(14,462)	57,287
Cash, Cash Equivalents and Pooled Investments - Beginning of Year	97,476	919,068
Cash, Cash Equivalents and Pooled Investments - End of Year	<u>\$ 83,014</u>	<u>\$ 976,355</u>
Reconciliation of Income (Loss) From Operations to Net Cash Provided by (Used in) Operating Activities		
Income (loss) from operations.....	\$ (566,608)	\$ 21,490
Adjustments to Reconcile Income (Loss) From Operations to Net Cash Provided by (Used in) Operating Activities		
Commodities used.....	58,647	—
Depreciation	18,265	—
Increase (decrease) in due from other funds	(19,336)	23,005
Increase in inventories and prepaid expenses.....	(5,870)	—
Increase in accounts payable and provision for health insurance claims	23	10,031
Decrease in salaries and benefits payable	(8,500)	—
Decrease in net pension liability	(51,059)	—
Increase in deferred outflows of resources	(16,490)	—
Increase in deferred inflows of resources	57,589	—
Increase in other postemployment benefits	4,000	—
Net Cash Provided by (Used in) Operating Activities	<u>\$ (529,339)</u>	<u>\$ 54,526</u>

Noncash Investing, Capital and Financing Activities

During the year ended June 30, 2015, the District received \$57,992 of federal commodities.

See accompanying notes to the financial statements.

Statement of Fiduciary Net Position - Fiduciary Funds

As of June 30, 2015

	Private Purpose Trusts
Assets	
Cash, cash equivalents and pooled investments	\$ 38,777
Accounts receivable	<u>370</u>
Total Assets	<u>\$ 39,147</u>
Liabilities and Net Position	
Liabilities	
Accounts payable	<u>\$ 8,085</u>
Net Position	
Restricted for special purposes	<u>31,062</u>
Total Liabilities and Net Position	<u>\$ 39,147</u>

Statement of Changes in Fiduciary Net Position - Fiduciary Funds ---

Year Ended June 30, 2015

	Private Purpose Trusts
Additions	
Local Sources	
Interest income	<u>\$ 159</u>
Deductions	
Instruction	
Other	<u>450</u>
Change in Net Position	(291)
Net Position - Beginning of Year	<u>31,353</u>
Net Position - End of Year	<u>\$ 31,062</u>

Notes to the Financial Statements

(1) Summary of Significant Accounting Policies

Hampton-Dumont Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. The geographic area served includes the Cities of Hampton and Dumont, Iowa, and the predominate agricultural territory in Franklin and Butler Counties. The District is governed by a Board of Education whose members are elected on a nonpartisan basis.

The District's financial statements are prepared in conformity with accounting principles generally accepted in the United States of America as prescribed by the Government Accounting Standards Board.

Reporting Entity

For financial reporting purposes, Hampton-Dumont Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations

The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Franklin and Butler Counties Assessor's Conference Board.

Basis of Presentation

Government-Wide Financial Statements

The statement of net position and the statement of activities report information on all the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenue, are reported separately from business-type activities, which rely to a significant extent on fees and charges for service.

The statement of net position presents the District's nonfiduciary assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Net position is reported in the following categories:

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt that are attributed to the acquisition, construction or improvement of those assets.

Restricted net position results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

Notes to the Financial Statements

(1) Summary of Significant Accounting Policies

Unrestricted net position consists of net position not meeting the definition of the preceding categories. Unrestricted net position often has constraints on resources that are imposed by management, but can be removed or modified.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and (2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenue are reported instead as general revenue.

Fund Financial Statements

Separate financial statements are provided for governmental, proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds. Combining schedules are also included for the Capital Project Fund accounts.

The District reports the following major governmental funds:

The *General Fund* is the general operating fund of the District. All general tax revenue and other revenue not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The *Capital Projects Fund* is used to account for all resources used in the acquisition and construction of capital facilities and other capital assets.

The District's proprietary funds are the School Nutrition Fund, a nonmajor enterprise fund, used to account for the food service operations of the District and the Health Insurance Fund, an internal service fund, used to account for the District's health insurance plan payments.

The District also reports a fiduciary fund which focuses on net position and changes in net position. The District's fiduciary fund includes the following:

The *Private Purpose Trusts Fund* is used to account for assets held by the District under trust agreements which require income earned to be used to benefit individuals through scholarship awards.

Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Notes to the Financial Statements

(1) Summary of Significant Accounting Policies

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available when it is collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenue to be available if it is collected within 60 days after year end.

Property tax, intergovernmental revenue (shared revenue, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenue. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenue.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the District's enterprise fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Cash Equivalents and Pooled Investments

The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for nonnegotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Notes to the Financial Statements

(1) Summary of Significant Accounting Policies

Property Tax Receivable

Property tax in the governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1-1/2% monthly penalty for delinquent payments; is based on January 1, 2013 assessed property valuations; is for the tax accrual period July 1, 2014 through June 30, 2015; and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2014.

Due From Other Governments

Due from other governments represents amounts due from the State of Iowa, various shared revenue, grants and reimbursements from other governments.

Inventories

Inventories are valued at cost using the first-in, first-out (FIFO) method for purchased items and contributed value for government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets

Capital assets, which include property, furniture and equipment and intangibles, are reported in the applicable governmental or business-type activities columns in the government-wide statement of net position. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. The District did not have any intangible assets as of June 30, 2015. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Land.....	\$ 2,000
Buildings and improvements	2,000
Intangibles.....	2,000
Furniture and Equipment	
School Nutrition Fund equipment	500
Other furniture and equipment.....	2,000

Notes to the Financial Statements

(1) Summary of Significant Accounting Policies

Capital assets are depreciated/amortized using the straight-line method over the following estimated useful lives:

Buildings and improvements	20 - 50 Years
Intangibles.....	5 - 10 Years
Furniture and equipment	5 - 15 Years

Deferred Outflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense and contributions from the employer after the measurement date but before the end of the employer's reporting period, as well as an unamortized refunding loss.

Salaries and Benefits Payable

Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Compensated Absences

District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect as of June 30, 2015. The compensated absences liability was deemed to be immaterial as of June 30, 2015.

Long-Term Liabilities

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the statement of net position.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Iowa Public Employees' Retirement System (IPERS) and additions to/deductions from IPERS' fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

(1) Summary of Significant Accounting Policies

Deferred Inflows of Resources

Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Although certain revenue is measurable, it is not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consists of property tax and income surtax receivable not collected within 60 days after year end.

Deferred inflows of resources in the statement of net position consist of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied and the unamortized portion of the net difference between projected and actual earnings on pension plan investments.

Fund Equity

In the governmental fund financial statements, fund balances are classified as follows:

Restricted - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Unassigned - All amounts not included in the preceding classification.

Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as required supplementary information. During the year ended June 30, 2015, expenditures exceeded the amounts budgeted in the support services and other expenditures functions; however, the District did not exceed its General Fund unspent authorized budget.

Estimates and Assumptions

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Notes to the Financial Statements

(2) Cash, Cash Equivalents and Pooled Investments

The District's deposits in banks as of June 30, 2015 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States Government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high-rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

As of June 30, 2015, the District had no investments.

(3) Due From and Due to Other Funds

The detail of interfund receivables and payables as of June 30, 2015 is as follows:

Receivable Fund	Payable Fund	Amount
General	Debt Service	\$ 49,998
Special Revenue		
Student Activity	General	77
Enterprise		
School Nutrition	General	<u>19,336</u>
		<u>\$ 69,411</u>

The Debt Service Fund is repaying the General Fund for revenue incorrectly recorded in a prior year. The General Fund is repaying the Special Revenue, Student Activity Fund for a miscellaneous item not paid prior to the end of the year and the Enterprise, School Nutrition Fund for a Payschool deposit recorded incorrectly to the General Fund. The balances are to be repaid by June 30, 2016.

(4) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2015 is as follows:

Transfer To	Transfer From	Amount
Debt Service	Capital Projects	<u>\$ 471,397</u>

Transfers generally move revenue from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

Notes to the Financial Statements

(5) Capital Assets

Capital assets activity for the year ended June 30, 2015 was as follows:

	Balance - Beginning of Year	Increases	Decreases	Balance - End of Year
Governmental Activities				
Capital Assets Not Being Depreciated				
Land.....	\$ 202,500	\$ —	\$ —	\$ 202,500
Construction in progress	49,038	645,950	65,384	629,604
Total Capital Assets Not Being Depreciated.....	<u>251,538</u>	<u>645,950</u>	<u>65,384</u>	<u>832,104</u>
Capital Assets Being Depreciated				
Buildings and improvements	17,801,230	278,290	—	18,079,520
Furniture and equipment	1,671,586	220,851	15,500	1,876,937
Total Capital Assets Being Depreciated.....	<u>19,472,816</u>	<u>499,141</u>	<u>15,500</u>	<u>19,956,457</u>
Less Accumulated Depreciation for				
Buildings and improvements	3,931,410	369,350	—	4,300,760
Furniture and equipment	1,239,585	152,385	15,500	1,376,470
Total Accumulated Depreciation...	<u>5,170,995</u>	<u>521,735</u>	<u>15,500</u>	<u>5,677,230</u>
Total Capital Assets Being Depreciated, Net	<u>14,301,821</u>	<u>(22,594)</u>	<u>—</u>	<u>14,279,227</u>
Governmental Activities Capital Assets, Net.....	<u>\$ 14,553,359</u>	<u>\$ 623,356</u>	<u>\$ 65,384</u>	<u>\$ 15,111,331</u>
Business-Type Activities				
Furniture and equipment	\$ 229,216	\$ 909	\$ —	\$ 230,125
Less accumulated depreciation	110,067	18,265	—	128,332
Business-Type Activities Capital Assets, Net.....	<u>\$ 119,149</u>	<u>\$ (17,356)</u>	<u>\$ —</u>	<u>\$ 101,793</u>

Depreciation expense was charged to the following functions:

Governmental Activities

Instruction	
Regular	\$ 371,574
Special.....	905
Other.....	40,538
Support Services	
Administration	472
Operation and maintenance of plant	12,961
Transportation.....	95,285
Total Depreciation Expense - Governmental Activities	<u>\$ 521,735</u>
Business-Type Activities	
Food service operations	<u>\$ 18,265</u>

Notes to the Financial Statements

(6) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2015 are summarized as follows:

	Balance - Beginning of Year (Restated)	Additions	Reductions	Balance - End of Year	Due Within One Year
Governmental Activities					
General obligation					
bonds.....	\$ 4,645,000	\$ —	\$ 420,000	\$ 4,225,000	\$ 430,000
Unamortized bond					
premium.....	21,026	34,833	5,586	50,273	5,586
Revenue bonds	4,625,000	—	285,000	4,340,000	490,000
Lease purchase					
obligation	—	381,676	—	381,676	127,225
Early retirement	313,460	—	86,958	226,502	54,453
Net pension liability....	6,533,372	—	1,650,902	4,882,470	—
Net OPEB liability	470,000	124,000	—	594,000	—
Total	\$ 16,607,858	\$ 540,509	\$ 2,448,446	\$ 14,699,921	\$ 1,107,264
Business-Type Activities					
Net pension liability....	\$ 202,063	\$ —	\$ 51,059	\$ 151,004	\$ —
Net OPEB liability	14,000	4,000	—	18,000	—
Total	\$ 216,063	\$ 4,000	\$ 51,059	\$ 169,004	\$ —

General Obligation Bonds

Details of the District's June 30, 2015 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bonds Issued June 7, 2012		
	Interest Rates	Principal	Interest
2016	2.00%	\$ 430,000	\$ 86,025
2017	2.00	440,000	77,425
2018	2.00	450,000	68,625
2019	2.00	455,000	59,625
2020	2.00	470,000	50,525
2021-2024	2.00 - 2.20	1,980,000	105,705
Total		\$ 4,225,000	\$ 447,930

Revenue Bonds

Details of the District's June 30, 2015 statewide sales, services and use tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Bonds Issued June 1, 2011		
	Interest Rates	Principal	Interest
2016	2.10%	\$ 490,000	\$ 131,900
2017	2.50	500,000	120,505
2018	2.90	515,000	106,788
2019	3.10	530,000	91,105
2020	3.30	545,000	73,897
2021-2023	3.50 - 3.85	1,760,000	101,068
Total		\$ 4,340,000	\$ 625,263

Notes to the Financial Statements

(6) Long-Term Liabilities

The District has pledged future statewide sales, services and use tax revenue to repay the bonds issued in June, 2011. The bonds were issued for the purpose of financing the installation of a geothermal heating and cooling system at the high school. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenue received by the District and are payable through 2023. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require nearly 60% of the statewide sales, services and use tax revenue. The total principal and interest remaining to be paid on the bonds is \$4,965,263. For the current year, principal of \$285,000 and interest of \$139,895 was paid on the bonds and total statewide sales, services and use tax revenue was \$1,146,673.

The resolution providing for the issuance of the statewide sales, services and use tax revenue bonds includes the following provisions:

- (a) \$490,500 of the proceeds from the issuance of revenue bonds shall be deposited to a reserve account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the sinking account. The balance of the proceeds shall be deposited to the project account.
- (b) All proceeds from the statewide sales, services and use tax shall be placed in a revenue account.
- (c) Monies in the revenue account shall be disbursed to make deposits into a sinking account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- (d) Any monies remaining in the revenue account after the required transfer to the sinking account may be transferred to the project account to be used for any lawful purpose.

The District complied with all the revenue bond provisions during the year ended June 30, 2015.

Capital Lease Obligation

In May, 2014, the District entered into a lease-purchase agreement for laptops and iPads as part of the 1 to 1 initiative. The iPads were received prior to June 30, 2014, and the District made a payment of \$81,816. The laptops were received in July, 2014 and recognized as a capital lease. A payment of \$127,225 was made during the year ended June 30, 2015, with three remaining annual payments of \$127,225.

(7) Operating Lease

In October, 2010, the District entered into a five-year lease for the use of the auditorium and gym at the former middle school. The annual lease payment was \$12,808 in the current year, increasing 3-1/2% annually for the next two years, when the annual lease payment will be adjusted down with payments increasing 3% annually in the remaining year.

In April, 2011, the District entered into a five-year lease for copiers that requires minimum monthly payments of \$3,551 starting in May, 2011.

Notes to the Financial Statements

(7) Operating Lease

Rental expense was \$67,425 for all operating lease agreements during the year ended June 30, 2015.

The future minimum lease payments required under operating leases that have initial or remaining noncancelable lease terms in excess of one year as of June 30, 2015 are as follows:

Year Ending June 30,

2016	\$ 45,219
2017	13,721
2018	13,113
2019	<u>13,506</u>
	<u>\$ 85,559</u>

(8) Pension Plan

Plan Description

IPERS membership is mandatory for employees of the District, except for those covered by another retirement system. Employees of the District are provided with pensions through a cost-sharing multiple-employer defined benefit pension plan administered by IPERS. IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive, P.O. Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code Chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits

A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, any time after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. (These qualifications must be met on the member's first month of entitlement to benefits.) Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a regular member's monthly IPERS benefit includes:

- A multiplier (based on years of service).
- The member's highest five-year average salary. (For members with service before June 30, 2012, the highest three-year average salary as of that date will be used if it is greater than the highest five-year average salary.)

(8) Pension Plan

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25% for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50% for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July, 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits

A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions

Effective July 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to one percentage point. IPERS' Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2015, pursuant to the required rate, regular members contributed 5.95% of pay and the District contributed 8.93% for a total rate of 14.88%.

The District's contributions to IPERS for the year ended June 30, 2015 were \$762,869.

Net Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

As of June 30, 2015, the District reported a liability of \$5,033,474 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. As of June 30, 2014, the District's proportion was 0.124373% which was an increase of 0.005415% from its proportion measured as of June 30, 2013.

Notes to the Financial Statements

(8) Pension Plan

For the year ended June 30, 2015, the District recognized pension expense of \$434,635. As of June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 54,704	\$ —
Changes of assumptions	222,139	—
Net difference between projected and actual earnings on pension plan investments.....	—	1,919,622
Changes in proportion and differences between District contributions and proportionate share of contributions	247,821	—
District contributions subsequent to the measurement date.....	<u>766,672</u>	<u>—</u>
Total	<u>\$ 1,291,336</u>	<u>\$ 1,919,622</u>

\$766,672 reported as deferred outflows of resources related to pensions resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,

2016	\$ (357,320)
2017	(357,320)
2018	(357,320)
2019	(357,320)
2020	<u>34,322</u>
Total	<u>\$ (1,394,958)</u>

There were no nonemployer contributing entities at IPERS.

Actuarial Assumptions

The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of inflation (effective June 30, 2014)	3%
Salary increases (effective June 30, 2014)	4%, average, including inflation
Investment rate of return (effective June 30, 1996)	7.5% per annum, compounded annually, net of pension plan investment expense, including inflation

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

Notes to the Financial Statements

(8) Pension Plan

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
US Equity	23%	6.31%
Non-US Equity	15	6.76
Private Equity	13	11.34
Real Estate	8	3.52
Core Plus Fixed Income	28	2.06
Credit Opportunities	5	3.67
TIPS	5	1.92
Other Real Assets	2	6.27
Cash	1	(0.69)
Total	<u>100%</u>	

Discount Rate

The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the District will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.5%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.5%) or one percentage point higher (8.5%) than the current rate.

	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
District's proportionate share of the net pension liability	\$ 9,510,608	\$ 5,033,474	\$ 1,254,309

Notes to the Financial Statements

(8) Pension Plan

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

Payables to the Pension Plan

As of June 30, 2015, the District reported no material payables to the defined benefit pension plan.

(9) Other Postemployment Benefits (OPEB)

Plan Description

The District operates a single-employer health benefit plan which provides medical and prescription drug benefits for employees, retirees and their spouses. There are 203 active and 16 retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

Funding Policy

The contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation

The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding which, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2015, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 311,000
Interest on net OPEB obligation.....	21,000
Adjustment to annual required contribution.....	<u>(109,000)</u>
Annual OPEB Cost	223,000
Contributions made	<u>(81,000)</u>
Increase in Net OPEB Obligation	142,000
Net OPEB Obligation - Beginning of Year.....	<u>470,000</u>
Net OPEB Obligation - End of Year	<u>\$ 612,000</u>

Notes to the Financial Statements

(9) Other Postemployment Benefits (OPEB)

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end-of-year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2015.

For the fiscal year 2015, the District contributed \$81,000 to the medical plan. Plan members eligible for benefits contributed \$11,700, or 12.6%, of the premium costs.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation are summarized as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2013	\$ 311,835	72.8%	\$ 264,000
June 30, 2014	279,000	26.2	470,000
June 30, 2015	223,000	36.3	612,000

Funded Status and Funding Progress

As of July 1, 2012, the most recent actuarial valuation date for the period of July 1, 2014 through June 30, 2015, the actuarial accrued liability was \$1.344 million, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$1.344 million. The covered payroll (annual payroll of active employees covered by the plan) was \$8.543 million, and the ratio of the UAAL to the covered payroll was 15.7%. As of June 30, 2015, there were no trust fund assets.

Actuarial Methods and Assumptions

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress for the retiree health plan, presented as required supplementary information in the section following the notes to financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Notes to the Financial Statements

(9) Other Postemployment Benefits (OPEB)

As of the July 1, 2012 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions include a 4.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 10%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 0.5% each year until reaching the 5% ultimate trend rate. An inflation rate of 0% is assumed for the purpose of this computation.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Valuation Report as of June 30, 2012 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2012.

Projected claim costs of the medical plan are \$667 per month for retirees age 60. The salary increase rate was assumed to be 3.5% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(10) Risk Management

The District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(11) Area Education Agency Support

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the Area Education Agency. The District's actual amount for this purpose totaled \$541,051 for the year ended June 30, 2015, and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(12) Early Retirement

In prior years, the District offered a voluntary early retirement plan for employees who were at least 55 years of age and had completed at least 15 years of continuous service to the District. The program was not offered for the year ended June 30, 2015. The benefit depends on the classification of the employee. For licensed staff, it consists of two parts. Part one is a cash payment of \$1,000 for each year of service, capped at \$25,000. The second part is a payment of \$100 for each unused sick day. These payments are deposited into an escrow account to be used for insurance premiums. Support staff receive 75 days per diem, deposited into an escrow account to be used for insurance premiums. The Board has complete discretion to offer or not to offer an early retirement plan.

As of June 30, 2015, the District had obligations to 19 participants with a total liability of \$226,502. Actual early retirement expenditures for the year ended June 30, 2015 totaled \$86,958.

Notes to the Financial Statements

(13) Subsequent Events

Management has evaluated subsequent events through January 12, 2016, the date which the financial statements were available to be issued.

(14) Commitments

As of June 30, 2015, the District was committed to various construction contracts related to the North Side Renovation Project and several miscellaneous projects totaling approximately \$940,000.

(15) Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions - an Amendment of GASB No. 27*, was implemented during fiscal year 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, GASB No. 68 requires a state or local government employer to recognize a net pension liability and for changes in the net pension liability, deferred outflows of resources and deferred inflows of resources which arise from other types of events related to pensions. During the transition year, as permitted, beginning balances for deferred outflows of resources and deferred inflows of resources will not be reported, except for deferred outflows of resources related to contributions made after the measurement date of the beginning net pension liability which is required to be reported by Governmental Accounting Standards Board Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Beginning net position for governmental and business-type activities were restated to retroactively report the beginning net pension liability and deferred outflows of resources related to contributions made after the measurement date.

Additionally, beginning net position for business-type activities was restated to retroactively report the beginning net OPEB liability related to the School Nutrition Fund.

	Governmental Activities	Business-Type Activities and Nonmajor Enterprise Fund - School Nutrition
Net position - June 30, 2014, as previously reported	\$ 9,889,399	\$ 224,678
Net pension liability as of June 30, 2014.....	(6,533,372)	(202,063)
Deferred outflows of resources related to contributions made after the June 30, 2013 measurement date	719,389	22,249
Net OPEB liability as of June 30, 2014	—	(14,000)
Net Position - July 1, 2014, as Restated.....	<u>\$ 4,075,416</u>	<u>\$ 30,864</u>

Lastly, during the year ended June 30, 2015, management determined that a scholarship trust account was being incorrectly reported as an agency fund rather than as a special purpose trust fund. As a result, the Agency Fund is now being reported as part of the Special Purpose Trusts Fund, and there was no change in net position as of June 30, 2015 and 2014.

Required Supplementary Information

Schedule of Budgetary Comparison of Revenue, Expenditures/Expenses and Changes in Balances - Budget to Actual - All Governmental Funds and Proprietary Fund

Year Ended June 30, 2015

	<u>Actual</u>			<u>Budgeted Amounts</u>		Over (Under) Budget
	<u>Governmental Funds</u>	<u>Proprietary Fund</u>	<u>Total</u>	<u>Original</u>	<u>Final</u>	
Revenue						
Local sources	\$ 6,246,317	\$ 276,159	\$ 6,522,476	\$ 7,222,979	\$ 7,222,979	\$ (700,503)
State sources	9,223,244	6,891	9,230,135	8,330,791	8,330,791	899,344
Federal sources	856,093	566,031	1,422,124	1,410,000	1,410,000	12,124
Total Revenue	<u>16,325,654</u>	<u>849,081</u>	<u>17,174,735</u>	<u>16,963,770</u>	<u>16,963,770</u>	<u>210,965</u>
Expenditures/Expenses						
Instruction.....	10,105,497	—	10,105,497	10,441,000	10,441,000	(335,503)
Support services	4,332,302	—	4,332,302	4,145,000	4,145,000	187,302
Noninstructional programs	—	842,623	842,623	908,000	908,000	(65,377)
Other expenditures.....	2,536,648	—	2,536,648	2,070,257	2,200,257	336,391
Total Expenditures/ Expenses.....	<u>16,974,447</u>	<u>842,623</u>	<u>17,817,070</u>	<u>17,564,257</u>	<u>17,694,257</u>	<u>122,813</u>
Revenue Over (Under) Expenditures/Expenses	(648,793)	6,458	(642,335)	(600,487)	(730,487)	88,152
Other Financing Sources, Net.....	<u>456,423</u>	<u>—</u>	<u>456,423</u>	<u>—</u>	<u>—</u>	<u>456,423</u>
Revenue and Other Financing Sources Over (Under) Expenditures/ Expenses and Other Financing Uses	(192,370)	6,458	(185,912)	(600,487)	(730,487)	544,575
Balance - Beginning of Year, as restated (Note 15).....	4,268,521	30,864	4,299,385	4,004,048	4,004,048	295,337
Balance - End of Year	<u>\$ 4,076,151</u>	<u>\$ 37,322</u>	<u>\$ 4,113,473</u>	<u>\$ 3,403,561</u>	<u>\$ 3,273,561</u>	<u>\$ 839,912</u>

Notes to Required Supplementary Information - Budgetary Reporting **————**

Year Ended June 30, 2015

This budgetary comparison is presented as required supplementary information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except the private-purpose trusts fund. The budget may be amended during the year utilizing similar and statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, noninstructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment, increasing budgeted expenditures by \$130,000.

During the year ended June 30, 2015, expenditures in the support services and other expenditures functions exceeded the amounts budgeted; however, the District did not exceed its General Fund unspent authorized budget.

Schedule of Proportionate Share of the Net Pension Liability ————— Iowa Public Employees' Retirement System

Last Fiscal Year*

	2015
District's proportion of the net pension liability	0.124373%
District's proportionate share of the net pension liability	\$5,033,474
District's covered-employee payroll	\$8,309,000
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	60.58%
Plan fiduciary net position as a percentage of the total pension liability	87.61%

* The amounts presented for each fiscal year were determined as of June 30.

Note: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full ten-year trend is compiled, the District will present information for those years for which information is available.

Schedule of Contributions
Iowa Public Employees' Retirement System

Last Ten Fiscal Years

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Statutorily required contribution	\$ 763,000	\$ 742,000	\$ 667,000	\$ 611,000	\$ 520,000	\$ 462,000	\$ 418,000	\$ 397,000	\$ 362,000	\$ 342,000
Contributions in relation to the statutorily required contributions.....	<u>(763,000)</u>	<u>(742,000)</u>	<u>(667,000)</u>	<u>(611,000)</u>	<u>(520,000)</u>	<u>(462,000)</u>	<u>(418,000)</u>	<u>(397,000)</u>	<u>(362,000)</u>	<u>(342,000)</u>
Contribution Deficiency (Excess).....	<u>\$ —</u>									
District's covered-employee payroll	\$ 8,544,000	\$ 8,309,000	\$ 7,693,000	\$ 7,571,000	\$ 7,482,000	\$ 6,947,000	\$ 6,583,000	\$ 6,562,000	\$ 6,296,000	\$ 5,948,000
Contributions as a percentage of covered-employee payroll	8.93%	8.93%	8.67%	8.07%	6.95%	6.65%	6.35%	6.05%	5.75%	5.75%

Notes to Required Supplementary Information - Pension Liability ---

Year Ended June 30, 2015

Changes of Benefit Terms

Legislation passed in 2010 modified benefit terms for current regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3% per year measured from the member's first unreduced retirement age to a 6% reduction for each year of retirement before age 65.

In 2008, legislative action transferred four groups – emergency medical service providers, county jailers, county attorney investigators and National Guard installation security officers – from regular membership to the protection occupation group for future service only.

Benefit provisions for sheriffs and deputies were changed in the 2004 legislative session. The eligibility for unreduced retirement benefits was lowered from age 55 by one year each July 1 (beginning in 2004) until it reached age 50 on July 1, 2008. The years of service requirement remained at 22 or more. Their contribution rates were also changed to be shared 50-50 by the employee and employer, instead of the previous 40-60 split.

Changes of Assumptions

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30-year amortization period to a closed 30-year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20-year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates.
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

Notes to Required Supplementary Information - Pension Liability ---

Year Ended June 30, 2015

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included in the calculation of the UAL amortization payments the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate.

The 2006 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted salary increase assumptions to service based assumptions.
- Decreased the assumed interest rate credited on employee contributions from 4.25% to 4.00%.
- Lowered the inflation assumption from 3.50% to 3.25%.
- Lowered disability rates for sheriffs and deputies and protection occupation members.

Schedule of Funding Progress for the Retiree Health Plan ---

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
2010	7-1-09	\$ —	\$ 1,422,000	\$ 1,422,000	0%	\$ 7,054,000	20.2%
2011	7-1-09	—	1,422,000	1,422,000	0	7,524,000	18.9
2012	7-1-09	—	1,422,000	1,422,000	0	7,859,000	18.1
2013	7-1-12	—	1,344,000	1,344,000	0	8,080,000	16.6
2014	7-1-12	—	1,344,000	1,344,000	0	8,750,000	15.4
2015	7-1-12	—	1,344,000	1,344,000	0	8,543,000	15.7

See Note 9 in the accompanying notes to the financial statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

Supplementary Information

Combining Balance Sheet - Nonmajor Governmental Funds

As of June 30, 2015

	<u>Special Revenue</u>		Debt Service	Total
	Student Activity	Management Levy		
Assets				
Cash, cash equivalents and pooled investments.....	\$ 121,680	\$ 308,274	\$ 58,492	\$ 488,446
Receivables				
Property Tax, Net of Allowance				
Current year delinquent	—	1,868	5,725	7,593
Succeeding year.....	—	100,000	517,524	617,524
Accounts	9,802	—	—	9,802
Due from other funds.....	<u>77</u>	<u>—</u>	<u>—</u>	<u>77</u>
Total Assets	<u>\$ 131,559</u>	<u>\$ 410,142</u>	<u>\$ 581,741</u>	<u>\$ 1,123,442</u>
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities				
Accounts payable	\$ 2,085	\$ —	\$ —	\$ 2,085
Due to other funds.....	<u>—</u>	<u>—</u>	<u>49,998</u>	<u>49,998</u>
Total Liabilities.....	<u>2,085</u>	<u>—</u>	<u>49,998</u>	<u>52,083</u>
Deferred Inflows of Resources				
Unavailable Revenue				
Succeeding year property tax.....	<u>—</u>	<u>100,000</u>	<u>517,524</u>	<u>617,524</u>
Fund Balances				
Restricted for				
Student activities.....	129,474	—	—	129,474
Management levy purposes	—	310,142	—	310,142
Debt service.....	<u>—</u>	<u>—</u>	<u>14,219</u>	<u>14,219</u>
Total Fund Balances.....	<u>129,474</u>	<u>310,142</u>	<u>14,219</u>	<u>453,835</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 131,559</u>	<u>\$ 410,142</u>	<u>\$ 581,741</u>	<u>\$ 1,123,442</u>

Combining Schedule of Revenue, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds

Year Ended June 30, 2015

	<u>Special Revenue</u>		Debt Service	Total
	Student Activity	Management Levy		
Revenue				
Local Sources				
Local tax	\$ —	\$ 151,651	\$ 521,131	\$ 672,782
Other.....	252,901	13,100	1,455	267,456
Total Revenue	<u>252,901</u>	<u>164,751</u>	<u>522,586</u>	<u>940,238</u>
Expenditures				
Current				
Instruction				
Regular.....	—	102,895	—	102,895
Other	<u>200,701</u>	<u>—</u>	<u>—</u>	<u>200,701</u>
Total Instruction	<u>200,701</u>	<u>102,895</u>	<u>—</u>	<u>303,596</u>
Support Services				
Operation and maintenance of plant.....	—	170,399	—	170,399
Transportation	<u>—</u>	<u>15,991</u>	<u>—</u>	<u>15,991</u>
Total Support Services.....	<u>—</u>	<u>186,390</u>	<u>—</u>	<u>186,390</u>
Other Expenditures				
Long-Term Debt				
Principal.....	—	—	705,000	705,000
Interest and fiscal charges	<u>—</u>	<u>—</u>	<u>236,322</u>	<u>236,322</u>
Total Other Expenditures	<u>—</u>	<u>—</u>	<u>941,322</u>	<u>941,322</u>
Total Expenditures.....	<u>200,701</u>	<u>289,285</u>	<u>941,322</u>	<u>1,431,308</u>
Revenue Over (Under) Expenditures	<u>52,200</u>	<u>(124,534)</u>	<u>(418,736)</u>	<u>(491,070)</u>
Other Financing Sources				
Transfers in	<u>—</u>	<u>—</u>	<u>471,397</u>	<u>471,397</u>
Change in Fund Balances	52,200	(124,534)	52,661	(19,673)
Fund Balances - Beginning of Year	<u>77,274</u>	<u>434,676</u>	<u>(38,442)</u>	<u>473,508</u>
Fund Balances - End of Year	<u>\$ 129,474</u>	<u>\$ 310,142</u>	<u>\$ 14,219</u>	<u>\$ 453,835</u>

Schedule of Changes in Special Revenue Fund, Student Activity Accounts —

Year Ended June 30, 2015

Account	Balance - Beginning of Year	Revenue	Expenditures	Intrafund Transfers	Balance - End of Year
IT Adventures Club.....	\$ 437	\$ —	\$ —	\$ —	\$ 437
Girls Book Club	276	—	—	—	276
Character Counts	501	1,546	1,144	—	903
Key Club.....	112	677	125	—	664
MS Cheerleading.....	210	478	344	(206)	138
HS Cheerleading	3,967	8,573	7,450	206	5,296
DECA	—	809	809	—	—
Drama Club	1,902	34	94	—	1,842
FBL	389	—	—	—	389
FCA.....	21	—	—	—	21
FCCLA	2,339	—	—	—	2,339
FFA.....	1,093	10	110	—	993
Future Teachers	1,461	—	—	—	1,461
International Club	1,206	—	—	—	1,206
Mock Trial.....	697	788	1,485	—	—
SADD	1,054	1,178	116	—	2,116
Student Council	3,161	2,100	2,171	—	3,090
Drill Team.....	—	7,336	6,057	—	1,279
Dramatics - Plays and Musicals	3,046	5,502	3,675	—	4,873
HS Instrumental Music	—	3,481	3,481	—	—
HS Instrumental Uniform	—	557	—	—	557
HS Music - Vocal.....	—	3,063	3,063	—	—
HS Vocal Uniform.....	367	3,616	270	—	3,713
MS Music - Vocal	—	227	227	—	—
MS Instrumental Music.....	—	65	65	—	—
MS Vocal Uniform	1,158	3,782	1,784	—	3,156
Speech.....	—	121	121	—	—
MS Yearbook.....	2,118	3,398	2,835	—	2,681
HS Yearbook	2,503	10,224	9,324	—	3,403
MS Success Center.....	1,151	74	—	—	1,225
HS Success Center	1,996	2,289	1,945	—	2,340
Class of 2015	1,442	1,514	1,736	3,385	4,605
Class of 2016	1,997	2,625	3,492	—	1,130
Class of 2017	891	—	—	—	891
Class of 2018	3,385	3,214	1,950	(3,385)	1,264
MS PBIS.....	2,780	4,869	3,916	—	3,733

Schedule of Changes in Special Revenue Fund, Student Activity Accounts —

Year Ended June 30, 2015

Account	Balance - Beginning of Year	Revenue	Expenditures	Intrafund Transfers	Balance - End of Year
Bulldog Byte	\$ 436	\$ 315	\$ —	\$ —	\$ 751
Cross Country	548	1,365	1,631	—	282
MS Basketball - Boys	—	2,208	2,208	—	—
HS Basketball - Boys.....	2,840	6,884	3,763	—	5,961
MS Football	—	1,539	1,539	—	—
HS Football	2,579	15,876	12,700	—	5,755
Baseball	—	13,582	10,175	—	3,407
HS Boys Track	1,906	6,082	6,395	—	1,593
MS Boys Track.....	—	916	775	—	141
Golf - Boys	44	2,248	2,292	—	—
MS Wrestling	—	430	430	—	—
HS Wrestling	—	5,968	4,895	—	1,073
MS Basketball - Girls	—	1,753	1,753	—	—
HS Basketball - Girls	1,500	5,556	3,544	—	3,512
MS Volleyball.....	—	1,525	1,525	—	—
HS Volleyball	1,840	7,890	4,162	—	5,568
Tennis - Boys	—	435	435	—	—
Tennis - Girls	—	356	356	—	—
Softball	—	6,151	4,763	—	1,388
HS Girls Track.....	3,793	6,670	3,883	—	6,580
MS Girls Track.....	—	898	757	—	141
Golf - Girls	65	1,682	1,228	—	519
MS Activity	63	—	11	—	52
HS Activity	62	8,543	6,135	—	2,470
MS Concession Fund Balance	6,425	4,298	—	—	10,723
HS Concession Fund Balance	6	44,191	38,895	5,180	10,482
Vending Machine Sales.....	11,331	—	—	(5,180)	6,151
Student Planning Committee ...	477	—	—	—	477
Game Host	1,229	33,380	28,662	—	5,947
Freshmen Mentor/Ambassador	270	—	—	—	270
Production Class	200	10	—	—	210
	<u>\$ 77,274</u>	<u>\$ 252,901</u>	<u>\$ 200,701</u>	<u>\$ —</u>	<u>\$ 129,474</u>

Combining Balance Sheet - Capital Projects Accounts

As of June 30, 2015

	<u>Capital Projects</u>		Total
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	
Assets			
Cash, cash equivalents and pooled investments	\$ 2,228,740	\$ 306,775	\$ 2,535,515
Receivables			
Property Tax, Net of Allowance			
Current year delinquent	—	4,019	4,019
Succeeding year	—	374,912	374,912
Accounts	10,000	1,160	11,160
Due from other governments	<u>179,058</u>	<u>—</u>	<u>179,058</u>
Total Assets	<u>\$ 2,417,798</u>	<u>\$ 686,866</u>	<u>\$ 3,104,664</u>
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities			
Accounts payable	<u>\$ 398,304</u>	<u>\$ 5,298</u>	<u>\$ 403,602</u>
Deferred Inflows of Resources			
Unavailable Revenue			
Succeeding year property tax	<u>—</u>	<u>374,912</u>	<u>374,912</u>
Fund Balances			
Restricted for			
Debt service	1,049,050	—	1,049,050
School infrastructure	970,444	—	970,444
Physical plant and equipment	<u>—</u>	<u>306,656</u>	<u>306,656</u>
Total Fund Balances	<u>2,019,494</u>	<u>306,656</u>	<u>2,326,150</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 2,417,798</u>	<u>\$ 686,866</u>	<u>\$ 3,104,664</u>

Combining Schedule of Revenue, Expenditures and Changes in Fund Balances - Capital Projects Accounts

Year Ended June 30, 2015

	Capital Projects		Total
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	
Revenue			
Local Sources			
Local tax	\$ —	\$ 365,831	\$ 365,831
Other.....	119,378	1,634	121,012
State sources	<u>1,146,673</u>	<u>—</u>	<u>1,146,673</u>
Total Revenue	<u>1,266,051</u>	<u>367,465</u>	<u>1,633,516</u>
Expenditures			
Current			
Support Services			
Instructional staff	30,648	508,901	539,549
Administration.....	—	60,677	60,677
Operation and maintenance of plant	—	12,808	12,808
Transportation	—	104,757	104,757
Total Support Services.....	<u>30,648</u>	<u>687,143</u>	<u>717,791</u>
Other Expenditures			
Facilities acquisition	<u>1,046,375</u>	<u>7,900</u>	<u>1,054,275</u>
Total Expenditures	<u>1,077,023</u>	<u>695,043</u>	<u>1,772,066</u>
Revenue Over (Under) Expenditures	<u>189,028</u>	<u>(327,578)</u>	<u>(138,550)</u>
Other Financing Sources (Uses)			
Proceeds from lease purchase	—	381,676	381,676
Proceeds from sale of assets	—	74,747	74,747
Transfers out	<u>(471,397)</u>	<u>—</u>	<u>(471,397)</u>
Total Other Financing Sources (Uses)	<u>(471,397)</u>	<u>456,423</u>	<u>(14,974)</u>
Change in Fund Balances	(282,369)	128,845	(153,524)
Fund Balances - Beginning of Year	<u>2,301,863</u>	<u>177,811</u>	<u>2,479,674</u>
Fund Balances - End of Year	<u>\$ 2,019,494</u>	<u>\$ 306,656</u>	<u>\$ 2,326,150</u>

**Schedule of Revenue by Source and Expenditures by Function -
All Governmental Fund Types (Modified Accrual Basis)**

For the Last Ten Years

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Revenue										
Local Sources										
Local tax	\$ 5,161,176	\$ 5,083,260	\$ 6,132,509	\$ 6,175,471	\$ 5,666,628	\$ 5,653,892	\$ 5,951,406	\$ 5,558,155	\$ 5,212,791	\$ 4,891,927
Tuition	387,847	405,762	433,545	470,494	365,882	352,775	343,608	310,974	247,231	280,604
Other	697,294	574,846	510,613	758,089	536,922	649,846	684,545	890,486	779,212	494,212
Intermediate sources	—	—	6,700	9,240	—	—	—	—	—	—
State sources	9,223,244	8,831,785	7,238,885	7,141,572	6,825,588	5,548,193	6,466,110	6,049,643	5,892,259	5,450,579
Federal sources	856,093	984,015	812,572	990,319	793,066	1,121,623	416,487	365,253	309,272	539,351
Total	\$ 16,325,654	\$ 15,879,668	\$ 15,134,824	\$ 15,545,185	\$ 14,188,086	\$ 13,326,329	\$ 13,862,156	\$ 13,174,511	\$ 12,440,765	\$ 11,656,673
Expenditures										
Instruction	\$ 10,105,497	\$ 10,063,053	\$ 9,125,513	\$ 8,902,293	\$ 8,666,395	\$ 8,200,129	\$ 7,742,453	\$ 7,582,925	\$ 7,065,695	\$ 6,997,408
Support Services										
Student	374,643	369,232	353,159	381,698	343,821	276,310	275,627	318,331	435,746	276,580
Instructional staff	1,145,486	837,752	711,817	576,618	794,057	600,898	334,231	588,486	574,654	554,673
Administration	1,300,987	1,288,193	1,222,975	1,026,923	1,004,631	1,055,358	937,527	895,293	992,143	840,642
Operations and maintenance of plant	1,014,599	1,019,369	980,639	858,475	862,776	889,838	899,872	976,448	996,419	908,120
Transportation	496,587	408,120	466,924	370,237	563,898	472,776	503,631	472,626	469,573	472,622
Other Expenditures										
Facilities acquisition	1,054,275	223,118	207,486	2,554,563	2,714,554	328,844	676,698	1,137,056	2,794,866	5,774,418
Long-Term Debt										
Principal	705,000	580,000	480,000	1,723,145	570,000	545,000	530,000	510,000	620,891	420,876
Interest and fiscal charges	236,322	371,802	384,691	420,929	304,733	327,596	338,365	352,120	374,007	488,742
AEA flowthrough	541,051	516,972	481,980	487,060	533,139	506,620	444,565	415,018	397,607	366,219
Total	\$ 16,974,447	\$ 15,677,611	\$ 14,415,184	\$ 17,301,941	\$ 16,358,004	\$ 13,203,369	\$ 12,682,969	\$ 13,248,303	\$ 14,721,601	\$ 17,100,300

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2015

Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Grant Number	Expenditures
U.S. Department of Agriculture - Indirect			
Pass-Through From Iowa Department of Education			
Child Nutrition Cluster			
School Breakfast Program.....	10.553	FY 15	\$ 119,507
National School Lunch Program	10.555	FY 15	425,892*
Summer Food Service Program for Children	10.559	FY 15	<u>20,632</u>
Total U.S. Department of Agriculture.....			<u>566,031</u>
U.S. Department of Education - Indirect			
Pass-Through From Area Education Agency 267			
Special Education - Grants to States.....	84.027	FY 15	<u>60,812</u>
Pass-Through From Iowa Department of Education			
Title I Grants to Local Educational Agencies	84.010	FY 15	<u>477,073</u>
English Language Acquisition State Grants	84.365	FY 15	<u>13,446</u>
Improving Teacher Quality State Grants	84.367	FY 15	<u>39,524</u>
Grants for State Assessments and Related Activities	84.369	FY 15	<u>5,885</u>
Total Pass-Through From Iowa Department of Education			<u>535,928</u>
Total U.S. Department of Education			<u>596,740</u>
Total			<u>\$ 1,162,771</u>

* Includes \$57,992 of noncash awards.

Basis of Presentation

The schedule of expenditures of federal awards includes the federal grant activity of Hampton-Dumont Community School District and is presented on the accrual or modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Nonprofit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Subrecipients

Hampton-Dumont Community School District provided no federal awards to subrecipients.

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Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

Board of Education
Hampton-Dumont Community School District
Hampton, Iowa

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Hampton-Dumont Community School District as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, as listed in the table of contents, and have issued our report thereon dated January 12, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Hampton-Dumont Community School District's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Hampton-Dumont Community School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Hampton-Dumont Community School District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and another deficiency that we consider to be a significant deficiency.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in Part II of the accompanying schedule of findings and questioned costs as items 15-II-R-1 and 15-II-R-2 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part II of the accompanying schedule of findings and questioned costs as item 15-II-R-3 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Hampton-Dumont Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance or other matters that are described in Part IV of the accompanying schedule of findings and questioned costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2015 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Hampton-Dumont Community School District's Responses to Findings

Hampton-Dumont Community School District's responses to findings identified in our audit are described in the accompanying schedule of findings and questioned costs. Hampton-Dumont Community School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

HOGAN - HANSEN

HOGAN - HANSEN

Mason City, Iowa
January 12, 2016

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Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance Required by OMB Circular A-133

Board of Education
Hampton-Dumont Community School District
Hampton, Iowa

Report on Compliance for Each Major Federal Program

We have audited Hampton-Dumont Community School District's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of Hampton-Dumont Community School District's major federal programs for the year ended June 30, 2015. Hampton-Dumont Community School District's major federal programs are identified in Part I of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Hampton-Dumont Community School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Hampton-Dumont Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on Hampton-Dumont Community School District's compliance with those requirements.

Opinion on Each Major Federal Program

In our opinion, Hampton-Dumont Community School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Report on Internal Control Over Compliance

The management of Hampton-Dumont Community School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Hampton-Dumont Community School District's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Hampton-Dumont Community School District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified a certain deficiency in internal control over compliance we consider to be a material weakness and another deficiency that we considered to be a significant deficiency.

A deficiency in the District's internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control over compliance described in Part III of the accompanying schedule of findings and questioned costs as item 15-III-R-1 to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in Part III of the accompanying schedule of findings and questioned costs as item 15-III-R-2 to be a significant deficiency.

Hampton-Dumont Community School District's responses to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. Hampton-Dumont Community School District's responses were not subjected to the auditing procedures applied in the audit of compliance, and accordingly, we express no opinion on the responses.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

HOGAN - HANSEN

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Mason City, Iowa
January 12, 2016

Schedule of Findings and Questioned Costs

Year Ended June 30, 2015

Part I: Summary of the Independent Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness identified? yes no

Significant deficiency identified not considered to be material weakness? yes none reported

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major programs:

Material weakness identified? yes no

Significant deficiency identified not considered to be material weakness? yes none reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of Circular A-133? yes no

Identification of major programs:

CFDA Numbers or Cluster

Name of Federal Program

Child Nutrition Cluster
10.553
10.555
10.559

School Breakfast Program
National School Lunch Program
Summer Food Service Program
for Children

84.010

Title I Grants to Local Educational
Agencies

Dollar threshold used to distinguish between Type A and Type B programs:

\$300,000

Auditee qualified as low-risk auditee?

yes no

Schedule of Findings and Questioned Costs

Year Ended June 30, 2015

Part II: Findings Related to the Financial Statements

Instances of Noncompliance

There were no reported instances of noncompliance.

Internal Control Deficiencies

15-II-R-1 Segregation of Duties

Prior Year Finding and Recommendation - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The limited number of accounting personnel employed by the District makes it difficult to achieve adequate control procedures through segregation of duties. The concentration of closely related duties and responsibilities, such as recording and preparing cash receipts, preparing and recording checks and preparation of journals and general financial information for posting makes it difficult to establish an adequate system of automatic internal checks on accounting record accuracy and reliability. The potential effect of this material weakness is an error or fraud occurring and not being detected in a timely manner.

We realize that with a limited number of accounting employees, segregation of duties is difficult. However, the District should review its control procedures to obtain the maximum internal control possible under the circumstances. We recommend all adjusting journal entries be reviewed by another employee. Additionally, management should review procedures to ensure receipt, disbursement and reconciliation functions are as separate as possible.

Current Year Finding - We found that the same condition still exists.

Auditor's Recommendation - We reiterate our prior year recommendation.

District's Response - We will review procedures and will implement additional controls where possible.

Auditor's Conclusion - Response accepted.

15-II-R-2 Financial Statement Preparation

Prior Year Finding and Recommendation - The District does not have a system of internal controls that fully prepares financial statements and disclosures that are fairly presented in conformity with accounting principles generally accepted in the United States of America. As is inherent in many entities of this size, the District has management and employees who, while knowledgeable and skillful, do not have the time to maintain the current knowledge and expertise to fully prepare financial statements and the related disclosures. The potential effect of this material weakness is financial statements and related disclosures may not be prepared in accordance with generally accepted accounting principles.

We recommend obtaining additional knowledge through reading relevant accounting literature and attending local professional education courses.

Schedule of Findings and Questioned Costs

Year Ended June 30, 2015

Current Year Finding - We found that the same condition still exists.

Auditor's Recommendation - We reiterate our prior year recommendation.

District's Response - We will consider obtaining additional knowledge where practical and cost effective. However, we intend to continue to rely on assistance from our audit firm to draft financial statements and disclosures each year.

Auditor's Conclusion - Response accepted.

15-II-R-3 Inventory Valuation

Finding - We noted several commodity inventory items were not properly valued. The potential effect of this significant deficiency is an incorrect inventory value being reported on the financial statements.

Auditor's Recommendation - We recommend that the District obtain a current commodity food value list from the USDA and update all inventory spreadsheets. A new commodity food value list should be obtained each year.

District's Response - We will obtain a current food value list each year to properly value commodity inventory.

Auditor's Conclusion - Response accepted.

Part III: Findings and Questioned Costs For Federal Awards

Instances of Noncompliance

There were no reported instances of noncompliance.

Internal Control Deficiencies

All Programs Displayed on the Schedule of Expenditures of Federal Awards

15-III-R-1 Segregation of Duties - Adequate control procedures through the segregation of employee (2015-001) duties is difficult to achieve due to the limited number of staff administering grants and performing accounting functions. See finding 15-II-R-1 for additional information.

CFDA Number 10.553: School Breakfast Program
CFDA Number 10.555: National School Lunch Program and
CFDA Number 10.559: Summer Food Service Program for Children
Federal Award Year: 2015
U.S. Department of Agriculture
Passed through the Iowa Department of Education

15-III-R-2 Inventory Valuation - Commodity inventory items are not being valued properly. See finding (2015-002) 15-II-R-3 for additional information.

Schedule of Findings and Questioned Costs

Year Ended June 30, 2015

Part IV: Other Findings Related to Statutory Reporting

15-IV-A Certified Budget

Finding - Expenditures for the year ended June 30, 2015 exceeded the amended certified budget amounts in the support services and other expenditures functions.

Auditor's Recommendation - The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.

District's Response - Future budgets will be amended in sufficient amounts to ensure that the certified budget is not exceeded.

Auditor's Conclusion - Response accepted.

15-IV-B Questionable Expenditures - We noted no expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

15-IV-C Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

15-IV-D Business Transactions - No business transactions between the District and District officials or employees were noted.

15-IV-E Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.

15-IV-F Board Minutes

Finding - We noted one instance where the minutes of the Board of Education proceedings were not published timely as required by Chapter 279.35 of the Code of Iowa. No business transactions were noted that we believe should have been approved in the Board minutes but were not.

Auditor's Recommendation - The Board Secretary should furnish a copy of the Board proceedings to be published within two weeks of each meeting.

District's Response - Procedures will be revised to ensure the minutes will be published as required.

Auditor's Conclusion - Response accepted.

Schedule of Findings and Questioned Costs

Year Ended June 30, 2015

15-IV-G Certified Enrollment

Finding - Variances in the basic enrollment data certified to the Iowa Department of Education were noted. The District counted four students who had left the District prior to October 1, 2014. Additionally, the District did not count one student for whom the District is paying tuition. The cumulative error resulted in the District over reporting by 1.44 students.

Auditor's Recommendation - The District should develop procedures to ensure that accurate counts are taken throughout the year and accurate enrollment data is certified to the Iowa Department of Education.

District's Response - The District will work to ensure that data is correct in the District student management system for uploading to the state certified enrollment.

Auditor's Conclusion - Response accepted.

15-IV-H Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

15-IV-I Deposits and Investments - No instances of noncompliance with the deposit and investment provisions of Chapter 12B or Chapter 12C of the Code of Iowa and the District's investment policy were noted.

15-IV-J Certified Annual Report - The Certified Annual Report (CAR) was certified timely to the Iowa Department of Education.

15-IV-K Categorical Funding - No instances were noted of categorical funding being used to supplant rather than supplement other funds.

15-IV-L Statewide Sales, Services and Use Tax - No instances of noncompliance with the allowable uses of the statewide sales, services and use tax revenue provided in Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2015, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Schedule of Findings and Questioned Costs

Year Ended June 30, 2015

Beginning balance.....		\$ 2,301,863
Revenue		
Sales tax revenue	\$ 1,146,673	
Other local revenue	<u>119,378</u>	1,266,051
Expenditures/Transfers Out		
School infrastructure	\$ 1,046,375	
Other	30,648	
Transfer to Other Funds		
Debt Service Fund	<u>471,397</u>	<u>1,548,420</u>
Ending Balance		<u>\$ 2,019,494</u>

For the year ended June 30, 2015, the District reduced the following levies as a result of the monies received under Chapter 423E or 423F of the Code of Iowa.

	Rate of Levy Reduction Per \$1,000 of Taxable Valuation	Property Tax Dollars Reduced
Debt service levy.....	\$0.37961	\$ 111,583

15-IV-M Depository Resolution

Finding - We noted that the District exceeded their depository resolution in one of the two months tested.

Auditor's Recommendation - The District should review its depository resolution established in accordance with Chapter 12C of the Code of Iowa and consider increasing depository amounts.

District's Response - We will review our depository resolution.

Auditor's Conclusion - Response accepted.