

HINTON COMMUNITY SCHOOL DISTRICT

Hinton, Iowa

Independent Auditor's Reports
Basic Financial Statements and Supplementary Information
Schedule of Findings and Responses

June 30, 2015

HINTON COMMUNITY SCHOOL DISTRICT

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education of
Hinton Community School District

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 Hinton Community School District (the District), Hinton, 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 the District as of June 30, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof 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 12 to the financial statements, the 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 Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the District's Proportionate Share of the Net Pension Liability, the Schedule of District Contributions and the Schedule of Funding Progress for the Retiree Health Plan on pages 5 through 12 and 47 through 53 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 who considers it to be an essential part of 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 accounting 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 the District's basic financial statements. The supplementary information included in Schedules 1 through 6, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary 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. Such information has been subjected to the auditing procedures applied in the 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 our report dated January 29, 2016, on our consideration of the District's internal control over financial reporting and on 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 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 the District's internal control over financial reporting and compliance.

January 29, 2016
Sioux City, Iowa

King Reinsch Prosser, & Co. LLP

MANAGEMENT'S DISCUSSION AND ANALYSIS

Hinton Community School District (the 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.

2015 Financial Highlights

- General Fund revenues increased from \$6,242,068 in fiscal year 2014 to \$6,855,989 in fiscal year 2015, while General Fund expenditures decreased from \$6,841,968 in fiscal year 2014 to \$6,816,292 in fiscal year 2015. The District's General Fund balance increased from \$912,816 in fiscal year 2014 to \$953,013 in fiscal year 2015, a 4.4 percent increase.
- The increase in General Fund revenues was primarily attributable to resident student growth from 528.9 to 546.6 and allowable growth from the State of Iowa along with an additional 12 students open enrolled into the District.
- The decrease in General Fund expenditures was primarily attributable to the District not hiring back two part-time teachers, savings from lower fuel prices, less maintenance associated with the bus fleet, and the District did not purchase any new textbooks.

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 the 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 the 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 the District acts solely as an agent or custodian for the benefit of those outside of the District.
- Notes to 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 and Capital Project Funds.

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 revenues 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 is an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial 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, before and after school, and preschool programs are 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 and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has three kinds of funds.

1. **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, Debt Service Fund and Capital Projects Fund.

The required financial statements for governmental funds include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances.

2. 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 Funds, one type of proprietary fund, are the same as its business type activities but provides more detail and additional information, such as cash flows. The District currently has three enterprise funds: the School Nutrition Fund, the Before and After School Program, and the Preschool Program.

The required financial statements for proprietary funds include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Fund Net Position and a Statement of Cash Flows.

3. Fiduciary Funds - The District is the trustee, or fiduciary, for assets that belong to others. The District's fiduciary fund is the Private Purpose Trust Fund.

- Private Purpose Trust 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 fund 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-1 below provides a summary of the District's net position at June 30, 2015 compared to June 30, 2014.

Figure A-1 (In Thousands)
Condensed Statement of Net Position

	Governmental Activities		Business Type Activities		Total District		Total Percentage Change
	2014		2014		2014		
	2015	(Not Restated)	2015	(Not Restated)	2015	(Not Restated)	
Current and other assets	\$ 6,494	\$ 6,155	\$ 48	\$ 63	\$ 6,542	\$ 6,218	5.2%
Capital assets, net	12,389	12,851	22	26	12,411	12,877	(3.6%)
Total assets	\$ 18,883	\$ 19,006	\$ 70	\$ 89	\$ 18,953	\$ 19,095	(0.7%)
Deferred outflows of resources	\$ 488	\$ -	\$ 7	\$ -	\$ 495	\$ -	100.0%
Long-term liabilities	\$ 11,201	\$ 9,298	\$ 37	\$ -	\$ 11,238	\$ 9,298	20.9%
Other liabilities	819	836	10	7	829	843	(1.7%)
Total liabilities	\$ 12,020	\$ 10,134	\$ 47	\$ 7	\$ 12,067	\$ 10,141	19.0%
Deferred inflows of resources	\$ 3,671	\$ 2,640	\$ 14	\$ -	\$ 3,685	\$ 2,640	39.6%
Net position:							
Net investment in capital assets	\$ 4,030	\$ 3,925	\$ 22	\$ 26	\$ 4,052	\$ 3,951	2.6%
Restricted	1,678	1,418	-	-	1,678	1,418	18.3%
Unrestricted	(2,028)	889	(6)	56	(2,034)	945	(315.2%)
Total net position	\$ 3,680	\$ 6,232	\$ 16	\$ 82	\$ 3,696	\$ 6,314	(41.5%)

The District's total net position decreased 41.5 percent, or approximately \$2.6 million, from the prior year. The largest portion of the District's net position is the invested in capital assets (e.g., land, infrastructures, 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 represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position increased approximately \$260,000, or 18.3 percent from the prior year. The increase was primarily the result of the District reducing expenditures in the capital projects fund in anticipation of building a wellness center to open in December 2016.

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 approximately \$3.0 million, or 315.2 percent from the prior year. The decrease was primarily a result of the net pension liability and pension expense recorded in the current year.

Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement 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 \$3,099,117 and \$47,195, 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.

Figure A-2 shows the changes in net position for the years ended June 30, 2015 compared to the year ended June 30, 2014.

Figure A-2 (In Thousands)
Change in Net Position

	Governmental Activities		Business Type Activities		Total District		Total Percentage Change
	2014		2014		2014		
	2015	(Not Restated)	2015	(Not Restated)	2015	(Not Restated)	
Revenues:							
Program revenues:							
Charges for services	\$ 2,218	\$ 2,112	\$ 454	\$ 424	\$ 2,672	\$ 2,536	5.4%
Operating grants, contributions and restricted interest	855	841	124	118	979	959	2.1%
General revenues:							
Property tax	2,637	2,502	-	-	2,637	2,502	5.4%
Unrestricted state grants	2,260	2,047	-	-	2,260	2,047	10.4%
Unrestricted investment earnings	13	14	-	-	13	14	(7.1%)
Local surtax	245	313	-	-	245	313	(21.7%)
Statewide sales, services and use tax	518	496	-	-	518	496	4.4%
Other	20	3	-	-	20	3	566.7%
Total revenues	\$ 8,766	\$ 8,328	\$ 578	\$ 542	\$ 9,344	\$ 8,870	5.3%
Program expenses:							
Instruction	\$ 5,536	\$ 5,736	\$ 237	\$ 195	\$ 5,773	\$ 5,931	(2.7%)
Support services	2,067	2,173	-	-	2,067	2,173	(4.9%)
Non-instructional programs	-	-	360	360	360	360	0.0%
Other expenses	615	637	-	-	615	637	(3.5%)
Total expenses	\$ 8,218	\$ 8,546	\$ 597	\$ 555	\$ 8,815	\$ 9,101	(3.1%)
Change in net position	\$ 548	\$ (218)	\$ (19)	\$ (13)	\$ 529	\$ (231)	329.0%
Net position beginning of year, as restated	3,132	6,450	35	95	3,167	6,545	(51.6%)
Net position end of year	\$ 3,680	\$ 6,232	\$ 16	\$ 82	\$ 3,696	\$ 6,314	(41.5%)

In fiscal year 2015, property tax and unrestricted state grants accounted for 55.9 percent of governmental activities revenue (54.6 percent in 2014), while charges for services and operating grants, contributions and restricted interest accounted for 99.9 percent of business type activities revenue (99.9 percent in 2014). The District's total revenues were approximately \$9.3 million, of which approximately \$8.7 million was for governmental activities and less than \$1 million was for business type activities.

The District's expenses primarily relate to instruction and support services, which account for 88.9 percent of the total expenses (89.0 percent in 2014).

As shown in Figure A-2, the District as a whole experienced a 5.3 percent increase in revenues and a 3.1 percent decrease in expenses. Property tax revenue increased approximately \$135,000 primarily due to an increase in both resident students and taxable valuations, and unrestricted state grants increased approximately \$213,000 due to an increase of resident students and the State's allowable growth for the year. The decrease in expenses is primarily due to the District maintaining expenses looking ahead to a new teacher leadership program grant in 2016.

Governmental Activities - Revenues for governmental activities were \$8,765,723 and expenses were \$8,217,874 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 years ended June 30, 2015 compared to the year ended June 30, 2014.

Figure A-3 (In Thousands)
Total and Net Cost of Governmental Activities

	Total Cost of Services		Percent	Net Cost of Services		Percent
			Change			Change
	2015	2014 (Not Restated)	2014-2015	2015	2014 (Not Restated)	2014-2015
Instruction	\$ 5,536	\$ 5,736	(3.5%)	\$ 2,702	\$ 3,004	(10.1%)
Support services	2,067	2,173	(4.9%)	2,055	2,163	(5.0%)
Other expenses	615	637	(3.5%)	388	427	(9.1%)
Totals	<u>\$ 8,218</u>	<u>\$ 8,546</u>	<u>(3.8%)</u>	<u>\$ 5,145</u>	<u>\$ 5,594</u>	<u>(8.0%)</u>

For the year ended June 30, 2015:

- The cost financed by users of the District's programs was \$2,217,646 (\$2,112,224 in 2014).
- Federal and state governments subsidized certain programs with grants and contributions totaling \$855,238 (\$840,783 in 2014).
- The net cost of governmental activities was financed with \$3,399,965 in property and other taxes (\$3,311,997 in 2014) and \$2,259,914 in unrestricted state grants (\$2,046,710 in 2014).

Business Type Activities - Revenues for business type activities during the year ended June 30, 2015 were \$578,106 (\$542,488 in 2014), representing a 6.6 percent increase over the prior year while expenses totaled \$597,386 (\$554,875 in 2014), a 7.7 percent increase over the prior year. The District's business type activities include the School Nutrition Fund, Before and After School Program and Preschool Program. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income. The increase in revenues is primarily due to increased breakfast/lunch prices and preschool tuition along with more participants. The increase in expenses is primarily due to salary increases and supplies necessary because of greater participation.

Individual Fund Analysis

As previously noted, the 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 a combined fund balance of \$2,739,092, above last year's ending fund balances of \$2,471,517. However, the primary reason for the increase in combined fund balance at the end of fiscal year 2015 is due to an effort to build up reserves for the opening of a wellness center in 2016 and the cost savings noted in the General Fund.

Governmental Fund Highlights

The District's General Fund balance increased primarily due to the District planning to spend the same in 2014 and 2015 in anticipation of a new teacher leadership grant in 2016.

The Capital Projects Fund balance increase was due to an effort to build reserves to start the wellness center project scheduled to open in December 2016.

The Debt Service Fund balance increased only slightly as revenues and expenditures do not vary significantly from year to year.

The Special Revenue Fund Balance increased due to a large student trip planned every other year starting its fund raising efforts in 2015. An individual activity fund has also begun fund raising for more computer labs in the elementary school to be purchased at a later date.

Proprietary Fund Highlights

Proprietary funds net position decreased from \$35,202 in 2014 to \$15,922 in 2015, representing a decrease of approximately 54.8 percent. This was mainly due to preschool hiring an extra aid full-time during 2015, and the District, for the first time, offered health insurance of \$300 per month to employees of proprietary funds.

Budgetary Highlights

Over the course of the year, the District amended its budget one time to reflect additional increases in staffing needs and participation in the District's food program not previously budgeted for.

The District's total revenues were \$265,483 more than budgeted revenues, a variance of 2.9 percent. The most significant variance resulted from an increase in open enrollment. The District's total expenditures were \$873,155 less than budgeted, a variance of 8.7 percent due to the cost saving measures implemented by the District being very successful.

Capital Assets and Debt Administration

Capital Assets - At June 30, 2015, the District had invested approximately \$12.4 million, 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-4). This represents a 3.6 percent decrease 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 \$523,011.

The original cost of the District's capital assets was \$18,101,105. Governmental funds account for \$18,013,253, with the remainder of \$87,852 accounted for in the Proprietary, School Nutrition Fund and Before and After School Program.

The largest change in capital asset activity during the year occurred in the furniture and equipment category. The decrease resulted from minimal assets added in the current year being exceeded by annual depreciation expense.

Figure A-4 (In Thousands)
Capital Assets, Net of Depreciation

	<u>Governmental Activities</u>		<u>Business Type Activities</u>		<u>Total District</u>		<u>Percent</u>
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>Change</u>
							<u>2014-2015</u>
Land	\$ 867	\$ 867	\$ -	\$ -	\$ 867	\$ 867	0.0%
Buildings	9,755	9,980	-	-	9,755	9,980	(2.3%)
Improvements other than buildings	873	909	-	-	873	909	(4.0%)
Furniture and equipment	894	1,095	22	26	916	1,121	(18.3%)
Totals	\$ 12,389	\$ 12,851	\$ 22	\$ 26	\$ 12,411	\$ 12,877	(3.6%)

Long-Term Debt - At June 30, 2015, the District had \$8,358,364 in total long-term debt outstanding. This represents a 6.4 percent decrease from the prior year. Additional information about the District's long-term debt is presented in Note 6 to the financial statements.

Figure A-5 (In Thousands)
Outstanding Long-Term Debt

	<u>Total District</u>		<u>Total</u>
	<u>June 30,</u>		<u>Change</u>
	<u>2015</u>	<u>2014</u>	<u>2014-2015</u>
General obligation capital loan note	\$ 105	\$ 205	(48.8%)
General obligation bond payable	4,795	5,030	(4.7%)
Revenue bonds	3,245	3,390	(4.3%)
Notes payable	79	102	(22.5%)
Capital lease obligation	135	200	(32.5%)
Total	\$ 8,359	\$ 8,927	(6.4%)

Economic Factors Bearing on the District's Future

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could affect its financial health in the future:

- Total taxable valuations are expected to increase for property tax collected in fiscal year 2016 and forward due to a consistent trend in the past fiscal years.
- Planned expansion of District facilities through the construction of a wellness center will use reserves built up in the Capital Projects Fund.
- The supplemental state aid allowable growth was set at 4.0 percent for fiscal year 2015, 1.25 percent for 2016 and 2.0 percent for 2017 as determined by legislative session in January 2016. The State's inability to set supplemental aid timely, and as required by statute, is and will continue to be problematic for all local districts' budgeting process.

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 Paula Schreck, District Business Manager, Hinton Community School District, 315 W. Grand, P.O. Box 128, Hinton, Iowa 51024.

BASIC FINANCIAL STATEMENTS

HINTON COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET POSITION

JUNE 30, 2015

	<u>Governmental</u> <u>Activities</u>	<u>Business Type</u> <u>Activities</u>	<u>Total</u>
ASSETS:			
Cash, cash equivalents and pooled investments	\$ 3,222,413	\$ 43,534	\$ 3,265,947
Receivables:			
Property tax:			
Delinquent	14,831	-	14,831
Succeeding year	2,732,738	-	2,732,738
Accounts	7,315	715	8,030
Due from other governments	515,932	-	515,932
Inventories	1,007	4,042	5,049
Capital assets, net of accumulated depreciation	<u>12,388,603</u>	<u>21,819</u>	<u>12,410,422</u>
Total assets	<u>\$ 18,882,839</u>	<u>\$ 70,110</u>	<u>\$ 18,952,949</u>
DEFERRED OUTFLOWS OF RESOURCES:			
Pension related deferred outflows	<u>\$ 488,259</u>	<u>\$ 7,436</u>	<u>\$ 495,695</u>
LIABILITIES:			
Accounts payable	\$ 52,167	\$ 1,783	\$ 53,950
Salaries and benefits payable	727,162	8,107	735,269
Accrued interest payable	39,386	-	39,386
Long-term liabilities:			
Portion due within one year:			
Early retirement payable	20,513	-	20,513
Revenue bonds payable	150,000	-	150,000
General obligation capital loan note	105,000	-	105,000
General obligation bond payable	245,000	-	245,000
Notes payable	24,017	-	24,017
Capital lease obligation payable	66,632	-	66,632
Portion due after one year:			
Early retirement payable	60,926	-	60,926
Revenue bonds payable	3,095,000	-	3,095,000
General obligation bond payable	4,550,000	-	4,550,000
Notes payable	54,489	-	54,489
Capital lease obligation payable	68,226	-	68,226
Net pension liability	2,459,254	37,451	2,496,705
Net OPEB liability	<u>302,390</u>	<u>-</u>	<u>302,390</u>
Total liabilities	<u>\$ 12,020,162</u>	<u>\$ 47,341</u>	<u>\$ 12,067,503</u>
DEFERRED INFLOWS OF RESOURCES:			
Unavailable property tax revenue	\$ 2,732,738	\$ -	\$ 2,732,738
Pension related deferred inflows	<u>937,888</u>	<u>14,283</u>	<u>952,171</u>
Total deferred inflows of resources	<u>\$ 3,670,626</u>	<u>\$ 14,283</u>	<u>\$ 3,684,909</u>
NET POSITION:			
Net investment in capital assets	\$ 4,030,239	\$ 21,819	\$ 4,052,058
Restricted for:			
Categorical funding	12,418	-	12,418
Debt service	440,601	-	440,601
Management levy purposes	126,751	-	126,751
Student activities	178,547	-	178,547
School infrastructure	729,365	-	729,365
Physical plant and equipment	189,990	-	189,990
Unrestricted	<u>(2,027,601)</u>	<u>(5,897)</u>	<u>(2,033,498)</u>
Total net position	<u>\$ 3,680,310</u>	<u>\$ 15,922</u>	<u>\$ 3,696,232</u>

HINTON COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2015

		<u>Program Revenues</u>		
	<u>Expenses</u>	<u>Charges for Service</u>	<u>Operating Grants, Contributions and Restricted Interest</u>	<u>Capital Grants, Contributions and Restricted Interest</u>
FUNCTIONS/PROGRAMS:				
Governmental activities:				
Instruction:				
Regular	\$ 4,300,386	\$ 1,460,658	\$ 535,026	\$ -
Special	665,531	320,534	77,286	-
Other	<u>570,155</u>	<u>434,695</u>	<u>5,979</u>	<u>-</u>
	\$ <u>5,536,072</u>	\$ <u>2,215,887</u>	\$ <u>618,291</u>	\$ <u>-</u>
Support services:				
Student	\$ 242,247	\$ -	\$ -	\$ -
Instructional staff	119,784	-	-	-
Administration	779,569	-	-	-
Operation and maintenance of plant	563,469	1,759	-	-
Transportation	<u>361,847</u>	<u>-</u>	<u>10,057</u>	<u>-</u>
	\$ <u>2,066,916</u>	\$ <u>1,759</u>	\$ <u>10,057</u>	\$ <u>-</u>
Other expenditures:				
Facilities acquisition	\$ 15,203	\$ -	\$ -	\$ -
Long-term debt interest	372,793	-	-	-
AEA flow through	<u>226,890</u>	<u>-</u>	<u>226,890</u>	<u>-</u>
	\$ <u>614,886</u>	\$ <u>-</u>	\$ <u>226,890</u>	\$ <u>-</u>
Total governmental activities	\$ <u>8,217,874</u>	\$ <u>2,217,646</u>	\$ <u>855,238</u>	\$ <u>-</u>
Business type activities:				
Instruction:				
Preschool Program	\$ 237,211	\$ 220,662	\$ -	\$ -
Non-instructional programs:				
Food service operations	\$ 360,175	\$ 233,254	\$ 123,980	\$ -
Total business type activities	\$ <u>597,386</u>	\$ <u>453,916</u>	\$ <u>123,980</u>	\$ <u>-</u>
Total	\$ <u>8,815,260</u>	\$ <u>2,671,562</u>	\$ <u>979,218</u>	\$ <u>-</u>
GENERAL REVENUES:				
Property tax levied for:				
General purposes				
Debt service				
Management levy				
Physical plant and equipment levy				
Unrestricted state grants				
Unrestricted investment earnings				
Local surtax				
Statewide sales, services and use tax				
Other				
Total general revenues				
Change in net position				
Net position beginning of year, as restated				
Net position end of year				

See notes to financial statements.

Net (Expense) Revenue
and Changes in Net Position

<u>Governmental</u> <u>Activities</u>	<u>Business Type</u> <u>Activities</u>	<u>Total</u>
\$ (2,304,702)	\$ -	\$ (2,304,702)
(267,711)	-	(267,711)
(129,481)	-	(129,481)
<u>\$ (2,701,894)</u>	<u>\$ -</u>	<u>\$ (2,701,894)</u>
\$ (242,247)	\$ -	\$ (242,247)
(119,784)	-	(119,784)
(779,569)	-	(779,569)
(561,710)	-	(561,710)
(351,790)	-	(351,790)
<u>\$ (2,055,100)</u>	<u>\$ -</u>	<u>\$ (2,055,100)</u>
\$ (15,203)	\$ -	\$ (15,203)
(372,793)	-	(372,793)
-	-	-
<u>\$ (387,996)</u>	<u>\$ -</u>	<u>\$ (387,996)</u>
\$ (5,144,990)	\$ -	\$ (5,144,990)
\$ -	\$ (16,549)	\$ (16,549)
\$ -	\$ (2,941)	\$ (2,941)
\$ -	\$ (19,490)	\$ (19,490)
<u>\$ (5,144,990)</u>	<u>\$ (19,490)</u>	<u>\$ (5,164,480)</u>
\$ 1,710,261	\$ -	\$ 1,710,261
443,914	-	443,914
269,690	-	269,690
213,572	-	213,572
2,259,914	-	2,259,914
12,649	210	12,859
244,980	-	244,980
517,548	-	517,548
20,311	-	20,311
<u>\$ 5,692,839</u>	<u>\$ 210</u>	<u>\$ 5,693,049</u>
\$ 547,849	\$ (19,280)	\$ 528,569
<u>3,132,461</u>	<u>35,202</u>	<u>3,167,663</u>
<u>\$ 3,680,310</u>	<u>\$ 15,922</u>	<u>\$ 3,696,232</u>

HINTON COMMUNITY SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2015

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Total</u>
ASSETS:					
Cash, cash equivalents and pooled investments	\$ 1,497,259	\$ 479,753	\$ 836,119	\$ 409,282	\$ 3,222,413
Receivables:					
Property tax:					
Delinquent	9,808	2,391	1,094	1,538	14,831
Succeeding year	1,875,961	450,034	206,743	200,000	2,732,738
Accounts	6,454	-	861	-	7,315
Due from other governments	435,530	-	80,402	-	515,932
Due from other funds	4,155	-	2,157	-	6,312
Inventories	-	-	-	1,007	1,007
Total assets	<u>\$ 3,829,167</u>	<u>\$ 932,178</u>	<u>\$ 1,127,376</u>	<u>\$ 611,827</u>	<u>\$ 6,500,548</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:					
Liabilities:					
Accounts payable	\$ 29,954	\$ -	\$ 1,278	\$ 20,935	\$ 52,167
Salaries and benefits payable	727,162	-	-	-	727,162
Due to other funds	-	2,157	-	4,155	6,312
Total liabilities	<u>\$ 757,116</u>	<u>\$ 2,157</u>	<u>\$ 1,278</u>	<u>\$ 25,090</u>	<u>\$ 785,641</u>
Deferred inflows of resources:					
Unavailable revenues:					
Succeeding year property tax	\$ 1,875,961	\$ 450,034	\$ 206,743	\$ 200,000	\$ 2,732,738
Other	243,077	-	-	-	243,077
Total deferred inflows of resources	<u>\$ 2,119,038</u>	<u>\$ 450,034</u>	<u>\$ 206,743</u>	<u>\$ 200,000</u>	<u>\$ 2,975,815</u>
Fund balances:					
Restricted for:					
Categorical funding	\$ 12,418	\$ -	\$ -	\$ -	\$ 12,418
Debt service	-	479,987	-	-	479,987
Management levy purposes	-	-	-	208,190	208,190
Student activities	-	-	-	178,547	178,547
School infrastructure	-	-	729,365	-	729,365
Physical plant and equipment	-	-	189,990	-	189,990
Unassigned	940,595	-	-	-	940,595
Total fund balances	<u>\$ 953,013</u>	<u>\$ 479,987</u>	<u>\$ 919,355</u>	<u>\$ 386,737</u>	<u>\$ 2,739,092</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 3,829,167</u>	<u>\$ 932,178</u>	<u>\$ 1,127,376</u>	<u>\$ 611,827</u>	<u>\$ 6,500,548</u>

HINTON COMMUNITY SCHOOL DISTRICT

RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDSTO THE STATEMENT OF NET POSITION

JUNE 30, 2015

Total fund balances of governmental funds	\$ 2,739,092
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	12,388,603
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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.	(39,386)
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Other long-term assets are not available to pay current year expenditures and, therefore, are recognized as deferred inflows of resources in the governmental funds.	243,077
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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	\$ 488,259	
Deferred inflows of resources	<u>(937,888)</u>	(449,629)

Long-term liabilities, including bonds and notes payable, capital lease obligations, early retirement, other postemployment benefits payable, and net pension liability are not due and payable in the current year and, therefore, are not reported in the governmental funds.	<u>(11,201,447)</u>
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Net position of governmental activities	<u>\$ 3,680,310</u>
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HINTON COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -

GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2015

	General	Debt Service	Capital Projects	Nonmajor	Total
Revenues:					
Local sources:					
Local tax	\$ 1,966,223	\$ 443,914	\$ 213,572	\$ 269,690	\$ 2,893,399
Tuition	1,710,944	-	-	-	1,710,944
Other	68,267	23	5,044	446,877	520,211
State sources	2,991,935	2,335	518,377	1,432	3,514,079
Federal sources	118,620	-	-	-	118,620
Total revenues	\$ 6,855,989	\$ 446,272	\$ 736,993	\$ 717,999	\$ 8,757,253
Expenditures:					
Current:					
Instruction:					
Regular	\$ 3,918,068	\$ -	\$ -	\$ 99,290	\$ 4,017,358
Special	650,506	-	-	-	650,506
Other	174,187	-	-	417,852	592,039
	\$ 4,742,761	\$ -	\$ -	\$ 517,142	\$ 5,259,903
Support services:					
Student	\$ 210,252	\$ -	\$ -	\$ -	\$ 210,252
Instructional staff	115,326	-	16,191	-	131,517
Administration	727,546	-	-	52,022	779,568
Operation and maintenance of plant	439,427	-	24,230	94,782	558,439
Transportation	354,090	-	-	-	354,090
	\$ 1,846,641	\$ -	\$ 40,421	\$ 146,804	\$ 2,033,866
Other expenditures:					
Facilities acquisition	\$ -	\$ -	\$ 40,186	\$ -	\$ 40,186
Long-term debt:					
Principal	-	568,220	-	-	568,220
Interest and fiscal charges	-	380,063	-	-	380,063
AEA flow through	226,890	-	-	-	226,890
	\$ 226,890	\$ 948,283	\$ 40,186	\$ -	\$ 1,215,359
Total expenditures	\$ 6,816,292	\$ 948,283	\$ 80,607	\$ 663,946	\$ 8,509,128
Excess (deficiency) of revenues over (under) expenditures	\$ 39,697	\$ (502,011)	\$ 656,386	\$ 54,053	\$ 248,125
Other financing sources (uses):					
Sale of capital assets	\$ 500	\$ -	\$ 18,950	\$ -	\$ 19,450
Transfers in	-	514,411	-	-	514,411
Transfers out	-	-	(514,411)	-	(514,411)
Total other financing sources (uses)	\$ 500	\$ 514,411	\$ (495,461)	\$ -	\$ 19,450
Change in fund balances	\$ 40,197	\$ 12,400	\$ 160,925	\$ 54,053	\$ 267,575
Fund balances beginning of year	912,816	467,587	758,430	332,684	2,471,517
Fund balances end of year	\$ 953,013	\$ 479,987	\$ 919,355	\$ 386,737	\$ 2,739,092

HINTON COMMUNITY SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES ANDCHANGES IN FUND BALANCES - GOVERNMENTAL FUNDSTO THE STATEMENT OF ACTIVITIESYEAR ENDED JUNE 30, 2015

Change in fund balances - total governmental funds \$ 267,575

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. Depreciation expense exceeded capital outlay expenditures in the current year, as follows:

Expenditures for capital assets	\$ 56,091	
Depreciation expense	<u>(518,473)</u>	(462,382)

Certain local taxes not collected for several months after year end are not considered available revenue and are recognized as deferred inflows of resources in the governmental funds. (10,982)

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. 568,220

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 of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. 7,270

The current year District employer share of IPERS contributions are reported as expenditures in the governmental funds, but are reported as a deferred outflow of resources in the Statement of Net Position. 370,286

Some expenses reported 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	\$ 18,004	
Pension expense	(180,052)	
Other postemployment benefits	<u>(30,090)</u>	<u>(192,138)</u>

Change in net position of governmental activities \$ 547,849

HINTON COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET POSITION - PROPRIETARY FUNDS

JUNE 30, 2015

	Enterprise, School Nutrition	Enterprise, Before and After School Program	Enterprise, Preschool Program	Total
ASSETS:				
Current assets:				
Cash, cash equivalents and pooled investments	\$ 4,940	\$ 19,709	\$ 18,885	\$ 43,534
Accounts receivable	405	-	310	715
Inventories	<u>4,042</u>	<u>-</u>	<u>-</u>	<u>4,042</u>
Total current assets	<u>\$ 9,387</u>	<u>\$ 19,709</u>	<u>\$ 19,195</u>	<u>\$ 48,291</u>
Noncurrent assets:				
Capital assets, net of accumulated depreciation	<u>\$ 21,819</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 21,819</u>
Total assets	<u>\$ 31,206</u>	<u>\$ 19,709</u>	<u>\$ 19,195</u>	<u>\$ 70,110</u>
DEFERRED OUTFLOWS OF RESOURCES:				
Pension related deferred outflows	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,436</u>	<u>\$ 7,436</u>
LIABILITIES:				
Current liabilities:				
Accounts payable	\$ 1,233	\$ -	\$ 550	\$ 1,783
Salaries and benefits payable	<u>-</u>	<u>-</u>	<u>8,107</u>	<u>8,107</u>
Total current liabilities	<u>\$ 1,233</u>	<u>\$ -</u>	<u>\$ 8,657</u>	<u>\$ 9,890</u>
Noncurrent liabilities:				
Net pension liability	<u>\$ 19,215</u>	<u>\$ -</u>	<u>\$ 18,236</u>	<u>\$ 37,451</u>
Total liabilities	<u>\$ 20,448</u>	<u>\$ -</u>	<u>\$ 26,893</u>	<u>\$ 47,341</u>
DEFERRED INFLOWS OF RESOURCES:				
Pension related deferred inflows	<u>\$ 7,142</u>	<u>\$ -</u>	<u>\$ 7,141</u>	<u>\$ 14,283</u>
NET POSITION:				
Net investment in capital assets	\$ 21,819	\$ -	\$ -	\$ 21,819
Unrestricted	<u>(18,203)</u>	<u>19,709</u>	<u>(7,403)</u>	<u>(5,897)</u>
Total net position	<u>\$ 3,616</u>	<u>\$ 19,709</u>	<u>\$ (7,403)</u>	<u>\$ 15,922</u>

HINTON COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION -

PROPRIETARY FUNDS

YEAR ENDED JUNE 30, 2015

	Enterprise, School Nutrition	Enterprise, Before and After School Program	Enterprise, Preschool Program	Total
Operating revenues:				
Local sources:				
Charges for service	\$ 233,254	\$ -	\$ 220,662	\$ 453,916
Operating expenses:				
Instruction:				
Salaries	\$ -	\$ -	\$ 149,462	\$ 149,462
Benefits	-	-	47,384	47,384
Supplies	-	-	39,463	39,463
Miscellaneous	-	-	902	902
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 237,211</u>	<u>\$ 237,211</u>
Non-instructional programs:				
Food service operations:				
Purchased services	\$ 184,856	\$ -	\$ -	\$ 184,856
Supplies	170,781	-	-	170,781
Depreciation	4,538	-	-	4,538
	<u>\$ 360,175</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 360,175</u>
Total operating expenses	<u>\$ 360,175</u>	<u>\$ -</u>	<u>\$ 237,211</u>	<u>\$ 597,386</u>
Operating loss	<u>\$ (126,921)</u>	<u>\$ -</u>	<u>\$ (16,549)</u>	<u>\$ (143,470)</u>
Non-operating revenues:				
Interest income	\$ 22	\$ 103	\$ 85	\$ 210
State sources	2,800	-	-	2,800
Federal sources	121,180	-	-	121,180
Total non-operating revenues	<u>\$ 124,002</u>	<u>\$ 103</u>	<u>\$ 85</u>	<u>\$ 124,190</u>
Change in net position	\$ (2,919)	\$ 103	\$ (16,464)	\$ (19,280)
Net position beginning of year, as restated	<u>6,535</u>	<u>19,606</u>	<u>9,061</u>	<u>35,202</u>
Net position end of year	<u>\$ 3,616</u>	<u>\$ 19,709</u>	<u>\$ (7,403)</u>	<u>\$ 15,922</u>

HINTON COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS

YEAR ENDED JUNE 30, 2015

	Enterprise, School Nutrition	Enterprise, Before and After School Program	Enterprise, Preschool Program	Total
Cash flows from operating activities:				
Cash received from sale of lunches and breakfasts	\$ 233,445	\$ -	\$ -	\$ 233,445
Cash received from preschool program payments	-	-	220,662	220,662
Cash paid to employees for services	-	-	(197,400)	(197,400)
Cash paid to suppliers for goods or services	(333,247)	-	(40,551)	(373,798)
Net cash used by operating activities	<u>\$ (99,802)</u>	<u>\$ -</u>	<u>\$ (17,289)</u>	<u>\$ (117,091)</u>
Cash flows from non-capital financing activities:				
State grants received	\$ 2,800	\$ -	\$ -	\$ 2,800
Federal grants received	99,823	-	-	99,823
Net cash provided by non-capital financing activities	<u>\$ 102,623</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 102,623</u>
Cash flows from investing activities:				
Interest on investments	\$ 22	\$ 103	\$ 85	\$ 210
Net change in cash, cash equivalents and pooled investments	\$ 2,843	\$ 103	\$ (17,204)	\$ (14,258)
Cash, cash equivalents and pooled investments beginning of year	2,097	19,606	36,089	57,792
Cash, cash equivalents and pooled investments end of year	<u>\$ 4,940</u>	<u>\$ 19,709</u>	<u>\$ 18,885</u>	<u>\$ 43,534</u>
Reconciliation of operating loss to net cash used by operating activities:				
Operating loss	\$ (126,921)	\$ -	\$ (16,549)	\$ (143,470)
Adjustments to reconcile operating loss to net cash used by operating activities:				
Commodities used	21,205	-	-	21,205
Depreciation	4,538	-	-	4,538
(Increase) decrease in accounts receivable	191	-	-	191
(Increase) decrease in deferred outflows of resources	-	-	(7,436)	(7,436)
Increase (decrease) in deferred inflows of resources	7,142	-	7,141	14,283
Increase (decrease) in net pension liability	(7,142)	-	(2,602)	(9,744)
Increase (decrease) in salaries and benefits payable	-	-	2,343	2,343
Increase (decrease) in accounts payable	1,185	-	(186)	999
Net cash used by operating activities	<u>\$ (99,802)</u>	<u>\$ -</u>	<u>\$ (17,289)</u>	<u>\$ (117,091)</u>

Supplemental schedule of non-cash items; non-capital financing activities:

During the year ended June 30, 2015, the District received \$21,357 of federal commodities.

HINTON COMMUNITY SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUND

JUNE 30, 2015

	<u>Private Purpose Trust</u>
ASSETS:	
Cash, cash equivalents and pooled investments	\$ <u>39,218</u>
Total assets	\$ <u>39,218</u>
LIABILITIES:	
Due to others	\$ <u>-</u>
Total liabilities	\$ <u>-</u>
NET POSITION:	
Reserved for scholarships	\$ <u><u>39,218</u></u>

HINTON COMMUNITY SCHOOL DISTRICTSTATEMENT OF CHANGES IN FIDUCIARY NET POSITION - FIDUCIARY FUNDYEAR ENDED JUNE 30, 2015

	<u>Private Purpose Trust</u>
Additions:	
Local sources:	
Gifts and contributions	\$ 408
Interest income	<u>28</u>
Total additions	<u>\$ 436</u>
Deductions:	
Support services:	
Scholarships awarded	<u>\$ -</u>
Change in net position	\$ 436
Net position beginning of year	<u>38,782</u>
Net position end of year	<u><u>\$ 39,218</u></u>

HINTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The Hinton Community School District (the District) is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The geographic area served includes the City of Hinton, Iowa, and the predominant agricultural territory in Plymouth County. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB).

- A. Reporting Entity - For financial reporting purposes, the 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 Organization - 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 Plymouth County Assessor's Conference Board.

- B. Basis of Presentation

Government-Wide Financial Statements - The Statement of Net Position and the Statement of Activities report information on all of the non-fiduciary 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 revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

HINTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

The Statement of Net Position presents the District's non-fiduciary 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/amortization and reduced by outstanding balances for bonds, notes and other debt attributable 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.

Unrestricted Net Position - Consists of net position not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

Net position restricted through enabling legislation as of June 30, 2015 consists of \$126,751 for management levy, \$189,990 for physical plant and equipment levy, and \$729,365 for statewide sales tax.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include (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 restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

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.

HINTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues 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 Debt Service Fund is utilized to account for property tax and other revenues to be used for the payment of interest and principal on the District's general long-term debt.

The District reports the following major proprietary funds:

The District's major proprietary funds consist of three enterprise funds, the School Nutrition Fund, the Before and After School Program and the Preschool Program. The School Nutrition Fund is used to account for the food service operations of the District. The Before and After School Program Fund is used to account for tuition received and expenses related to this program. The Preschool Program is used to account for payments received and expenses related to this program.

The District also reports a fiduciary fund which focuses on net position and changes in net position.

The Private Purpose Trust 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.

- C. 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. Revenues are 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.

HINTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

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

Property tax, intergovernmental revenues (shared revenues, 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, compensated absences and special termination benefits 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 the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. 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 revenues.

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.

HINTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues 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 revenues of the District's Enterprise Funds are 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 revenues and expenses not meeting this definition are reported as non-operating revenues 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.

D. 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 the investment in the Iowa Schools Joint Investment Trust which is valued at amortized 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.

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

HINTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

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 become due and collectible in September and March of the fiscal year with a 1-1/2 percent per month 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 revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and 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 market 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. 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.

HINTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 5,000
Buildings	5,000
Improvements other than buildings	5,000
Intangibles	25,000
Furniture and equipment	5,000

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

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	50
Improvements other than buildings	20
Intangibles	5-10
Furniture and equipment	5-15

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.

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.

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.

HINTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

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.

Deferred Inflows of Resources - Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. Although certain revenues are measurable, they are 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 consist of property tax receivable and other receivables not collected within sixty days after year end.

Deferred inflows of resources in the Statement of Net Position consists of succeeding year property tax receivable that will not be recognized 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.

HINTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2015, no expenditures exceeded the amount budgeted.

NOTE 2 - CASH, CASH EQUIVALENTS AND POOLED INVESTMENTS:

The District's deposits in banks at 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.

At June 30, 2015, the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$165,938 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Iowa Schools Joint Investment Trust was rated AAAM by Standard & Poor's Financial Services.

NOTE 3 - DUE FROM AND DUE TO OTHER FUNDS:

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

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Capital Projects	Debt Service	<u>\$ 2,157</u>
General Fund	Activity Fund	<u>\$ 4,155</u>

The Capital Projects Fund financed short-term cash shortages in the Debt Service Fund. The Student Activity Fund is repaying the General Fund for athletic event expenses. The amounts are to be repaid by June 30, 2016.

HINTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 4 - INTERFUND TRANSFERS:

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

<u>Transfer to</u> Debt Service	<u>Transfer from</u> Capital Projects	<u>Amount</u> \$ 514,411
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Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

NOTE 5 - CAPITAL ASSETS:

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

	<u>Balance</u> <u>Beginning</u> <u>of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>End</u> <u>of Year</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 867,284	\$ -	\$ -	\$ 867,284
Total capital assets not being depreciated	<u>\$ 867,284</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 867,284</u>
Capital assets being depreciated:				
Buildings	\$ 13,226,775	\$ 24,983	\$ -	\$ 13,251,758
Improvements other than buildings	1,477,906	-	-	1,477,906
Furniture and equipment	<u>2,506,887</u>	<u>31,108</u>	<u>121,690</u>	<u>2,416,305</u>
Total capital assets being depreciated	<u>\$ 17,211,568</u>	<u>\$ 56,091</u>	<u>\$ 121,690</u>	<u>\$ 17,145,969</u>
Less accumulated depreciation for:				
Buildings	\$ 3,246,826	\$ 249,929	\$ -	\$ 3,496,755
Improvements other than buildings	569,345	36,339	-	605,684
Furniture and equipment	<u>1,411,696</u>	<u>232,205</u>	<u>121,690</u>	<u>1,522,211</u>
Total accumulated depreciation	<u>\$ 5,227,867</u>	<u>\$ 518,473</u>	<u>\$ 121,690</u>	<u>\$ 5,624,650</u>
Total capital assets being depreciated, net	<u>\$ 11,983,701</u>	<u>\$ (462,382)</u>	<u>\$ -</u>	<u>\$ 11,521,319</u>
Governmental activities capital assets, net	<u>\$ 12,850,985</u>	<u>\$ (462,382)</u>	<u>\$ -</u>	<u>\$ 12,388,603</u>
Business type activities:				
Furniture and equipment	\$ 87,852	\$ -	\$ -	\$ 87,852
Less accumulated depreciation	<u>61,495</u>	<u>4,538</u>	<u>-</u>	<u>66,033</u>
Business type activities capital assets, net	<u>\$ 26,357</u>	<u>\$ (4,538)</u>	<u>\$ -</u>	<u>\$ 21,819</u>

HINTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 5 - CAPITAL ASSETS (CONTINUED):

Depreciation expense was charged to the following functions:

Governmental activities:

Instruction:

Regular	\$ 285,571
Special	46,241
Other	<u>42,085</u>
	<u>\$ 373,897</u>

Support services:

Student	\$ 14,946
Instructional staff	9,349
Administration	55,415
Operation and maintenance of plant	39,696
Transportation	<u>25,170</u>
	<u>\$ 144,576</u>

Total depreciation expense - governmental activities	<u>\$ 518,473</u>
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Business type activities:

Food service operations	<u>\$ 4,538</u>
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NOTE 6 - LONG-TERM LIABILITIES:

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

	<u>Balance</u> <u>Beginning of</u> <u>Year Restated</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>End</u> <u>of Year</u>	<u>Due</u> <u>Within</u> <u>One Year</u>
General obligation capital loan note	\$ 205,000	\$ -	\$ 100,000	\$ 105,000	\$ 105,000
General obligation bond payable	5,030,000	-	235,000	4,795,000	245,000
Revenue bonds	3,390,000	-	145,000	3,245,000	150,000
Notes payable	101,650	-	23,144	78,506	24,017
Capital lease obligation	199,934	-	65,076	134,858	66,632
Early retirement	99,443	64,031	82,035	81,439	20,513
Net pension liability	3,461,467	-	1,002,213	2,459,254	-
Net OPEB liability	<u>272,300</u>	<u>103,200</u>	<u>73,110</u>	<u>302,390</u>	<u>-</u>
Total	<u>\$ 12,759,794</u>	<u>\$ 167,231</u>	<u>\$ 1,725,578</u>	<u>\$ 11,201,447</u>	<u>\$ 611,162</u>

HINTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 6 - LONG-TERM LIABILITIES (CONTINUED):

	<u>Balance</u> <u>Beginning of</u> <u>Year Restated</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>End</u> <u>of Year</u>	<u>Due</u> <u>Within</u> <u>One Year</u>
Business type activities:					
Net pension liability	\$ 52,712	\$ -	\$ 15,261	\$ 37,451	\$ -

General Obligation Capital Loan Note - Details of the District's general obligation capital loan note indebtedness as of June 30, 2015 are as follows:

<u>Year Ending</u> <u>June 30,</u>	<u>Capital Loan Note Dated June 29, 2009</u>			
	<u>Interest Rates</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	3.75%	\$ 105,000	\$ 3,938	\$ 108,938
Total		\$ 105,000	\$ 3,938	\$ 108,938

General Obligation Bond Payable - Details of the District's general obligation bond payable indebtedness as of June 30, 2015 are as follows:

<u>Year Ending</u> <u>June 30,</u>	<u>General Obligation Bond Dated May 1, 2010</u>			
	<u>Interest Rates</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	3.75%	\$ 245,000	\$ 200,038	\$ 445,038
2017	3.75%	255,000	190,850	445,850
2018	4.00%	265,000	181,288	446,288
2019	4.00%	275,000	170,688	445,688
2020	4.00%	285,000	159,688	444,688
Thereafter	4.0-4.60%	3,470,000	881,951	4,351,951
Total		\$ 4,795,000	\$ 1,784,503	\$ 6,579,503

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

<u>Year Ending</u> <u>June 30,</u>	<u>Bond Issue of December 1, 2009</u>			
	<u>Interest Rates</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	4.25%	\$ 150,000	\$ 145,878	\$ 295,878
2017	4.25%	175,000	138,971	313,971
2018	4.25%	175,000	131,534	306,534
2019	4.30%	175,000	124,052	299,052
2020	4.30%	175,000	116,528	291,528
Thereafter	4.3-5.00%	2,395,000	613,987	3,008,987
Total		\$ 3,245,000	\$ 1,270,950	\$ 4,515,950

HINTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 6 - LONG-TERM LIABILITIES (CONTINUED):

The District has pledged future statewide sales, services and use tax revenues to repay the bond issued in December 2009. The bonds were issued for the purpose of financing school infrastructure. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2030. 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 percent of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the notes is \$4,515,950. For the current year, \$297,146 in principal and interest was paid on revenue bonds and total statewide sales, services and use tax revenues were \$517,548.

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

- a) \$320,440 from the 2009 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 of the revenue bond provisions during the year ended June 30, 2015.

HINTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 6 - LONG-TERM LIABILITIES (CONTINUED):

Notes Payable - During the years ended June 30, 2012 and 2014, the District issued notes payable to finance the purchase of equipment. The notes bear interest at 2.9 to 4.3 percent, per annum and are payable from the Special Revenue, Physical, Plant and Equipment Levy Fund. Details of the District's indebtedness under the agreements in effect at June 30, 2015 are as follows:

Year Ending	Note Dated July 15, 2011		Note Dated July 30, 2013		Total		
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
June 30, 2016	\$ 13,955	\$ 614	\$ 10,062	\$ 1,878	\$ 24,017	\$ 2,492	\$ 26,509
2017	-	-	54,489	1,586	54,489	1,586	56,075
Total	<u>\$ 13,955</u>	<u>\$ 614</u>	<u>\$ 64,551</u>	<u>\$ 3,464</u>	<u>\$ 78,506</u>	<u>\$ 4,078</u>	<u>\$ 82,584</u>

During the year ended June 30, 2015, the District made principal and interest payments totaling \$26,509 under the agreements.

Capital Lease - On March 25, 2014, the District entered into a four-year lease agreement as lessee for financing the acquisition of laptops as part of the 1:1 Laptop Initiative. This initiative was approved by the District to provide laptops for students and faculty use. The cost of the laptops and accessories was \$268,893 and has been capitalized and is being depreciated in accordance with the District's policy. The assets and associated depreciation expense are included in the furniture and equipment classification.

The following is a schedule of future minimum lease payments under the capital lease, together with the net present value of the minimum lease payments as of June 30, 2015.

Year Ending June 30,	Capital Lease Obligation			
	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	2.39%	\$ 66,632	\$ 3,225	\$ 69,857
2017	2.39%	68,226	1,631	69,857
		<u>\$ 134,858</u>	<u>\$ 4,856</u>	<u>\$ 139,714</u>

Early Retirement - The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age 55 and must have completed 10 years of service to the District. Employees must complete an application which is required to be approved by the Board of Education. The early retirement incentive for each eligible employee will be based on a percentage of the employee's base salary determined by the employee's consecutive years of service. Early retirement benefits currently offered to new retirees consist of a lump sum cash payment; however, health insurance benefits are being provided to one retiree until they reach age 65.

HINTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 6 - LONG-TERM LIABILITIES (CONTINUED):

At June 30, 2015, the District had an obligation to one participant with a total liability of \$81,439 extending through the year ending June 30, 2020. Early retirement benefits paid during the year ended June 30, 2015 totaled \$84,544. The total liability for early retirement is recorded in the government-wide financial statements and is calculated assuming an annual 3 percent increase in monthly premiums with a 5 percent discount rate.

NOTE 7 - 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 Iowa Public Employees' Retirement System (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.)

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 percent 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 percent for each month that the member receives benefits before age 65.

HINTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 7 - PENSION PLAN (CONTINUED):

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 1-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 percent of pay and the District contributed 8.93 percent for a total rate of 14.88 percent.

The District's contributions to IPERS for the year ended June 30, 2015 were \$375,925.

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2015, the District reported a liability of \$2,496,705 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. At June 30, 2014, the District's collective proportion was 0.0629542 percent, which was an increase of 0.001749 from its proportion measured as of June 30, 2013.

HINTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 7 - PENSION PLAN (CONTINUED):

For the year ended June 30, 2015, the District recognized pension expense of \$182,794. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 27,134	\$ -
Changes of assumptions	110,185	-
Net difference between projected and actual earnings on pension plan investments	-	952,171
Changes in proportion and differences between District contributions and proportionate share of contributions	(17,549)	-
District contributions subsequent to the measurement date	<u>375,925</u>	<u>-</u>
Total	<u>\$ 495,695</u>	<u>\$ 952,171</u>

\$375,925 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 ended 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:

<u>Year ended June 30,</u>	<u>Total</u>
2016	\$ (210,059)
2017	(210,059)
2018	(210,059)
2019	(210,059)
2020	<u>7,835</u>
	<u>\$ (832,401)</u>

There were no non-employer contributing entities at IPERS.

HINTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 7 - PENSION PLAN (CONTINUED):

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)	3.00 percent per annum
Rates of salary increase (effective June 30, 2010)	4.00 to 17.00 percent, average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 1996)	7.50 percent, compounded annually, net of 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.

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:

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
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>	

HINTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 7 - PENSION PLAN (CONTINUED):

Discount Rate - The discount rate used to measure the total pension liability was 7.5 percent. 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 percent, 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 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate.

	<u>1% Decrease</u> <u>(6.5%)</u>	<u>Discount Rate</u> <u>(7.5%)</u>	<u>1% Increase</u> <u>(8.5%)</u>
District's proportionate share of the net pension liability	\$ <u>4,717,454</u>	\$ <u>2,496,705</u>	\$ <u>622,163</u>

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 - At June 30, 2015, the District reported payables to the defined benefit pension plan of \$47,465 for legally required employer contributions, and \$31,643 for legally required employee contributions, which had been withheld from employee wages but not yet remitted to IPERS.

NOTE 8 - 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 90 active and 4 retired members in the plan. Retired participants must be age 55 or older at retirement.

HINTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 8 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED):

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 rate 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	\$ 91,000
Interest on net OPEB obligation	12,200
Adjustment to annual required contribution	<u>(11,110)</u>
Annual OPEB cost	\$ 92,090
Contributions made	<u>(62,000)</u>
Increase in net OPEB obligation	\$ 30,090
Net OPEB obligation beginning on year	<u>272,300</u>
Net OPEB obligation end of year	<u><u>\$ 302,390</u></u>

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 year ended June 30, 2015, the District contributed \$62,000 to the medical plan. Plan members eligible for benefits contributed \$21,677, or 26.0 percent of the premium costs.

HINTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 8 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED):

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:

<u>Year Ended</u> <u>June 30,</u>	<u>Annual</u> <u>OPEB Cost</u>	<u>Percentage of</u> <u>Annual OPEB</u> <u>Cost Contributed</u>	<u>Net OPEB</u> <u>Obligation</u>
2013	\$ 91,500	48.1%	\$ 228,400
2014	91,900	52.2%	272,300
2015	92,090	67.3%	302,390

Funded Status and Funding Progress - As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2014 through June 30, 2015, the actuarial accrued liability was \$549,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$549,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$4.2 million and the ratio of the UAAL's covered payroll was 13.0 percent. 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 health care 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 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.

HINTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 8 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED):

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

Mortality rates are from the RP-2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from Table 1 in GASB 45 paragraph 35(b).

Projected claim costs of the medical plan are \$730 per month for retirees. The salary increase rate was assumed to be 3.5 percent per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

NOTE 9 - 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.

NOTE 10 - AREA EDUCATION AGENCY:

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 \$226,890 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.

NOTE 11 - CONSTRUCTION COMMITMENT:

The District entered into a contract totaling \$21,610 for capital asset improvements. As of June 30, 2015, no costs have been incurred against the contract. The balance of \$21,610 will be paid as work on the project progresses.

HINTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 12 - ACCOUNTING CHANGE/RESTATEMENT:

The Governmental Accounting Standards Board has issued 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 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, as follows:

	<u>Governmental Activities</u>	<u>Business type Activities</u>
Net position June 30, 2014, as previously reported	\$ 6,231,578	\$ 82,397
Net pension liability at June 30, 2014	(3,461,467)	(52,712)
Deferred outflows of resources related to contributions made after the June 30, 2013 measurement date	<u>362,350</u>	<u>5,517</u>
Net position July 1, 2014, as restated	<u>\$ 3,132,461</u>	<u>\$ 35,202</u>

NOTE 13 - DEFICIT BALANCE:

The District's Preschool Program had a deficit balance at June 30, 2015. The deficit balance was a result of charges for services not meeting expectations. The deficit will be eliminated as operating revenues will be adjusted to better reflect operating expenses.

REQUIRED SUPPLEMENTARY INFORMATION

HINTON COMMUNITY SCHOOL DISTRICT

BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENDITURES/EXPENSES

AND CHANGES IN BALANCES - BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS

AND PROPRIETARY FUNDS

REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2015

	<u>Governmental Funds Actual</u>	<u>Proprietary Funds Actual</u>	<u>Total Actual</u>
Revenues:			
Local sources	\$ 5,124,554	\$ 454,126	\$ 5,578,680
State sources	3,514,079	2,800	3,516,879
Federal sources	<u>118,620</u>	<u>121,180</u>	<u>239,800</u>
Total revenues	<u>\$ 8,757,253</u>	<u>\$ 578,106</u>	<u>\$ 9,335,359</u>
Expenditures/expenses:			
Instruction	\$ 5,259,903	\$ 237,211	\$ 5,497,114
Support services	2,033,866	-	2,033,866
Non-instructional programs	-	360,175	360,175
Other expenditures	<u>1,215,359</u>	<u>-</u>	<u>1,215,359</u>
Total expenditures/expenses	<u>\$ 8,509,128</u>	<u>\$ 597,386</u>	<u>\$ 9,106,514</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	\$ 248,125	\$ (19,280)	\$ 228,845
Other financing sources, net	<u>19,450</u>	<u>-</u>	<u>19,450</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures/expenses and other financing uses	\$ 267,575	\$ (19,280)	\$ 248,295
Balances beginning of year	<u>2,471,517</u>	<u>35,202</u>	<u>2,506,719</u>
Balances end of year	<u>\$ 2,739,092</u>	<u>\$ 15,922</u>	<u>\$ 2,755,014</u>

See accompanying independent auditor's report.

<u>Budgeted Amounts</u>		<u>Final to</u>
<u>Original</u>	<u>Final</u>	<u>Actual</u>
		<u>Variance</u>
\$ 5,840,765	\$ 5,840,765	\$ (262,085)
3,089,782	3,089,782	427,097
<u>139,329</u>	<u>139,329</u>	<u>100,471</u>
<u>\$ 9,069,876</u>	<u>\$ 9,069,876</u>	<u>\$ 265,483</u>
\$ 5,644,856	\$ 5,795,849	\$ 298,735
2,481,175	2,491,785	457,919
324,000	375,100	14,925
<u>1,316,935</u>	<u>1,316,935</u>	<u>101,576</u>
<u>\$ 9,766,966</u>	<u>\$ 9,979,669</u>	<u>\$ 873,155</u>
<u>\$ (697,090)</u>	<u>\$ (909,793)</u>	<u>\$ 1,138,638</u>

HINTON COMMUNITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING

YEAR ENDED JUNE 30, 2015

This budgetary comparison is presented as Required Supplementary Information in accordance with Government Accounting Standards 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 Trust Fund. The budget may be amended during the year utilizing similar 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, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides 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 \$212,703.

During the year ended June 30, 2015, no expenditures exceeded the amounts budgeted.

HINTON COMMUNITY SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

IOWA PUBLIC EMPLOYEES RETIREMENT SYSTEM (IN THOUSANDS)

LAST FISCAL YEAR *

REQUIRED SUPPLEMENTARY INFORMATION

	<u>2015</u>
District's proportion of the net pension liability	0.0629542%
District's proportionate share of the net pension liability	\$ 2,497
District's covered-employee payroll	\$ 4,121
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	60.59%
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 10-year trend is compiled, the District will present information for those years for which information is available.

HINTON COMMUNITY SCHOOL DISTRICT

SCHEDULE OF DISTRICT CONTRIBUTIONS

IOWA PUBLIC EMPLOYEES RETIREMENT SYSTEM (IN THOUSANDS)

LAST TEN FISCAL YEARS

REQUIRED SUPPLEMENTARY INFORMATION

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Statutorily required contributions	\$ 376	\$ 368	\$ 348	\$ 307	\$ 257	\$ 252	\$ 235	\$ 206	\$ 166	\$ 158
Contributions in relation to the statutorily required contribution	<u>(376)</u>	<u>(368)</u>	<u>(348)</u>	<u>(307)</u>	<u>(257)</u>	<u>(252)</u>	<u>(235)</u>	<u>(206)</u>	<u>(166)</u>	<u>(158)</u>
Contribution deficiency (excess)	<u>\$ -</u>									
District's covered-employee payroll	<u>\$ 4,210</u>	<u>\$ 4,121</u>	<u>\$ 4,014</u>	<u>\$ 3,804</u>	<u>\$ 3,698</u>	<u>\$ 3,789</u>	<u>\$ 3,701</u>	<u>\$ 3,405</u>	<u>\$ 2,887</u>	<u>\$ 2,748</u>
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%

HINTON COMMUNITY SCHOOL DISTRICT

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 percent per year measured from the member's first unreduced retirement age to a 6 percent 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 percent to 3.00 percent.
- Decreased the assumed rate of interest on member accounts from 4.00 percent to 3.75 percent 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.

HINTON COMMUNITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PENSION LIABILITY

YEAR ENDED JUNE 30, 2015

CHANGES OF ASSUMPTIONS (CONTINUED):

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.

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 percent to 4.00 percent.
- Lowered the inflation assumption from 3.50 percent to 3.25 percent.
- Lowered disability rates for sheriffs and deputies and protection occupation members.

HINTON COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN (IN THOUSANDS)

REQUIRED SUPPLEMENTARY INFORMATION

<u>Year Ended June 30,</u>	<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll [(b-a)/c]</u>
2010	July 1, 2009	\$ -	\$ 561	\$ 561	0.0%	\$ 3,789	14.8%
2011	July 1, 2009	-	561	561	0.0%	3,698	15.2%
2012	July 1, 2009	-	561	561	0.0%	3,804	14.7%
2013	July 1, 2012	-	549	549	0.0%	4,014	13.7%
2014	July 1, 2012	-	549	549	0.0%	4,121	13.3%
2015	July 1, 2012	-	549	549	0.0%	4,210	13.0%

See Note 8 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

SUPPLEMENTARY INFORMATION

HINTON COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS

JUNE 30, 2015

	Special Revenue		
	Management Levy	Student Activity	Total
ASSETS:			
Cash, cash equivalents and pooled investments	\$ 206,652	\$ 202,630	\$ 409,282
Receivables:			
Property tax:			
Delinquent	1,538	-	1,538
Succeeding year	200,000	-	200,000
Inventories	-	1,007	1,007
	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 408,190</u>	<u>\$ 203,637</u>	<u>\$ 611,827</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:			
Liabilities:			
Accounts payable	\$ -	\$ 20,935	\$ 20,935
Due to other funds	-	4,155	4,155
Total liabilities	<u>\$ -</u>	<u>\$ 25,090</u>	<u>\$ 25,090</u>
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	\$ 200,000	\$ -	\$ 200,000
Total deferred inflows of resources	<u>\$ 200,000</u>	<u>\$ -</u>	<u>\$ 200,000</u>
Fund balances:			
Restricted for:			
Management levy purposes	\$ 208,190	\$ -	\$ 208,190
Student activities	-	178,547	178,547
Total fund balances	<u>\$ 208,190</u>	<u>\$ 178,547</u>	<u>\$ 386,737</u>
	<u> </u>	<u> </u>	<u> </u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 408,190</u>	<u>\$ 203,637</u>	<u>\$ 611,827</u>

HINTON COMMUNITY SCHOOL DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN

FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2015

	Special Revenue		
	Management Levy	Student Activity	Total
Revenues:			
Local sources:			
Local tax	\$ 269,690	\$ -	\$ 269,690
Other	11,411	435,466	446,877
State sources	<u>1,432</u>	<u>-</u>	<u>1,432</u>
Total revenues	<u>\$ 282,533</u>	<u>\$ 435,466</u>	<u>\$ 717,999</u>
Expenditures:			
Current:			
Instruction:			
Regular	\$ 99,290	\$ -	\$ 99,290
Other	<u>-</u>	<u>417,852</u>	<u>417,852</u>
	<u>\$ 99,290</u>	<u>\$ 417,852</u>	<u>\$ 517,142</u>
Support services:			
Administration	\$ 52,022	\$ -	\$ 52,022
Operation and maintenance of plant	<u>94,782</u>	<u>-</u>	<u>94,782</u>
	<u>\$ 146,804</u>	<u>\$ -</u>	<u>\$ 146,804</u>
Total expenditures	<u>\$ 246,094</u>	<u>\$ 417,852</u>	<u>\$ 663,946</u>
Change in fund balances	\$ 36,439	\$ 17,614	\$ 54,053
Fund balances beginning of year	<u>171,751</u>	<u>160,933</u>	<u>332,684</u>
Fund balances end of year	<u>\$ 208,190</u>	<u>\$ 178,547</u>	<u>\$ 386,737</u>

HINTON COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS

YEAR ENDED JUNE 30, 2015

ACCOUNT:	Balance Beginning of Year	Revenues and Interfund Transfers	Expenditures	Intrafund Transfers	Balance End of Year
Play	\$ 909	\$ -	\$ -	\$ -	\$ 909
Quiz Bowl	354	-	140	-	214
Vocal music	815	1,263	648	-	1,430
Band activities	2,244	1,667	1,337	(250)	2,324
Athletics	22,398	176,410	173,055	15,811	41,564
Interest income	10,360	771	116	(2,315)	8,700
Middle school	534	712	514	248	980
Lifetouch MS/HS	-	174	-	-	174
Hinton School projects	12,426	18,367	15,179	(6,987)	8,627
Elementary music project	20	17	295	258	-
Birdie fest project	4,248	3,270	5,303	100	2,315
Central office	2,394	3,726	4,216	(242)	1,662
Preschool	48	638	85	(457)	144
Spanish club	2,192	-	-	-	2,192
Soundsational	21,553	29,096	36,302	(1,410)	12,937
School nurse	522	-	85	202	639
Discovergarten	427	-	65	-	362
English co-curricular	488	-	-	-	488
7/8 Language Arts	1,054	3	-	2,138	3,195
Fifth grade project	60	-	514	454	-
Reading recovery	96	1,829	134	(1,403)	388
D.E.C.A.	2,849	21,982	20,793	1,020	5,058
National Honor Society	549	990	1,106	371	804
Cheerleaders	1,155	20,994	22,274	127	2
Drill team	1,979	-	-	-	1,979
MS/HS special education	162	-	72	40	130
Elementary special education	1,422	-	1,265	697	854
Math club	737	251	290	271	969
Tag club	374	58	232	202	402
FCCLA	1,399	12,342	14,124	2,198	1,815
Music trip	6,209	-	-	(100)	6,109
Music fund raiser	4,135	13,929	9,349	-	8,715
Musical	561	-	-	-	561
2016 class fund	1,084	15,260	11,704	34	4,674
2015 class fund	5,352	-	2,199	(300)	2,853
Yearbook	6,392	19,739	20,815	(10)	5,306
High school student council	1,533	6,448	4,457	-	3,524
Middle school student council	256	1,248	561	31	974
Elementary student council	1,410	854	565	509	2,208
Elementary miscellaneous	639	625	615	430	1,079
2018 class fund	-	-	334	334	-
Wings	352	-	121	-	231
Sixth grade trip	460	1,645	1,155	86	1,036
Concession stand	21,460	54,562	40,340	(17,858)	17,824
Soundwaves	1,266	1,850	1,072	(203)	1,841
Show choir outfits	116	6,398	8,129	1,615	-
Blackhawk shop	6,107	4,967	5,450	80	5,704
School cents fund	875	1,032	367	-	1,540
Music trip student	-	-	100	100	-
Robotics club	144	525	2,428	1,759	-
2017 class fund	-	-	-	1,855	1,855
Wrestling cheerleaders	752	3,710	3,438	-	1,024
Fourth grade project	196	193	180	-	209
Second grade activity	162	-	132	-	30
First grade reading/math	522	-	406	665	781
Book fair	3,133	6,568	4,560	-	5,141
Global days of service	3,777	1,153	1,231	-	3,699
Kindergarten project	105	-	-	-	105
HCEA	-	100	-	(100)	-
Playground	167	100	-	-	267
Total	\$ 160,933	\$ 435,466	\$ 417,852	\$ -	\$ 178,547

HINTON COMMUNITY SCHOOL DISTRICTCOMBINING BALANCE SHEET - CAPITAL PROJECT ACCOUNTSJUNE 30, 2015

	<u>Capital Projects</u>		<u>Total</u>
	<u>Statewide Sales, Services and Use Tax</u>	<u>Physical Plant and Equipment Levy</u>	
ASSETS:			
Cash, cash equivalents and pooled investments	\$ 646,806	\$ 189,313	\$ 836,119
Receivables:			
Property tax:			
Delinquent	-	1,094	1,094
Succeeding year	-	206,743	206,743
Accounts	-	861	861
Due from other governments	80,402	-	80,402
Due from other funds	<u>2,157</u>	<u>-</u>	<u>2,157</u>
Total assets	<u>\$ 729,365</u>	<u>\$ 398,011</u>	<u>\$ 1,127,376</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:			
Liabilities:			
Accounts payable	<u>\$ -</u>	<u>\$ 1,278</u>	<u>\$ 1,278</u>
Total liabilities	<u>\$ -</u>	<u>\$ 1,278</u>	<u>\$ 1,278</u>
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	<u>\$ -</u>	<u>\$ 206,743</u>	<u>\$ 206,743</u>
Total deferred inflows of resources	<u>\$ -</u>	<u>\$ 206,743</u>	<u>\$ 206,743</u>
Fund balances:			
Restricted for:			
School infrastructure	\$ 729,365	\$ -	\$ 729,365
Physical plant and equipment	<u>-</u>	<u>189,990</u>	<u>189,990</u>
Total fund balances	<u>\$ 729,365</u>	<u>\$ 189,990</u>	<u>\$ 919,355</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 729,365</u>	<u>\$ 398,011</u>	<u>\$ 1,127,376</u>

HINTON COMMUNITY SCHOOL DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN

FUND BALANCES - CAPITAL PROJECT ACCOUNTS

YEAR ENDED JUNE 30, 2015

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ -	\$ 213,572	\$ 213,572
Other	2,873	2,171	5,044
State sources	517,548	829	518,377
Total revenues	<u>\$ 520,421</u>	<u>\$ 216,572</u>	<u>\$ 736,993</u>
Expenditures:			
Current:			
Support services:			
Instructional staff	\$ -	\$ 16,191	\$ 16,191
Operation and maintenance of plant	-	24,230	24,230
	<u>\$ -</u>	<u>\$ 40,421</u>	<u>\$ 40,421</u>
Other expenditures:			
Facilities acquisition	\$ 25,268	\$ 14,918	\$ 40,186
Total expenditures	<u>\$ 25,268</u>	<u>\$ 55,339</u>	<u>\$ 80,607</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 495,153</u>	<u>\$ 161,233</u>	<u>\$ 656,386</u>
Other financing sources (uses):			
Sale of capital assets	\$ -	\$ 18,950	\$ 18,950
Transfers out	(380,465)	(133,946)	(514,411)
Total other financing uses	<u>\$ (380,465)</u>	<u>\$ (114,996)</u>	<u>\$ (495,461)</u>
Change in fund balances	\$ 114,688	\$ 46,237	\$ 160,925
Fund balances beginning of year	614,677	143,753	758,430
Fund balances end of year	<u>\$ 729,365</u>	<u>\$ 189,990</u>	<u>\$ 919,355</u>

HINTON COMMUNITY SCHOOL DISTRICT

SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION -

ALL GOVERNMENTAL FUNDS

FOR THE LAST TEN YEARS

	Modified Accrual Basis									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Revenues:										
Local sources:										
Local tax	\$ 2,893,399	\$ 2,786,297	\$ 3,466,154	\$ 3,414,726	\$ 3,292,554	\$ 2,459,916	\$ 2,448,614	\$ 2,336,336	\$ 2,367,963	\$ 2,328,933
Tuition	1,710,944	1,574,114	1,435,910	1,247,281	1,232,408	1,081,888	974,514	856,571	698,814	530,560
Other	520,211	552,896	453,190	492,238	496,690	436,483	429,284	509,357	433,537	398,267
State sources	3,514,079	3,268,881	2,718,625	2,679,886	2,589,346	2,256,928	2,778,873	2,648,317	2,293,655	2,430,832
Federal sources	118,620	114,899	122,672	107,975	305,078	433,983	153,711	123,463	91,404	100,625
Total	\$ 8,757,253	\$ 8,297,087	\$ 8,196,551	\$ 7,942,106	\$ 7,916,076	\$ 6,669,198	\$ 6,784,996	\$ 6,474,044	\$ 5,885,373	\$ 5,789,217
Expenditures:										
Instruction:										
Regular	\$ 4,017,358	\$ 4,309,259	\$ 3,772,630	\$ 3,503,825	\$ 3,328,228	\$ 3,361,698	\$ 3,400,958	\$ 2,921,517	\$ 2,655,474	\$ 2,312,074
Special	650,506	624,900	519,030	562,351	563,673	495,854	491,428	513,038	338,170	317,089
Other	592,039	640,074	645,740	621,979	609,808	610,151	599,331	657,471	505,423	665,312
Support services:										
Student	210,252	214,965	238,347	245,923	241,052	230,526	231,566	235,818	247,095	242,045
Instructional staff	131,517	108,778	149,518	138,914	124,390	117,002	117,902	110,906	102,357	77,879
Administration	779,568	711,357	652,845	583,520	642,442	731,971	719,838	644,820	577,894	537,979
Operation and maintenance of plant	558,439	687,914	413,966	385,800	328,468	362,281	356,499	496,992	444,525	375,315
Transportation	354,090	557,531	375,400	340,863	320,749	335,402	298,073	313,981	240,378	215,100
Other expenditures:										
Facilities acquisition	40,186	42,526	331,918	1,589,336	6,454,934	1,776,635	302,535	252,206	386,705	638,992
Long-term debt:										
Principal	568,220	558,702	462,264	449,569	415,000	200,000	120,000	110,000	110,000	255,000
Interest and fiscal charges	380,063	391,456	408,372	421,941	433,133	205,443	33,080	36,590	40,290	49,758
AEA flow through	226,890	210,130	203,100	204,135	225,531	221,262	203,703	190,931	180,565	163,821
Total	\$ 8,509,128	\$ 9,057,592	\$ 8,173,130	\$ 9,048,156	\$ 13,687,408	\$ 8,648,225	\$ 6,874,913	\$ 6,484,270	\$ 5,828,876	\$ 5,850,364



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*

To the Board of Education of
Hinton Community School District

We have audited, 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, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Hinton Community School District (the District) as of and for the year ended June 30, 2015, and the related Notes to Financial Statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 29, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are 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 the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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 that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control, that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from 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 which are described in Part II of the accompanying Schedule of Findings and Responses.

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.

Hinton Community School District's Responses to Findings

The District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. The 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 result 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.

January 29, 2016
Sioux City, Iowa

King Reinsch Prosser & Co. LLP

HINTON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2015

Part I: Findings Related to the Financial Statements

None.

Part II: Other Findings Related to Statutory Reporting

- II-A-15 Certified Budget - No expenditures for the year ended June 30, 2015 exceeded the amended certified budget amounts.
- II-B-15 Questionable Expenditures - No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- II-C-15 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.
- II-D-15 Business Transactions - No business transactions between the District and District officials or employees were noted.
- II-E-15 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.
- II-F-15 Board Minutes - No transactions requiring Board approval which had not been approved by the Board were noted.
- II-G-15 Certified Enrollment - No variances in the basic enrollment data certified to the Iowa Department of Education were noted.
- II-H-15 Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- II-I-15 Deposits and Investments - No instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.
- II-J-15 Certified Annual Report - The Certified Annual Report was certified timely to the Iowa Department of Education.

HINTON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES

YEAR ENDED JUNE 30, 2015

(CONTINUED)

Part II: Other Findings Related to Statutory Reporting (Continued)

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

II-L-15 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:

Beginning balance		\$ 614,677
Revenues/transfers in:		
Sales tax revenues	\$ 517,548	
Other local revenues	<u>2,873</u>	520,421
Expenditures/transfers out:		
Transfers to debt service fund	\$ 380,465	
Furniture and equipment	24,983	
Other	<u>285</u>	<u>405,733</u>
Ending balance		<u>\$ 729,365</u>

For the year ended June 30, 2015, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.

II-M-15 Deficit Balances - The Preschool Program had a deficit balance at June 30, 2015.

Recommendation - The District should continue to investigate alternatives to eliminate the deficit in order to return the fund to a sound financial condition.

Response - The District is continuing to investigate alternatives to eliminate the deficit in the Preschool Program at the end of the fiscal year.

Conclusion - Response accepted.