

HUMBOLDT COMMUNITY SCHOOL DISTRICT
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2015

TABLE OF CONTENTS

		<u>Page</u>
Officials		3
Independent Auditor’s Report		4-6
Management Discussion and Analysis (MD&A)		7-16
<u>Basic Financial Statements:</u>	<u>Exhibit</u>	
Government-wide Financial Statements:		
Statement of Net Position	A	18
Statement of Activities	B	19
Governmental Fund Financial Statements:		
Balance Sheet	C	20
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position	D	21
Statement of Revenues, Expenditures and Changes in Fund Balances	E	22
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	F	23
Proprietary Fund Financial Statements:		
Statement of Net Position	G	24
Statement of Revenues, Expenses and Changes in Fund Net Position	H	25
Statement of Cash Flows	I	26
Fiduciary Fund Financial Statements:		
Statement of Fiduciary Net Position	J	27
Statement of Changes in Fiduciary Net Position	K	28
Notes to Financial Statements		29-42
<u>Required Supplementary Information:</u>		
Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances - Budget and Actual - All Governmental Funds and Proprietary Fund		44
Notes to Required Supplementary Information - Budgetary Reporting		45
Schedule of Funding Progress for the Retiree Health Plan		46
Schedule of the District’s Proportionate Share of the Net Pension Liability		47
Schedule of District Contributions		48
Notes to Required Supplementary Information - Pension Liability		49-50
<u>Supplementary Information:</u>	<u>Schedule</u>	
Nonmajor Special Revenue Funds:		
Combining Balance Sheet	1	52
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	2	53
Capital Projects Funds:		
Combining Balance Sheet	3	54
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	4	55
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	5	56
Schedule of Changes in Private Purpose Trust Fund, Scholarship Accounts	6	57
Schedule of Revenues by Source and Expenditures by Function - All Governmental Funds	7	58
Schedule of Expenditures of Federal Awards	8	59
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 <u>Government Auditing Standards</u>		60-61
Independent Auditor’s Report on Compliance for Each Major Program and on Internal Control over Compliance Required by OMB Circular A-133		62-63
Schedule of Findings and Questioned Costs		64-69

Humboldt Community School District

Officials

Randy Hildreth	President	2017
Brody Clark	Vice President	2015
Suzanne Newton	Board Member	2017
Janell Smith	Board Member	2017
Kyle Kluender	Board Member	2015

School Officials

Greg Darling	Superintendent	2015
Rhiannon Lange	District Secretary	2015
Annie Rathke	District Treasurer	2015
Ahlers & Cooney, P.C.	Attorney	2015

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(a professional corporation)
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Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the Humboldt 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 Humboldt Community School District, Humboldt, 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 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 U.S. generally accepted accounting principles. 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 U.S. generally accepted auditing standards 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 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 Humboldt Community School 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 U.S. generally accepted accounting principles.

Members American Institute & Iowa Society of Certified Public Accountants

Emphasis of Matter

As discussed in Note 14 to the financial statements, Humboldt Community School District adopted new accounting guidance related to Government 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

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 16 and 44 through 50 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of 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 U.S. generally accepted auditing standards, 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 Humboldt Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the two years ended June 30, 2014 (which are not presented herein) and expressed unmodified opinions on those financial statement. Another auditor previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the seven years ended June 30, 2012 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 8, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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 U.S. generally accepted auditing standards. 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 March 1, 2016 on our consideration of Humboldt Community School 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Humboldt Community School District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Nolte, Cornman & Johnson PC". The signature is written in a cursive style with a large, stylized initial 'N'.

NOLTE, CORNMAN & JOHNSON, P.C.

March 1, 2016
Newton, Iowa

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

2015 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$13,673,963 in fiscal year 2014 to \$14,775,981 in fiscal year 2015, while General Fund expenditures increased from \$13,840,639 in fiscal year 2014 to \$14,560,575 in fiscal year 2015. This resulted in an increase in the District's General Fund balance from \$1,414,977 at June 30, 2014 to a balance of \$1,630,383 at June 30, 2015, a 15.22% increase from the prior year.
- The increase in General Fund revenues was primarily attributable to increases in local and state sources in fiscal year 2015. The increase in expenditures was due primarily to an increase in negotiated salaries and benefits.

USING THIS ANNUAL REPORT

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

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

The Government-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of Humboldt Community School District as a whole and present an overall view of the District's finances.

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

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

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year the District's proportionate share of the net pension liability and related contributions, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Supplementary Information provides detailed information about the nonmajor funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the District.

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

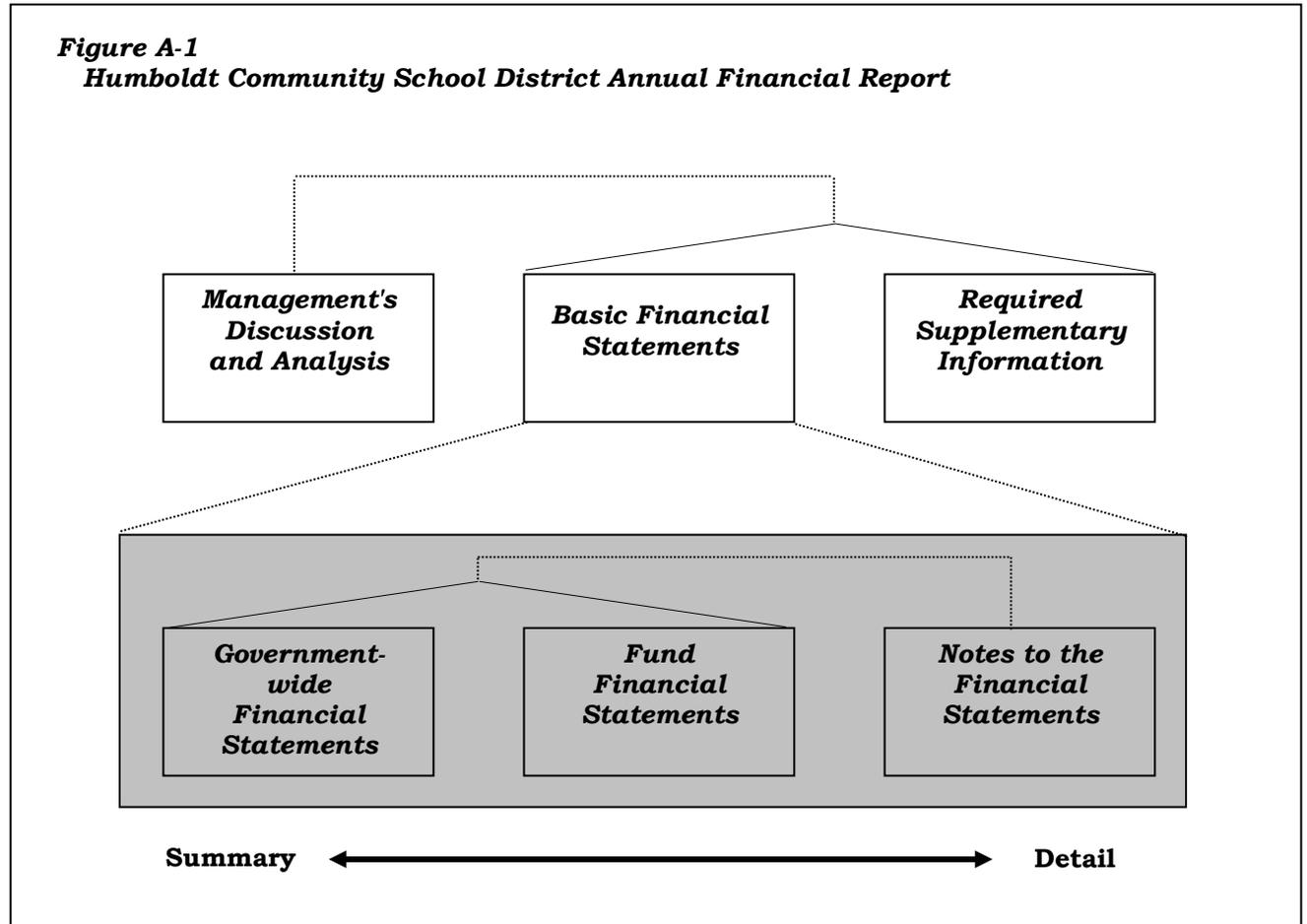


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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

REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the District’s assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. All of the current year’s 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 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 program is included here.

Fund Financial Statements

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

Some funds are required by state law 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 the 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 provide more detail and additional information, such as cash flows. The District currently has one enterprise fund, the School Nutrition Fund.

The required financial statements for the proprietary funds include a Statement of Net Position, 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. These funds include 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 that the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2015	2014 (Not restated)	2015	2014 (Not restated)	2015	2014 (Not restated)	2014-15
Current and other assets	\$ 9,992,492	9,498,757	465,709	354,059	10,458,201	9,852,816	6.14%
Capital assets	13,147,390	13,467,586	28,689	31,974	13,176,079	13,499,560	-2.40%
Total assets	23,139,882	22,966,343	494,398	386,033	23,634,280	23,352,376	1.21%
Deferred outflows of resources	1,200,733	-	25,371	-	1,226,104	-	100.00%
Long-term liabilities	14,071,757	9,673,238	110,743	4,547	14,182,500	9,677,785	46.55%
Other liabilities	373,421	430,435	4,288	1,749	377,709	432,184	-12.60%
Total liabilities	14,445,178	10,103,673	115,031	6,296	14,560,209	10,109,969	44.02%
Deferred inflows of resources	7,251,810	4,981,008	41,029	-	7,292,839	4,981,008	46.41%
Net position:							
Net investment in capital assets	4,862,390	4,587,586	28,689	31,974	4,891,079	4,619,560	5.88%
Restricted	2,330,399	2,336,236	-	-	2,330,399	2,336,236	-0.25%
Unrestricted	(4,549,162)	957,840	335,020	347,763	(4,214,142)	1,305,603	-422.77%
Total net position	\$ 2,643,627	7,881,662	363,709	379,737	3,007,336	8,261,399	-63.60%

The District's combined net position decreased by 63.60%, or \$5,519,745, from the prior year. The largest portion of the District's net position is the invested in capital assets, net of related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net position represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position decreased \$5,837, or 0.25% over the prior year. The decrease was a result of the decrease in the Management Levy Fund.

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 \$6,745,849, or 516.68%. This reduction in unrestricted net position was primarily a result of the District's net pension liability net pension expense recorded in the current year.

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions - an Amendment of GASB 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 \$5,963,051 and \$130,400, 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 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-4 shows the changes in net position for the year ended June 30, 2015 compared to June 30, 2014.

	Figure A-4 Changes of Net Position						
	Governmental Activities		Business Type Activities		Total	Total Change	
	2014		2014		2014		2014-15
	2015	(Not restated)	2015	(Not restated)	2015	(Not restated)	
Revenues:							
Program revenues:							
Charges for service	\$ 1,948,991	1,879,602	299,677	301,192	2,248,668	2,180,794	3.11%
Operating grants, contributions and restricted interest	1,368,599	1,478,748	385,120	370,677	1,753,719	1,849,425	-5.17%
General revenues:							
Property tax	5,161,192	4,732,094	-	-	5,161,192	4,732,094	9.07%
Income surtax	414,501	706,759	-	-	414,501	706,759	-41.35%
Statewide sales, services and use tax	1,190,980	1,115,092	-	-	1,190,980	1,115,092	6.81%
Unrestricted state grants	6,610,328	5,739,491	-	-	6,610,328	5,739,491	15.17%
Unrestricted investment earnings	8,551	5,568	-	-	8,551	5,568	53.57%
Other	115,702	14,495	8,863	6,512	124,565	21,007	492.97%
Total revenues	16,818,844	15,671,849	693,660	678,381	17,512,504	16,350,230	7.11%
Program expenses:							
Governmental activities:							
Instructional	10,565,164	10,078,825	-	-	10,565,164	10,078,825	4.83%
Support services	4,466,977	4,768,261	8,310	7,116	4,475,287	4,775,377	-6.28%
Non-instructional programs	-	1,086	570,978	569,909	570,978	570,995	0.00%
Other expenses	1,061,687	1,716,600	-	-	1,061,687	1,716,600	-38.15%
Total expenses	16,093,828	16,564,772	579,288	577,025	16,673,116	17,141,797	-2.73%
Change in net position	725,016	(892,923)	114,372	101,356	839,388	(791,567)	9.84%
Beginning net position, as restated	1,918,611	8,774,585	249,337	278,381	2,167,948	9,052,966	-76.05%
Ending net position	\$ 2,643,627	7,881,662	363,709	379,737	3,007,336	8,261,399	-63.60%

In fiscal 2015, property tax, income surtax, statewide sales, services and use tax, and unrestricted state grants account for 79.54% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 98.72% of the revenue from business type activities.

The District's total revenues were approximately \$17.51 million of which \$16.82 million was for governmental activities and \$0.69 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 7.11% increase in revenues and a 2.73% decrease in expenses. The decrease in expenses related primarily to a decrease in the other expenditures functional area.

Governmental Activities

Revenues for governmental activities were \$16,818,844 and expenses were \$16,093,828.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses.

	Total Cost of Services			Net Cost of Services		
	2015	2014 (Not restated)	Change 2014-15	2015	2014 (Not restated)	Change 2014-15
Instruction	\$ 10,565,164	10,078,825	4.83%	7,855,211	7,319,085	7.33%
Support services	4,466,977	4,768,261	-6.32%	4,368,582	4,648,477	-6.02%
Non-instructional programs	-	1,086	-100.00%	-	1,086	-100.00%
Other expenses	1,061,687	1,716,600	-38.15%	552,445	1,237,774	-55.37%
Totals	\$ 16,093,828	16,564,772	-2.84%	12,776,238	13,206,422	-3.26%

For the year ended June 30, 2015:

- The cost financed by users of the District's programs was \$1,948,991.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,368,599.
- The net cost of governmental activities was financed with \$5,161,192 in property tax, \$414,501 in income surtax, \$1,190,980 in statewide sales, services and use tax, \$6,610,328 in unrestricted state grants, \$8,551 in unrestricted investment earnings, and \$115,702 in other general revenues.

Business Type Activities

Revenues of the District's business type activities were \$693,660 and expenses were \$579,288. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements, investment income and other general revenues.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$3,914,175, below last year's ending fund balances of \$3,714,373. The primary reason for the decrease in combined fund balances in fiscal 2014 is due to the decrease in the General Fund balance.

Governmental Fund Highlights

- General Fund revenues increased from \$13,673,963 in fiscal year 2014 to \$14,775,981 in fiscal year 2015, representing an 8.06% increase. General Fund expenditures increased from \$13,840,639 in fiscal year 2014 to \$14,560,575 in fiscal year 2015, representing a 5.20% increase. The General Fund balance increased \$215,406.

-
- The Capital Projects Fund balance increased from \$1,310,193 in fiscal year 2014 to \$1,433,132 in fiscal year 2015. This increase can be attributed to an increase in local source revenues in the Capital Projects: Physical Plant and Equipment Levy Fund.
 - The Debt Service Fund balance increased from \$354,781 at June 30, 2014 to \$355,806 at June 30, 2015.

Proprietary Fund Highlights

The School Nutrition Fund net position increased from a restated balance of \$249,337 at June 30, 2014 to \$363,709 at June 30, 2015, representing an increase of 45.87%.

BUDGETARY HIGHLIGHTS

The District's revenues were \$939,879 more than budgeted revenues, a variance of 5.65%. The most significant variance resulted from the District receiving more in state sources than originally anticipated.

Total expenditures were less than budgeted, primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

In spite of the District's budgetary practice, the certified budget was exceeded in the instruction functional area.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2015, the District had invested \$13,176,079, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a 2.40% decrease from the prior year. More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$399,084.

The original cost of the District's capital assets was \$21,205,500. Governmental funds account for \$20,945,888 with the remainder of \$259,612 in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the machinery and equipment category. The District's machinery and equipment totaled \$400,940 at June 30, 2015, compared to \$859,908 reported at June 30, 2014. This decrease was primarily due to the disposition of assets during the year.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental		Business Type		Total		Total
	Activities		Activities		District		Change
	June 30,		June 30,		June 30,		June 30,
	2015	2014	2015	2014	2015	2014	2014-15
Land	\$ 49,250	49,250	-	-	49,250	49,250	0.00%
Buildings and improvements	12,231,094	12,091,827	-	-	12,231,094	12,091,827	1.15%
Land improvements	494,795	498,575	-	-	494,795	498,575	-0.76%
Machinery and equipment	372,251	827,934	28,689	31,974	400,940	859,908	-53.37%
Total	\$ 13,147,390	13,467,586	28,689	31,974	13,176,079	13,499,560	-2.40%

Long-Term Debt

At June 30, 2015, the District had \$14,182,500 in long-term debt outstanding. This represents an increase of 46.55% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 5 to the financial statements.

The District had total outstanding revenue bonded indebtedness of \$7,580,000 at June 30, 2015 payable from the Capital Projects: Statewide Sales, Services and Use Tax Fund.

The District had total outstanding capital loan note payable from the Capital Projects: Physical Plant and Equipment Levy of \$705,000 at June 30, 2015.

The District had total termination benefits payable of \$38,754 at June 30, 2015 payable from the Management Levy Fund.

The District had total outstanding net pension liability of \$5,027,265 at June 30, 2015, \$4,919,682 of this is attributed to governmental activities and the remaining \$107,583 is attributed to business type activities.

The District had total outstanding other postemployment benefits payable of \$831,481 at June 30, 2015, \$828,321 of this is attributed to governmental activities and the remaining \$3,160 is attributed to business type activities.

Figure A-7
Outstanding Long-Term Obligations

	Governmental		Business Type		Total		Total
	Activities		Activities		District		Change
	June 30,		June 30,		June 30,		June 30,
	2015	2014 (Not restated)	2015	2014 (Not restated)	2015	2014 (Not restated)	2014-15
Revenue bonds	\$ 7,580,000	7,950,000	-	-	7,580,000	7,950,000	-4.65%
Capital loan note	705,000	930,000	-	-	705,000	930,000	-24.19%
Termination benefits	38,754	-	-	-	38,754	-	100.00%
Net pension liability	4,919,682	-	107,583	-	5,027,265	-	100.00%
Net OPEB liability	828,321	793,238	3,160	4,547	831,481	797,785	4.22%
Totals	\$ 14,071,757	9,673,238	110,743	4,547	14,182,500	9,677,785	46.55%

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 significantly affect its financial health in the future:

-
- Enrollment is primary factor in Districts ability to maintain its educational offerings.
 - New middle school drained some of our sources temporarily.
 - Adequate allowable growth must be provided by legislature.
 - District is expanding sharing programs with Twin Rivers Community School District in instructional and administrative functions.
 - Open enrollment-in has plateaued and decreased this year.

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 Annie Rathke, District Treasurer, Humboldt Community School District, PO Box 130, Dakota City, Iowa, 50548.

BASIC FINANCIAL STATEMENTS

HUMBOLDT COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2015

	Governmental Activities	Business Type Activities	Total
ASSETS			
Cash and pooled investments	\$ 3,363,635	442,563	3,806,198
Receivables:			
Property tax:			
Delinquent	40,864	-	40,864
Succeeding year	5,375,585	-	5,375,585
Income surtax	495,010	-	495,010
Accounts	519	-	519
Due from other governments	716,879	6,542	723,421
Inventories	-	16,604	16,604
Capital assets, net of accumulated depreciation	13,147,390	28,689	13,176,079
TOTAL ASSETS	23,139,882	494,398	23,634,280
DEFERRED OUTFLOWS OF RESOURCES			
Pension related deferred outflows	1,200,733	25,371	1,226,104
LIABILITIES			
Accounts payable	206,882	744	207,626
Interest payable	165,699	-	165,699
Advances from grantors	840	-	840
Unearned revenue	-	3,544	3,544
Long-term liabilities:			
Portion due within one year:			
Revenue bonds payable	385,000	-	385,000
Capital loan note payable	230,000	-	230,000
Termination benefits payable	12,918	-	12,918
Portion due after one year:			
Revenue bonds payable	7,195,000	-	7,195,000
Capital loan note payable	475,000	-	475,000
Termination benefits payable	25,836	-	25,836
Net pension liability	4,919,682	107,583	5,027,265
Net OPEB liability	828,321	3,160	831,481
TOTAL LIABILITIES	14,445,178	115,031	14,560,209
DEFERRED INFLOWS OF RESOURCES			
Pension related deferred inflows	1,876,225	41,029	1,917,254
Unavailable property tax revenue	5,375,585	-	5,375,585
TOTAL DEFERRED INFLOWS OF RESOURCES	7,251,810	41,029	7,292,839
NET POSITION			
Net investment in capital assets	4,862,390	28,689	4,891,079
Restricted for:			
Categorical funding	237,060	-	237,060
Debt service	901,680	-	901,680
Management levy purposes	402,090	-	402,090
Student activities	68,010	-	68,010
School infrastructure	598,087	-	598,087
Physical plant and equipment	123,472	-	123,472
Unrestricted	(4,549,162)	335,020	(4,214,142)
TOTAL NET POSITION	\$ 2,643,627	363,709	3,007,336

SEE NOTES TO FINANCIAL STATEMENTS.

**HUMBOLDT COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2015**

	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Service	Operating Grants, and Restricted Contributions Interest	Governmental Activities	Business Type Activities	Total
Functions/Programs:						
Governmental activities:						
Instruction:						
Regular	\$ 7,005,393	1,314,840	76,151	(5,614,402)	-	(5,614,402)
Special	1,733,888	384,871	234,588	(1,114,429)	-	(1,114,429)
Other	1,825,883	192,909	506,594	(1,126,380)	-	(1,126,380)
	<u>10,565,164</u>	<u>1,892,620</u>	<u>817,333</u>	<u>(7,855,211)</u>	<u>-</u>	<u>(7,855,211)</u>
Support services:						
Student	250,575	-	-	(250,575)	-	(250,575)
Instructional staff	945,015	-	11,700	(933,315)	-	(933,315)
Administration	1,401,052	56,371	-	(1,344,681)	-	(1,344,681)
Operation and maintenance of plant	1,342,875	-	-	(1,342,875)	-	(1,342,875)
Transportation	527,460	-	30,324	(497,136)	-	(497,136)
	<u>4,466,977</u>	<u>56,371</u>	<u>42,024</u>	<u>(4,368,582)</u>	<u>-</u>	<u>(4,368,582)</u>
Long-term debt interest	350,244	-	-	(350,244)	-	(350,244)
Other expenses:						
AEA flowthrough	509,242	-	509,242	-	-	-
Depreciation(unallocated)*	202,201	-	-	(202,201)	-	(202,201)
	<u>711,443</u>	<u>-</u>	<u>509,242</u>	<u>(202,201)</u>	<u>-</u>	<u>(202,201)</u>
Total governmental activities	16,093,828	1,948,991	1,368,599	(12,776,238)	-	(12,776,238)
Business type activities:						
Support services:						
Operation and maintenance of plant	8,310	-	-	-	(8,310)	(8,310)
Non-instructional programs:						
Food service operations	570,978	299,677	385,120	-	113,819	113,819
Total business type activities	<u>579,288</u>	<u>299,677</u>	<u>385,120</u>	<u>-</u>	<u>105,509</u>	<u>105,509</u>
Total	<u>\$ 16,673,116</u>	<u>2,248,668</u>	<u>1,753,719</u>	<u>(12,776,238)</u>	<u>105,509</u>	<u>(12,670,729)</u>
General Revenues:						
Property tax levied for:						
General purposes				\$ 4,576,153	-	4,576,153
Capital outlay				585,039	-	585,039
Income surtax				414,501	-	414,501
Statewide sales, services and use tax				1,190,980	-	1,190,980
Unrestricted state grants				6,610,328	-	6,610,328
Unrestricted investment earnings				8,551	-	8,551
Other general revenues				115,702	8,863	124,565
Total general revenues				<u>13,501,254</u>	<u>8,863</u>	<u>13,510,117</u>
Change in net position				725,016	114,372	839,388
Net position beginning of year, as restated				<u>1,918,611</u>	<u>249,337</u>	<u>2,167,948</u>
Net position end of year				<u>\$ 2,643,627</u>	<u>363,709</u>	<u>3,007,336</u>

* This amount excludes the depreciation that is included in the direct expense of various programs.

SEE NOTES TO FINANCIAL STATEMENTS.

HUMBOLDT COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2015

	General	Capital Projects	Debt Service	Nonmajor	Total
ASSETS					
Cash and pooled investments	\$ 1,294,152	1,219,855	355,806	493,822	3,363,635
Receivables:					
Property tax:					
Delinquent	36,643	3,189	-	1,032	40,864
Succeeding year	4,754,230	421,354	-	200,001	5,375,585
Income surtax	495,010	-	-	-	495,010
Accounts	453	66	-	-	519
Due from other governments	504,341	212,538	-	-	716,879
TOTAL ASSETS	\$ 7,084,829	1,857,002	355,806	694,855	9,992,492
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 204,366	2,516	-	-	206,882
Advances from grantors	840	-	-	-	840
Total liabilities	205,206	2,516	-	-	207,722
Deferred inflows of resources:					
Unavailable revenues:					
Succeeding year property tax	4,754,230	421,354	-	200,001	5,375,585
Income surtax	495,010	-	-	-	495,010
Total deferred inflows of resources	5,249,240	421,354	-	200,001	5,870,595
Fund balances:					
Restricted for:					
Categorical funding	237,060	-	-	-	237,060
Debt service	-	711,573	355,806	-	1,067,379
Management levy purposes	-	-	-	440,844	440,844
Student activities	-	-	-	68,010	68,010
School infrastructure	-	598,087	-	-	598,087
Physical plant and equipment	-	123,472	-	-	123,472
Unassigned:					
General fund	1,393,323	-	-	-	1,393,323
Student activities	-	-	-	(14,000)	(14,000)
Total fund balances	1,630,383	1,433,132	355,806	494,854	3,914,175
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 7,084,829	1,857,002	355,806	694,855	9,992,492

SEE NOTES TO FINANCIAL STATEMENTS.

HUMBOLDT COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET POSITION
 JUNE 30, 2015

Total fund balances of governmental funds (page 20)	\$	3,914,175
 <i>Amounts reported for governmental activities in the Statement of Net Position are different because:</i>		
Capital assets used in governmental activities are not financial resources and, therefore, are not report as assets in in the governmental funds.		13,147,390
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.		(165,699)
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.		495,010
Pension related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental funds, as follows:		
Deferred outflows of resources	\$ 1,200,733	
Deferred inflows of resources	<u>(1,876,225)</u>	(675,492)
Long-term liabilities, including revenue bonds payable, capital loan note payable, net pension liability and other post employment benefits payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		<u>(14,071,757)</u>
Net position of governmental activities (page 18)	\$	<u><u>2,643,627</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

HUMBOLDT COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2015

	General	Capital Projects	Debt Service	Nonmajor	Total
REVENUES:					
Local sources:					
Local tax	\$ 5,086,588	414,501	-	125,253	5,626,342
Tuition	1,529,602	-	-	-	1,529,602
Other	298,634	765	-	355,806	655,205
State sources	7,371,106	1,195,668	-	1,519	8,568,293
Federal sources	490,051	-	-	-	490,051
Total revenues	<u>14,775,981</u>	<u>1,610,934</u>	<u>-</u>	<u>482,578</u>	<u>16,869,493</u>
EXPENDITURES:					
Current:					
Instruction:					
Regular	6,741,879	-	-	6,861	6,748,740
Special	1,719,662	-	-	-	1,719,662
Other	1,467,578	-	-	357,740	1,825,318
	<u>9,929,119</u>	<u>-</u>	<u>-</u>	<u>364,601</u>	<u>10,293,720</u>
Support services:					
Student	267,056	-	-	-	267,056
Instructional staff	876,781	28,378	-	-	905,159
Administration	1,359,957	2,000	-	95,924	1,457,881
Operation and maintenance of plant	1,170,209	-	-	145,883	1,316,092
Transportation	448,211	2,901	-	15,738	466,850
	<u>4,122,214</u>	<u>33,279</u>	<u>-</u>	<u>257,545</u>	<u>4,413,038</u>
Capital outlay	-	501,428	-	-	501,428
Long-term debt:					
Principal	-	-	595,000	-	595,000
Interest and fiscal charges	-	-	357,263	-	357,263
	<u>-</u>	<u>-</u>	<u>952,263</u>	<u>-</u>	<u>952,263</u>
Other expenditures:					
AEA flowthrough	509,242	-	-	-	509,242
Total expenditures	<u>14,560,575</u>	<u>534,707</u>	<u>952,263</u>	<u>622,146</u>	<u>16,669,691</u>
Excess(Deficiency) of revenues over(under) expenditures	215,406	1,076,227	(952,263)	(139,568)	199,802
Other financing sources(uses):					
Transfer in	-	-	953,288	-	953,288
Transfer out	-	(953,288)	-	-	(953,288)
Total other financing sources(uses)	<u>-</u>	<u>(953,288)</u>	<u>953,288</u>	<u>-</u>	<u>-</u>
Change in fund balances	215,406	122,939	1,025	(139,568)	199,802
Fund balances beginning of year	1,414,977	1,310,193	354,781	634,422	3,714,373
Fund balances end of year	<u>\$ 1,630,383</u>	<u>1,433,132</u>	<u>355,806</u>	<u>494,854</u>	<u>3,914,175</u>

SEE NOTES TO FINANCIAL STATEMENTS.

HUMBOLDT COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 YEAR ENDED JUNE 30, 2015

Change in fund balances - total governmental funds (page 22)	\$	199,802
 <i>Amounts reported for governmental activities in the Statement of Activities are different because:</i>		
<p>Capital outlay to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlay, depreciation expense, and loss on asset disposal during the year are as follows:</p>		
Capital outlay	\$ 412,101	
Depreciation expense	(393,599)	
Loss on asset disposal	<u>(338,698)</u>	(320,196)
<p>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.</p>		
		595,000
<p>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 funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.</p>		
		7,019
<p>Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds.</p>		
		(50,649)
<p>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.</p>		
		772,854
<p>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.</p>		
Early retirement	\$ (38,754)	
Pension expense	(404,977)	
Other postemployment benefits	<u>(35,083)</u>	<u>(478,814)</u>
Change in net position of governmental activities (page 19)	\$	<u><u>725,016</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

HUMBOLDT COMMUNITY SCHOOL DISTRICT
 STATEMENT OF NET POSITION
 PROPRIETARY FUND
 JUNE 30, 2015

	Enterprise: School Nutrition
ASSETS	
Current assets:	
Cash and pooled investments	\$ 442,563
Due from other governments	6,542
Inventories	16,604
Total current assets	465,709
Non-current assets:	
Capital assets, net of accumulated depreciation	28,689
TOTAL ASSETS	494,398
DEFERRED OUTFLOWS OF RESOURCES	
Pension related deferred outflows	25,371
LIABILITIES	
Current liabilities:	
Accounts payable	744
Unearned revenue	3,544
Total current liabilities	4,288
Long-term liabilities:	
Net pension liability	107,583
Net OPEB liability	3,160
Total long-term liabilities	110,743
TOTAL LIABILITIES	115,031
DEFERRED INFLOWS OF RESOURCES	
Pension related deferred inflows	41,029
NET POSITION	
Invested in capital assets	28,689
Unrestricted	335,020
TOTAL NET POSITION	\$ 363,709

SEE NOTES TO FINANCIAL STATEMENTS.

HUMBOLDT COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2015

	Enterprise: School Nutrition
OPERATING REVENUE:	
Local sources:	
Charges for service	\$ 299,677
Miscellaneous	8,863
	308,540
OPERATING EXPENSES:	
Support services:	
Operation and maintenance of plant:	
Salaries	5,055
Benefits	838
Services	2,417
Total support services	8,310
Non-instructional programs:	
Salaries	192,884
Benefits	26,037
Services	372
Supplies	346,200
Depreciation	5,485
Total non-instructional programs	570,978
TOTAL OPERATING EXPENSES	579,288
OPERATING LOSS	(270,748)
NON-OPERATING REVENUES:	
State sources	5,865
Federal sources	379,255
TOTAL NON-OPERATING REVENUES	385,120
Change in net position	114,372
Net position beginning of year, as restated	249,337
Net position end of year	\$ 363,709

SEE NOTES TO FINANCIAL STATEMENTS.

HUMBOLDT COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2015

	Enterprise: School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 302,922
Cash received from miscellaneous sources	8,863
Cash payments to employees for services	(233,360)
Cash payments to suppliers for goods or services	(300,881)
Net cash used in operating activities	(222,456)
Cash flows from non-capital financing activities:	
State grants received	5,865
Federal grants received	326,280
Net cash provided by non-capital financing activities	332,145
Cash flows from capital and related financing activities:	
Acquisition of capital assets	(2,200)
Net increase in cash and pooled investments	107,489
Cash and pooled investments at beginning of year	335,074
Cash and pooled investments at end of year	\$ 442,563
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (270,748)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	46,433
Depreciation	5,485
Decrease in inventories	2,149
Decrease in accounts receivable	232
Decrease in accounts payable	(474)
Increase in unearned revenue	3,013
Decrease in net pension liability	(38,668)
Increase in deferred outflows of resources	(9,520)
Increase in deferred inflows of resources	41,029
Decrease in other postemployment benefits	(1,387)
Net cash used in operating activities	\$ (222,456)

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2015, the District received Federal commodities valued at \$46,433.

SEE NOTES TO FINANCIAL STATEMENTS.

HUMBOLDT COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
JUNE 30, 2015

	<u>Private Purpose Trust</u>	<u>Scholarship Fund</u>
ASSETS		
Cash and pooled investments	\$	2,851,024
LIABILITIES		<u>-</u>
NET POSITION		
Held in trust for scholarships	\$	<u>2,851,024</u>

SEE NOTES TO FINANCIAL STATEMENTS.

HUMBOLDT COMMUNITY SCHOOL DISTRICT
 STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 FIDUCIARY FUND
 YEAR ENDED JUNE 30, 2015

	Private Purpose Trust
	Scholarship Fund
Additions:	
Local sources:	
Gifts and contributions	\$ 30,400
Interest income	91,694
Total additions	122,094
Deductions:	
Instruction:	
Scholarships awarded	37,325
Other	45,549
Total deductions	82,874
Change in net position	39,220
Net position beginning of year	2,811,804
Net position end of year	\$ 2,851,024

SEE NOTES TO FINANCIAL STATEMENTS.

HUMBOLDT COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Note 1. Summary of Significant Accounting Policies

The Humboldt Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. The geographic area served includes the cities of Humboldt and Dakota City, Iowa, and the agricultural territory in Humboldt, Webster and Wright Counties. 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 Government Accounting Standards Board.

A. Reporting Entity

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

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but do 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 Humboldt, Webster and Wright County Assessors' 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 nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

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

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

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that 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 that are 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 other nonmajor governmental funds. Combining schedules are also included for the Capital Project Fund accounts.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are 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 also reports the following nonmajor proprietary funds:

The District's proprietary fund is the School Nutrition Fund. The School Nutrition Fund is a nonmajor fund used to account for the food service operations of the District.

The District also reports fiduciary funds which focus on net position and changes in net position. The District's fiduciary funds include the following:

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.

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, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general 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.

Proprietary funds distinguish operating revenues and expenses from nonoperating 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 is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating 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, Pooled Investments and Cash Equivalents - The cash balance 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 and non-negotiable certificates of deposit which are stated at cost.

For purpose 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, they have a maturity date no longer than three months.

Property Taxes - Property tax in Governmental Funds are accounted for using the modified accrual basis of accounting.

Property tax revenue receivable is recognized in these funds on the levy date that the tax asking is certified by the Board of Education to the County Board of Supervisors. Current year delinquent property taxes receivable represents unpaid taxes from the current year. 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 Board of Education is required to certify its budget to the County Auditor by April 15 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 and will not be recorded as revenue until the year for which it is levied.

Property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1½% 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 - The Enterprise Fund inventories are accounted for using the consumption method by which inventory acquisitions are recorded in inventory accounts when purchased or received by other means and are charged to operations when consumed or sold. The enterprise fund inventory consists primarily of food, with purchased food recorded at the lower cost (first-in, first-out method) or market and food commodities which were received from the federal government recorded at the contributed value as of the date received.

Capital Assets - Capital assets, which include property, machinery 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 repairs 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.

Asset Class	Amount
Land	\$ 5,000
Buildings and improvements	5,000
Improvements other than buildings	5,000
Intangibles	5,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	5,000

Capital assets are depreciated using the straight line method of depreciation over the following estimated useful lives:

Asset Class	Estimated Useful Lives
Buildings and improvements	50 years
Improvements other than buildings	20-50 years
Intangibles	5-10 years
Machinery and equipment	5-15 years

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

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.

Salaries and Benefits Payable - Payroll and related payroll taxes and benefits for teachers with annual contracts corresponding to the school year, but which have balances payable in July and August 2015, have been accrued as a liability as it is applicable to the fiscal year ended June 30, 2015.

Advances from Grantors - Grant proceeds which have been received by the District but will be spent in a succeeding fiscal year.

Deferred Inflows of Resources - Deferred inflows of resources represent an acquisition of net position that applies to 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 collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Deferred inflows of resources represents 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 period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. 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 as revenue until the year for which it is levied and the unamortized portion of the net difference between projected and actual earnings on pension plan investments.

Unearned Revenues - Unearned revenues are monies collected for lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The lunch account balances are reflected on the Statement of Net Position in the Proprietary, School Nutrition Fund.

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.

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 other spendable classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2015, expenditures in the instruction functional area exceeded the amount budgeted.

Note 2. Deposits 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.

Investments in common stock are stated at the approximate fair value based on the closing price for the stock on June 30, 2015. Securities traded on a national or international exchange are valued at the last reported sales price at the current exchange rates. At June 30, 2015, the District owned Vanguard stock at a fair value of \$908,887. The District also had an annuity with Protective Life Insurance Company with a value of \$7,056.

Interest rate risk: The District's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the District.

Note 3. Interfund Transfers

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

Transfer to	Transfer from	Amount
Debt Service	Capital Projects: Physical Plant and Equipment Levy	\$ 242,740
Debt Service	Capital Projects: Statewide Sales, Services and Use Tax	710,548
Total		<u>\$ 953,288</u>

The transfer from the Capital Projects: Physical Plant and Equipment Levy to the Debt Service Fund was for principal and interest payments on the District's capital loan note indebtedness.

The transfer from the Capital Projects: Statewide Sales, Services and Use Tax to the Debt Service Fund was for principal and interest payments on the District's revenue bond indebtedness.

Note 4. Capital Assets

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 49,250	-	-	49,250
Total capital assets not being depreciated	49,250	-	-	49,250
Capital assets being depreciated:				
Buildings and improvements	16,297,779	303,359	-	16,601,138
Land improvements	1,474,243	34,329	-	1,508,572
Machinery and equipment	3,758,946	74,413	1,046,431	2,786,928
Total capital assets being depreciated	21,530,968	412,101	1,046,431	20,896,638
Less accumulated depreciation for:				
Buildings and improvements	4,205,952	164,092	-	4,370,044
Land improvements	975,668	38,109	-	1,013,777
Machinery and equipment	2,931,012	191,398	707,733	2,414,677
Total accumulated depreciation	8,112,632	393,599	707,733	7,798,498
Total capital assets being depreciated, net	13,418,336	18,502	338,698	13,098,140
Governmental activities capital assets, net	\$ 13,467,586	18,502	338,698	13,147,390
	Beginning Balance	Increases	Decreases	Balance End of Year
Business type activities:				
Machinery and equipment	\$ 257,412	2,200	-	259,612
Less accumulated depreciation	225,438	5,485	-	230,923
Business type activities capital assets, net	\$ 31,974	(3,285)	-	28,689

Depreciation expense was charged by the District as follows:

Governmental activities:

Instruction:

Regular	\$ 51,677
Other	22,968

Support services:

Instructional	19,140
Administration	11,484
Operation and maintenance of plant	19,140
Transportation	66,989

Unallocated depreciation

191,398
<u>202,201</u>

Total governmental activities depreciation expense

<u>\$ 393,599</u>

Business Type activities:

Food services operations	<u>\$ 5,485</u>
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Note 5. Long-Term Debt

A summary of changes in long-term debt for the year ended June 30, 2015 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
<u>Governmental Activities:</u>					
Revenue bonds	\$ 7,950,000	-	370,000	7,580,000	385,000
Capital loan note	930,000	-	225,000	705,000	230,000
Termination benefits	-	38,754	-	38,754	12,918
Net pension liability	6,687,923	-	1,768,241	4,919,682	-
Net OPEB liability	793,238	35,083	-	828,321	-
Total	<u>\$ 16,361,161</u>	<u>73,837</u>	<u>2,363,241</u>	<u>14,071,757</u>	<u>627,918</u>
<u>Business type Activities:</u>					
Net pension liability	\$ 146,251	-	38,668	107,583	-
Net OPEB Liability	4,547	-	1,387	3,160	-
Total	<u>\$ 150,798</u>	<u>-</u>	<u>40,055</u>	<u>110,743</u>	<u>-</u>

Revenue Bonds Payable

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

Year Ending June 30,	Bond Issue of December, 23 2009				
	Interest Rate	Principal	Interest	Total	
2016	3.50	\$ 385,000	326,572	711,572	
2017	3.50	395,000	313,097	708,097	
2018	3.75	410,000	299,272	709,272	
2019	3.90	420,000	283,897	703,897	
2020	4.00	440,000	267,518	707,518	
2021-2025	4.00-4.40	2,475,000	1,054,638	3,529,638	
2026-2030	4.50-5.00	3,055,000	457,952	3,512,952	
Total		<u>\$ 7,580,000</u>	<u>3,002,946</u>	<u>10,582,946</u>	

The District has pledged future statewide sales, services and use tax revenues to repay the \$9,125,000 bonds issued December 23, 2009. 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 bonds is \$10,582,946. For the current year, \$339,522 of interest and \$370,000 of principal was paid on the bonds and total statewide sales and services tax revenues were \$1,190,980.

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

- a) \$711,573 of the proceeds from the issuance of the 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.
- 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.

Capital Loan Note Payable

In April 2011, the District issued \$1,600,000 of Capital Loan Notes to complete the construction of a middle school building. Details of the District’s June 30, 2015 capital loan note indebtedness paid from the Capital Projects: Physical Plant and Equipment Levy are as follows:

Year Ending June 30,	Capital Loan Note Issue of May 1, 2011				
	Interest Rate	Principal	Interest	Total	
2016	1.80	% \$ 230,000	14,477	244,477	
2017	2.05	235,000	10,337	245,337	
2018	2.30	240,000	5,520	245,520	
Total		\$ 705,000	30,334	735,334	

Termination Benefits

The District offered a voluntary early retirement plan to its employees during fiscal year 2015. Employees must have completed at least ten years of service to the District and must have reached the age of fifty-five on or before June 30, 2015. The application was subject to approval by the Board of Education.

The early retirement benefit for each eligible employee was equal to \$100 for teachers and \$200 for administrators for each unused sick day up to 120 days. The benefit can be paid up to and not exceed \$12,000 for teachers and \$24,000 for administrators. The District had one participant who retired during fiscal 2015 and a total liability of \$38,754.

At June 30, 2015, the District has obligations to one participants with a total liability of \$38,754 payable from the Management Levy Fund. The cost of early retirement payments expected to be paid are recorded as a long-term liability of the Governmental Activities in the Government-wide financial statements.

Note 6. 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 117 active and 13 retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug coverage is provided through Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

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

Annual OPEB Cost and Net OPEB Obligation - The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, 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	\$ 126,381
Interest on net OPEB obligation	19,695
Adjustment to annual required contribution	(85,423)
Annual OPEB cost	<u>60,653</u>
Contributions made	<u>(26,957)</u>
Increase in net OPEB obligation	33,696
Net OPEB obligation beginning of year	<u>797,785</u>
Net OPEB obligation end of year	<u><u>\$ 831,481</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. 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.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2015 are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2013	\$ 189,936	24.1%	\$ 663,502
2014	171,339	21.6%	797,785
2015	60,653	44.4%	831,481

Funded Status and Funding Progress - As of July 1, 2014, the most recent actuarial valuation date for the period July 1, 2014 through June 30, 2015, the actuarial accrued liability was \$580,016, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$580,016. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$8,710,701, and the ratio of the UAAL to covered payroll was 6.7%. As of June 30, 2015, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the 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, presented as required supplementary information in the section following the Notes to Financial Statements, will present 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.

As of the July 1, 2011 actuarial valuation date, the frozen entry age actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6.0%.

Mortality rates are from the 94 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement probabilities were developed from sample rates varying by age and employee type. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

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 information 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, anytime 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.

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 \$788,868.

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 \$5,027,265 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 0.124219 percent, which was an increase of 0.003517 from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the District recognized pension expense of \$413,832. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 54,637	\$ -
Changes of assumptions	221,865	-
Net difference between projected and actual earnings on pension plan investments	-	1,917,254
Changes in proportion and differences between District contributions and proportionate share of contributions	160,734	-
District contributions subsequent to the measurement date	788,868	-
Total	<u>\$ 1,226,104</u>	<u>\$ 1,917,254</u>

\$788,868 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:

Year Ended	
June 30,	
2016	\$ (377,156)
2017	(377,156)
2018	(377,156)
2019	(377,156)
2020	28,606
	<u>\$ (1,480,018)</u>

There were no non-employer contributing entities at IPERS.

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

Rate of inflation (effective June 30, 2014)	3.00 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>	

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.

	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
District's proportionate share of the net pension liability	\$ 9,498,876	\$ 5,027,265	\$ 1,252,762

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.

Note 8. Risk Management

Humboldt Community School 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. There have been no significant reductions in insurance coverage from coverage in the prior year.

Note 9. 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 \$509,242 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 10. Categorical Funding

The District's ending restricted fund balance for categorical funding at June 30, 2015 is comprised of the following programs:

Program	Amount
Teacher salary supplement	\$ 2,424
Home school assistance program	4,418
Before and after school grants	80
Talented and gifted	86,720
Teacher leadership grants	93,879
Professional development for model core curriculum	20,500
Successful progression for early readers	25,179
Professional development	3,860
Total restricted for cateforical funding	<u>\$ 237,060</u>

Note 11. Deficit Unassigned Balance

During the year ended June 30, 2015 the District had one negative account resulting in a deficit unassigned balance of \$14,000 in the Student Activity Fund. The District had a deficit unrestricted net position of \$4,549,162 in the governmental activities.

Note 12. Budget Over Expenditure

During the year ended June 30, 2015, expenditures exceeded the amounts budgeted in the instruction functional area.

Note 13. Reconciliation of Governmental Fund Balances to Net Position

Reconciliation of certain governmental fund balances to net position is detailed as follows:

	Invested in Capital Assets	Debt Service	Management Levy	Unassigned/ Restricted Balances
Fund Balance (Exhibit C)	\$ -	1,067,379	440,844	1,393,323
Capital assets	13,147,390	-	-	-
Revenue bond proceeds expended for capital assets	(7,580,000)	-	-	-
Capital loan note capitalized indebtedness	(705,000)	-	-	-
Accrued interest payable	-	(165,699)	-	-
Termination benefits	-	-	(38,754)	-
Net pension liability	-	-	-	(4,919,682)
Pension related deferred outflows of resources	-	-	-	1,200,733
Pension related deferred inflows of resources	-	-	-	(1,876,225)
Income surtax	-	-	-	495,010
Unassigned student activity funds	-	-	-	(14,000)
Net OPEB liability	-	-	-	(828,321)
Net position (Exhibit A)	\$ 4,862,390	901,680	402,090	(4,549,162)

Note 14. Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB No. 27 was implemented during fiscal year 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, GASB No. 68 requires a state or local government employer to recognize a net pension liability and 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:

	Governmental Activities	Business Type Activities
Net position June 30, 2014, as previously reported	\$ 7,881,662	\$ 379,737
Net pension liability at June 30, 2014	(6,687,923)	(146,251)
Deferred outflows of resources related to the contributions made after the June 30, 2013 measurement date	724,872	15,851
Net position July 1, 2014, as restated	\$ 1,918,611	\$ 249,337

REQUIRED SUPPLEMENTARY INFORMATION

HUMBOLDT COMMUNITY SCHOOL DISTRICT
 BUDGETARY COMPARISON OF REVENUES, EXPENDITURES/EXPENSES
 AND CHANGES IN BALANCES -
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUND
 REQUIRED SUPPLEMENTARY INFORMATION
 YEAR ENDED JUNE 30, 2015

	Governmental	Proprietary	Total	Budgeted Amounts		Final to Actual Variance
	Funds	Fund		Original	Final	
	Actual	Actual				
Revenues:						
Local sources	\$ 7,811,149	308,540	8,119,689	8,627,415	8,627,415	(507,726)
State sources	8,568,293	5,865	8,574,158	7,113,859	7,113,859	1,460,299
Federal sources	490,051	379,255	869,306	882,000	882,000	(12,694)
Total revenues	<u>16,869,493</u>	<u>693,660</u>	<u>17,563,153</u>	<u>16,623,274</u>	<u>16,623,274</u>	<u>939,879</u>
Expenditures/expenses:						
Instruction	10,293,720	-	10,293,720	10,192,035	10,192,035	(101,685)
Support services	4,413,038	8,310	4,421,348	4,737,000	4,737,000	315,652
Non-instructional programs	-	570,978	570,978	815,000	815,000	244,022
Other expenditures/expenses	1,962,933	-	1,962,933	2,439,814	2,439,814	476,881
Total expenditures/expenses	<u>16,669,691</u>	<u>579,288</u>	<u>17,248,979</u>	<u>18,183,849</u>	<u>18,183,849</u>	<u>934,870</u>
Excess(Deficiency) of revenues over(under) expenditures/expenses	199,802	114,372	314,174	(1,560,575)	(1,560,575)	1,874,749
Balances beginning of year, as restated	<u>3,714,373</u>	<u>249,337</u>	<u>3,963,710</u>	<u>2,804,136</u>	<u>2,804,136</u>	<u>1,159,574</u>
Balances end of year	<u>\$ 3,914,175</u>	<u>363,709</u>	<u>4,277,884</u>	<u>1,243,561</u>	<u>1,243,561</u>	<u>3,034,323</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

HUMBOLDT 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 Private Purpose Trust. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as function, 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 that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2015, expenditures in the instruction functional area exceeded the amount budgeted.

HUMBOLDT COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN
REQUIRED SUPPLEMENTARY INFORMATION

For Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2009	July 1, 2008	-	\$ 928,000	\$ 928,000	0.0%	\$ 6,713,000	13.8%
2010	July 1, 2008	-	928,000	928,000	0.0%	6,990,000	13.3%
2011	July 1, 2008	-	928,000	928,000	0.0%	7,270,000	12.8%
2012	July 1, 2011	-	1,112,642	1,112,642	0.0%	7,650,000	14.5%
2013	July 1, 2011	-	1,052,932	1,052,932	0.0%	6,369,000	16.5%
2014	July 1, 2011	-	968,312	968,312	0.0%	6,697,349	14.5%
2015	July 1, 2014	-	580,016	580,016	0.0%	8,710,701	6.7%

See Note 6 in the accompanying Notes to the Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

HUMBOLDT COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
 IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
 LAST FISCAL YEAR*
 REQUIRED SUPPLEMENTARY INFORMATION

	2015
District's proportion of the net pension liability	0.124219%
District's proportionate share of the net pension liability	\$ 5,027,265
District's covered-employee payroll	\$ 8,833,910
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	56.91%
Plan fiduciary net position as a percentage of the total pension liability	87.61%

* The amount 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.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

HUMBOLDT COMMUNITY SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS
IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
LAST TEN FISCAL YEARS
REQUIRED SUPPLEMENTARY INFORMATION

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Statutorily required contribution	\$ 788,868	740,723	676,833	595,401	488,288	430,137	421,604	385,535	343,258	326,221
Contributions in relation to the statutorily required contribution	(788,868)	(740,723)	(676,833)	(595,401)	(488,288)	(430,137)	(421,604)	(385,535)	(343,258)	(326,221)
Contribution deficiency (excess)	\$ -	-	-	-	-	-	-	-	-	-
District's covered-employee payroll	\$ 8,833,910	8,294,770	7,806,609	7,377,955	7,025,727	6,189,022	6,639,433	6,372,479	5,969,704	5,673,409
Contributions as a percentage of covered-employee payroll	8.93%	8.93%	8.67%	8.07%	6.95%	6.95%	6.35%	6.05%	5.75%	5.75%

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

HUMBOLDT 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.

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.

HUMBOLDT COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PENSION LIABILITY
YEAR ENDED JUNE 30, 2015

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.

SUPPLEMENTARY INFORMATION

HUMBOLDT COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2015

	Special Revenue		
	Management Levy	Student Activity	Total
ASSETS			
Cash and pooled investments	\$ 439,812	54,010	493,822
Receivables:			
Property tax:			
Delinquent	1,032	-	1,032
Succeeding year	200,001	-	200,001
TOTAL ASSETS	\$ 640,845	54,010	694,855
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	\$ 200,001	-	200,001
Fund balances:			
Restricted for:			
Management levy purposes	440,844	-	440,844
Student activities	-	68,010	68,010
Unassigned:			
Student activities	-	(14,000)	(14,000)
Total fund balances	440,844	54,010	494,854
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 640,845	54,010	694,855

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

HUMBOLDT COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT 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	\$ 125,253	-	125,253
Other	10,377	345,429	355,806
State sources	1,519	-	1,519
Total revenues	137,149	345,429	482,578
EXPENDITURES:			
Current:			
Instruction:			
Regular	6,861	-	6,861
Other	-	357,740	357,740
	6,861	357,740	364,601
Support services:			
Administration	95,924	-	95,924
Operation and maintenance of plant	145,883	-	145,883
Transportation	15,738	-	15,738
	257,545	-	257,545
Total expenditures	264,406	357,740	622,146
Change in fund balances	(127,257)	(12,311)	(139,568)
Fund balances beginning of year	568,101	66,321	634,422
Fund balances end of year	\$ 440,844	54,010	494,854

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

HUMBOLDT COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 CAPITAL PROJECTS FUNDS
 JUNE 30, 2015

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
ASSETS			
Cash and pooled investments	\$ 1,099,638	120,217	1,219,855
Receivables:			
Property tax:			
Delinquent	-	3,189	3,189
Succeeding year	-	421,354	421,354
Accounts	-	66	66
Due from other governments	212,538	-	212,538
TOTAL ASSETS	\$ 1,312,176	544,826	1,857,002
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 2,516	-	2,516
Deferred revenue:			
Unavailable revenues:			
Succeeding year property tax	-	421,354	421,354
Fund balances:			
Restricted for:			
Debt service	711,573	-	711,573
School infrastructure	598,087	-	598,087
Physical plant and equipment levy	-	123,472	123,472
Total fund balances	1,309,660	123,472	1,433,132
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 1,312,176	544,826	1,857,002

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

HUMBOLDT COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 CAPITAL PROJECTS FUNDS
 YEAR ENDED JUNE 30, 2015

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
REVENUES:			
Local sources:			
Local tax	\$ -	414,501	414,501
Other	472	293	765
State sources	1,190,980	4,688	1,195,668
Total revenues	<u>1,191,452</u>	<u>419,482</u>	<u>1,610,934</u>
EXPENDITURES:			
Current:			
Support services:			
Instructional staff	28,378	-	28,378
Administration	1,500	500	2,000
Transportation	-	2,901	2,901
Capital outlay	339,240	162,188	501,428
Total expenditures	<u>369,118</u>	<u>165,589</u>	<u>534,707</u>
Excess of revenues over expenditures	822,334	253,893	1,076,227
OTHER FINANCING USES:			
Transfer out	<u>(710,548)</u>	<u>(242,740)</u>	<u>(953,288)</u>
Change in fund balances	111,786	11,153	122,939
Fund balances beginning of year	<u>1,197,874</u>	<u>112,319</u>	<u>1,310,193</u>
Fund balances end of year	<u>\$ 1,309,660</u>	<u>123,472</u>	<u>1,433,132</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

HUMBOLDT COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2015

Account	Balance Beginning of Year	Revenues	Expendi- tures	Intrafund Transfers	Balance End of Year
Cross Country	\$ 1,279	3,758	3,260	(1,277)	500
Boys Basketball	2,449	10,667	11,014	(1,602)	500
Football	3,559	28,756	31,311	(504)	500
Baseball	1,184	10,879	13,169	1,106	-
Boys Track	384	3,925	5,454	1,145	-
Boys Golf	-	1,999	4,743	2,744	-
Wrestling	1,759	33,170	33,729	(700)	500
Girls Basketball	666	9,430	10,276	180	-
Volleyball	1,092	16,711	16,835	(468)	500
Softball	1,856	12,596	15,746	1,294	-
Girls Track	-	3,283	7,506	4,223	-
Girls Golf	-	2,647	4,710	2,063	-
Soccer	-	4,067	7,126	3,059	-
Olympics	82	-	-	-	82
Spanish Club	710	844	469	-	1,085
Drama	9,175	13,982	15,495	-	7,662
Cheerleaders	-	4,230	3,885	-	345
Graphic Arts	573	-	-	-	573
Student Senate	4,390	3,117	3,838	-	3,669
Student Senate Special	250	-	-	-	250
FFA	13,451	13,732	14,975	(5,496)	6,712
Drill Team	3,954	10,353	10,382	-	3,925
Robotics	-	9,482	4,543	1,000	5,939
Prom	2,968	1,640	4,644	36	-
High School	805	2,210	1,881	(1,134)	-
Middle School	1,107	7,281	5,469	-	2,919
Taft	1,974	4,067	3,704	-	2,337
Mease	110	2,354	1,402	-	1,062
Secondary Academic Boosters	-	2,615	1,705	685	1,595
High School Art	24	-	-	-	24
Elementary Special	758	220	1,167	189	-
Elementary Academic Boosters	1,669	-	-	(189)	1,480
Elementary Yearbook	249	2,190	2,148	-	291
Vocal HS	389	2,605	996	124	2,122
Vocal MS	4,727	1,088	815	-	5,000
Vocal Elementary	2,393	1,646	481	-	3,558
Band HS	-	2,694	4,864	2,170	-
Band MS	1,853	2,995	2,706	405	2,547
Band Elementary	2,612	2,410	1,809	(405)	2,808
Band Resale HS	-	3,788	5,123	1,335	-
Band Uniforms	921	1,233	1,086	-	1,068
Nokomis Reserve	7,436	-	748	(2,822)	3,866
Nokomis 2014	5,466	910	4,569	(1,807)	-
Nokomis 2015	-	30,818	27,584	-	3,234
Concessions	10	-	-	-	10
Memorials - MS	53	-	-	-	53
Concessions - MS	1,073	-	-	-	1,073
General Athletics	(17,220)	73,548	65,442	(4,886)	(14,000)
Smoothies	131	922	832	-	221
Checking Interest	-	567	99	(468)	-
TOTAL	\$ 66,321	345,429	357,740	-	54,010

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

HUMBOLDT COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN PRIVATE-PURPOSE TRUST FUND, SCHOLARSHIP ACCOUNTS
 YEAR ENDED JUNE 30, 2015

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Clyde R. & Nira Mease Scholarship	\$ 6,054	172	250	5,976
Dan Rusher Memorial	7,472	-	407	7,065
Bertha Peterson Scholarship	7,728	228	200	7,756
Michael H. Baker Scholarship	9,601	-	1,214	8,387
Harry Reasoner Educational Trust	3,831	12	175	3,668
Joe & Edith Reasoner Educational Trust	18,326	30,045	250	48,121
Cramlet/Schnoor Scholarship	78,805	279	-	79,084
Esther Hansen Scholarship	10,542	-	210	10,332
Anderson Scholarship	10,788	40	200	10,628
Klasse Scholarship	20,057	68	250	19,875
Griffin Scholarship	1,009,885	68,177	40,000	1,038,062
Castle Theater Scholarship	9,435	37	-	9,472
Howard G. & Ruth A. Louthen Trust	1,608,512	23,036	37,746	1,593,802
Bette L. Newton Scholarship	7,477	-	972	6,505
Rogness Scholarship	3,291	-	1,000	2,291
TOTAL	<u>\$ 2,811,804</u>	<u>122,094</u>	<u>82,874</u>	<u>2,851,024</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

HUMBOLDT COMMUNITY SCHOOL DISTRICT
SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION -
ALL GOVERNMENTAL FUNDS
FOR THE LAST TEN YEARS

	Modified Accrual Basis									
	Years Ended June 30,									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Revenues:										
Local sources:										
Local tax	\$ 5,626,342	5,425,103	6,264,665	6,271,445	5,856,871	5,421,442	4,380,103	4,619,566	4,832,670	4,708,402
Tuition	1,529,602	1,386,623	1,327,773	1,167,944	699,694	680,712	641,945	605,224	563,069	604,225
Other	655,205	658,262	725,621	492,806	670,695	678,492	584,228	785,249	737,907	528,340
State sources	8,568,293	7,648,057	6,340,733	6,010,920	6,017,759	4,983,633	5,739,568	5,674,712	5,314,953	5,119,715
Federal sources	490,051	540,054	513,222	535,316	968,501	1,116,635	413,810	415,101	637,089	305,622
Total	\$ 16,869,493	15,658,099	15,172,014	14,478,431	14,213,520	12,880,914	11,759,654	12,099,852	12,085,688	11,266,304
Expenditures:										
Instruction:										
Regular	\$ 6,748,740	6,284,689	5,922,565	5,558,359	5,533,375	5,425,578	4,830,195	5,207,288	4,758,080	4,468,592
Special	1,719,662	1,650,136	1,685,278	1,609,004	1,348,690	1,310,220	1,414,818	1,347,445	1,340,088	1,171,342
Other	1,825,318	1,901,487	1,740,071	1,581,393	1,664,711	1,538,845	1,577,193	1,160,250	985,062	919,935
Support services:										
Student	267,056	274,526	247,848	253,568	239,054	182,811	178,169	190,281	205,893	272,808
Instructional staff	905,159	913,504	1,000,218	652,710	694,253	500,707	505,899	506,433	546,597	452,163
Administration	1,457,881	1,411,522	1,399,574	1,343,436	1,405,993	1,048,273	1,052,134	1,113,036	1,062,281	993,063
Operation and maintenance of plant	1,316,092	1,244,771	1,168,592	1,414,465	1,116,194	1,701,409	920,998	881,125	974,165	805,227
Transportation	466,850	568,940	512,339	506,516	437,721	458,548	335,003	524,508	595,078	433,517
Non-instructional programs	-	1,086	-	-	-	-	-	-	6,323	-
Capital outlay	501,428	329,571	496,747	5,104,631	5,822,761	812,553	508,334	803,763	332,005	139,309
Long-term debt:										
Principal	595,000	585,000	525,000	510,000	-	-	25,011	618,828	265,000	255,000
Interest and other charges	357,263	371,437	382,875	392,676	-	-	-	-	-	-
Other expenditures:										
AEA flow-through	509,242	479,912	462,052	439,414	490,306	463,324	426,384	416,080	393,205	377,143
Total	\$ 16,669,691	16,016,581	15,543,159	19,366,172	18,753,058	13,442,268	11,774,138	12,769,037	11,463,777	10,288,099

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

HUMBOLDT COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2015

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	EXPENDITURES
INDIRECT:			
DEPARTMENT OF AGRICULTURE:			
IOWA DEPARTMENT OF EDUCATION:			
SCHOOL NUTRITION CLUSTER PROGRAMS:			
SCHOOL BREAKFAST PROGRAM	10.553	FY 15	\$ 55,623
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY 15	315,950
SPECIAL MILK PROGRAM FOR CHILDREN	10.556	FY 15	2,545
SUMMER FOOD SERVICE PROGRAM FOR CHILDREN	10.559	FY 15	5,137
			<u>379,255</u>
DEPARTMENT OF EDUCATION:			
IOWA DEPARTMENT OF EDUCATION:			
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	FY 14	20,851
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	FY 15	174,087
			<u>194,938</u>
ENGLISH LANGUAGE ACQUISITION STATE GRANTS (TITLE III)	84.365	FY 15	344
IMPROVING TEACHER QUALITY STATE GRANTS (TITLE IIA)	84.367	FY 15	39,210
GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES (TITLE VI A)	84.369	FY 15	6,825
AREA EDUCATION AGENCY:			
VOCATIONAL EDUCATION - BASIC GRANTS TO STATES	84.048	FY 15	13,914
SPECIAL EDUCATION - GRANTS TO STATES (PART B)	84.027	FY 15	61,206
ADVANCED PLACEMENT PROGRAM	84.330	FY 15	232
TOTAL			<u>\$ 695,924</u>

* -Includes \$46,433 of non-cash awards.

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of the Humboldt Community School District and is presented in conformity with the accrual or modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NOLTE, CORNMAN & JOHNSON P.C.
Certified Public Accountants
(a professional corporation)
117 West 3rd Street North, Newton, Iowa 50208-3040
Telephone (641) 792-1910

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 the Humboldt Community School District:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Governmental 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 Humboldt Community School 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 March 1, 2016.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified a deficiency in internal control we consider to be a material weakness and significant deficiency.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Humboldt Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance 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 non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

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

Humboldt Community School District's Responses to Findings

Humboldt Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. Humboldt Community School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the 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.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Humboldt Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



NOLTE, CORNMAN & JOHNSON, P.C.

March 1, 2016
Newton, Iowa

NOLTE, CORNMAN & JOHNSON P.C.
Certified Public Accountants
(a professional corporation)
117 West 3rd Street North, Newton, Iowa 50208-3040
Telephone (641) 792-1910

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

To the Board of Education of Humboldt Community School District:

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Humboldt Community School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Humboldt Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Humboldt Community School District's compliance.

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

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

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

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

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Humboldt Community School District's response to the internal control over compliance finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. Humboldt Community School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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



NOLTE, CORNMAN & JOHNSON, P.C.

March 1, 2016
Newton, Iowa

HUMBOLDT COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2015

Part I: Summary of the Independent Auditor's Results

- (a) Unmodified opinions were issued on the financial statements.
- (b) A material weakness and significant deficiency in internal control over financial reporting was disclosed by the audit of the financial statements.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) A material weakness in internal control over the major program was noted.
- (e) An unmodified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit did not disclose audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:

Clustered Programs:

Nutrition Cluster

CFDA Number 10.553 - School Breakfast Program

CFDA Number 10.555 - National School Lunch Program

CFDA Number 10.556 - Special Milk Program for Children

CFDA Number 10.559 - Summer Food Service Program for Children

- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Humboldt Community School District did not qualify as a low-risk auditee.

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

II-A-15 Segregation of Duties - One important aspect of internal accounting control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. One individual has control over each of the following areas for the District:

- 1) Cash - initiating cash receipt and disbursement transactions and handling and recording cash, bank reconciliations.
- 2) Investments - investing, detailed recordkeeping, custody of investments and reconciling earnings.
- 3) Receipts - collecting, recording, depositing, journalizing, posting and reconciling.

- 4) Disbursements - purchase order processing, check preparation, mailing and recording.
- 5) Inventories - ordering, receiving, issuing and storing.
- 6) Capital assets - purchasing, recording and reconciling.
- 7) Wire transfers - processing and approving.
- 8) Payroll - recording approved pay rates and deductions, recordkeeping, entering contracts into the system, preparation, posting and distribution.
- 9) Transfers - preparing and approving.
- 10) Journal entries - writing, posting and approval
- 11) Financial reporting - preparing, reconciling and approving.
- 12) Computer systems - performing all general accounting functions and controlling all data input and output.
- 13) School lunch program - collecting, recording, journalizing, posting, reconciling, purchase order processing, check preparation, mailing and recording.

Recommendation - We realize segregation of duties is difficult with a limited number of office employees. However, the District should review its procedures to obtain the maximum internal control possible under the circumstances utilizing current personnel, including elected officials.

Response - We will continue to review procedures to obtain the best control possible.

Conclusion - Response accepted.

II-B-15 Gate Receipts - We noted that the District does not use pre-numbered tickets for all events that require an admission.

Recommendation -The District should have internal control procedures established for handling cash for all activity events, including athletic events and communicate the policies and procedures to the individuals involved. The Board would of course, approve any policies that the District's business office should be involved in developing the detailed procedures. At a minimum the procedures should be:

- a. Cash or change boxes should be established with a specified amount.
- b. The District should use pre-numbered tickets.
- c. Two or more individuals should be involved in the cash collection/ticket sales process. In addition to cash collection/ticket sales procedures, the individuals should be instructed to not leave the cash/change boxes unattended under any circumstances.
- d. At the end of the event, cash should be counted and reconciled (by two or more individuals) to sales/pre-numbered tickets sold including the amount of the beginning cash.
- e. To reconcile, the next unsold ticket number less the beginning ticket number determines the number of tickets sold. This number, times the price per ticket equals

total sales. Total sales compared to total collected should reconcile. Variances, if any should be minimal.

- f. A reconciliation form should be completed and signed off by the individuals responsible for counting and reconciling the cash.
- g. The cash and change box should be turned into the Athletic Director (AD) or designee responsible for the “accounting” function at the event.
- h. The AD or designee should be required to take the cash collections to the night depository at the bank or at a minimum, lock the cash collections in the District’s vault or other secure location at the District’s office for deposit on the next working day. District procedures should prohibit individuals from taking cash collections home.
- i. A pre-numbered receipt should be issued by the Business Office the next working day in the amount of the confirmed deposit.
- j. Administrative personnel should periodically review/test the process to ensure procedures are working as prescribed.

Response - District will put procedures in place to correct this.

Conclusion - Response accepted.

OTHER MATTERS:

II-C-15 Negative Lunch Account Balances - It was noted during the audit that the Nutrition Fund is carrying several significant negative student lunch account balances on the books.

Recommendation - The District should review their procedures and policies in regard to negative student lunch account balances. The District should try various collection techniques to collect the overdue balances, another option would be to give these families a free/reduced lunch application to see if they qualify.

Response - We have implemented procedures to communicate with parents and small claims court.

Conclusion - Response accepted.

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

CFDA Number 10.553: School Breakfast Program and
CFDA Number 10.555: National School Lunch Program
CFDA Number 10.556 - Special Milk Program for Children
CFDA Number 10.559 - Summer Food Service Program for Children
Federal Award Year: 2015
U.S. Department of Agriculture
Passed through the Iowa Department of Education

III-A-15 Segregation of Duties - One important aspect of internal accounting control is the (2015-001) segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. One individual has control over each of the following areas for the District:

- 1) Cash - initiating cash receipt and disbursement transactions and handling and recording cash, bank reconciliations.
- 2) Receipts - collecting, recording, depositing, journalizing, posting and reconciling.
- 3) Disbursements - purchase order processing, check preparation, mailing and recording.
- 4) Inventories - ordering, receiving, issuing and storing.
- 5) Transfers - preparing and approving.
- 6) Financial reporting - preparing, reconciling and approving.
- 7) Computer systems - performing all general accounting functions and controlling all data input and output.

Recommendation - We realize segregation of duties is difficult with a limited number of office employees. However, the District should review its procedures to obtain the maximum internal control possible under the circumstances utilizing current personnel, including elected officials.

Response - We will continue to review procedures to obtain the best control possible.

Conclusion - Response accepted.

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-15 Certified Budget - Expenditures for the year ended June 30, 2015, exceeded the certified budget amount in the instruction functional area.

Recommendation - The budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response - The District will continue to monitor this fund.

Conclusion - Response accepted.

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

IV-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.

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

- IV-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 insure that the coverage is adequate for current operations.
- IV-F-15 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.
- IV-G-15 Certified Enrollment - We noted a variance in the basic enrollment data certified to the Department of Education. The number of resident students was overstated by 0.44 students.
- Recommendation - The Iowa Department of Education and the Department of Management should be contacted to resolve this matter.
- Response - The District's auditors will contact the Iowa Department of Education and Department of Management on our behalf to resolve this matter.
- Conclusion - Response accepted.
- IV-H-15 Supplementary Weighting - No variances regarding the supplementary weighting certified to the Department of Education were noted.
- IV-I-15 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- IV-J-15 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported. However, we noted that the District did not file the Transportation Report portion of the Certified Annual Report by the September 15 deadline.
- Recommendation - The District should review their procedures to ensure all pieces of the Certified Annual Report are filed by the deadline.
- Response - The District will ensure the transportation report and all other reports required with the District's CAR are certified by the September 15 deadline.
- Conclusion - Response accepted.
- IV-K-15 Categorical Funding - No instances were noted of categorical funding being used to supplant rather than supplement other funds.
- IV-L-15 Financial Condition - The District had one account in the Special Revenue, Student Activity Fund that had a deficit balance at the end of the year totaling \$14,000. The District had a deficit unrestricted net position of \$4,549,162 in the governmental activities. The primary reason for these deficit net positions is due to the implementation of GASB Statements No. 68 and No. 71 during the year.
- Recommendation - The District should take steps to ensure the District's administration and Board of Education understand this accounting change/restatement and how GASB Statements No. 68 and 71 will affect the District's financials moving forward.
- Response - The District's governmental activities went deficit due to the implementation of GASB Statement No. 68 and No. 71 in fiscal year 2015 which require the District to show its proportionate share of the IPERS funding deficit as a liability on the Statement of Net Position. The District's governmental activities net pension liability was \$4,919,682 at June 30, 2015.

Conclusion - Response accepted.

IV-M-15 Statewide Sales, Services and Use Tax - No instances of non-compliance with the use of the statewide sales and services tax revenue provisions of 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. 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 following information includes the amounts the District reported for the statewide sales, services and use tax revenue in the District's CAR including adjustments during the fiscal year 2015 audit:

Beginning balance		\$ 1,197,874
Revenues:		
Sales tax revenues	\$ 1,190,980	
Other local revenue	472	1,191,452
		<u>2,389,326</u>
Expenditures/transfers out:		
School infrastructure	151,548	
Equipment	37,480	
Other	180,090	
Transfers to other funds:		
Debt service fund	710,548	1,079,666
		<u>1,079,666</u>
Ending balance		<u>\$ 1,309,660</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.

IV-N-15 Student Activity Fund - In accordance with 298A.8 of the Code of Iowa and Iowa Administrative Code 281-12.6(1), the purpose of the Student Activity Fund is to account for financial transactions related to the cocurricular and extracurricular activities offered as a part of the education program for students.

Questionable Revenues: We noted donations for library books received in the Student Activity Fund. These revenues appear to be for instructional items and therefore, would be more appropriately handled in the General Fund.

Recommendation - The District should review the propriety of the revenues and expenditures that are approved in the Student Activity Fund. The revenues for library books appear to be more instructional in nature and would be more appropriate in the General Fund.

Response - The District has implemented procedures to correct this.

Conclusion - Response accepted.