

NORTHEAST HAMILTON COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS

JUNE 30, 2015

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Northeast Hamilton Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education</b>		
Roxanne Anderson	President	2015
Marlin Pruismann	Vice President	2017
Mike Rapp	Board Member	2015
Eric Patterson	Board Member	2015
Bruce Mark	Board Member	2017
<b>School Officials</b>		
Michael Sherwood	Superintendent	2015
Cathi Hildebrand	Business Manager	2015
Kathy Biere	Board Secretary	2015
Ahlers & Cooney	Attorney	2015

NORTHEAST HAMILTON COMMUNITY SCHOOL DISTRICT

**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**

**To the Board of Education of the Northeast Hamilton 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 Northeast Hamilton Community School District, Blairsburg, 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, fund and the aggregate remaining fund information of Northeast Hamilton 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.

## **Emphasis of Matter**

As discussed in Note 15 to the financial statements, Northeast Hamilton 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, the schedule of the District's Proportionate Share of the Net Pension Liability, the Schedule of District Contributions and the Schedule of Funding Progress for the Retiree Health Plan on pages 9 through 18 and 46 through 52 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 Northeast Hamilton 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 year ended June 30, 2014, (which is not presented herein) and expressed an unmodified opinion on those financial statements. Another auditor previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the eight years ended June 30, 2013(which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 9, 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 22, 2016 on our consideration of Northeast Hamilton 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 Northeast Hamilton Community School District's internal control over financial reporting and compliance.



NOLTE, CORNMAN & JOHNSON, P.C.

March 22, 2016  
Newton, Iowa

NORTHEAST HAMILTON COMMUNITY SCHOOL DISTRICT

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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Northeast Hamilton 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 decreased from \$2,476,189 in fiscal year 2014 to \$2,530,231 in fiscal year 2015, while General Fund expenditures decreased from \$2,818,175 in fiscal year 2014 to \$2,498,205 in fiscal year 2015. This resulted in an increase in the District's General Fund balance from \$1,146,987 in fiscal year 2014 to a balance of \$1,179,013 at June 30, 2015, a 2.72% increase from the prior year.
- The increase in General Fund revenues was attributable to a increase in local and federal sources in fiscal 2015. The decrease in expenditures was primarily in the instruction and support services functional areas.

### **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 Northeast Hamilton 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 Northeast Hamilton 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 Northeast Hamilton Community School District acts solely as an agent or custodial for the benefit of those outside of the School District.

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

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

Supplementary Information provides detailed information about the nonmajor funds.

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

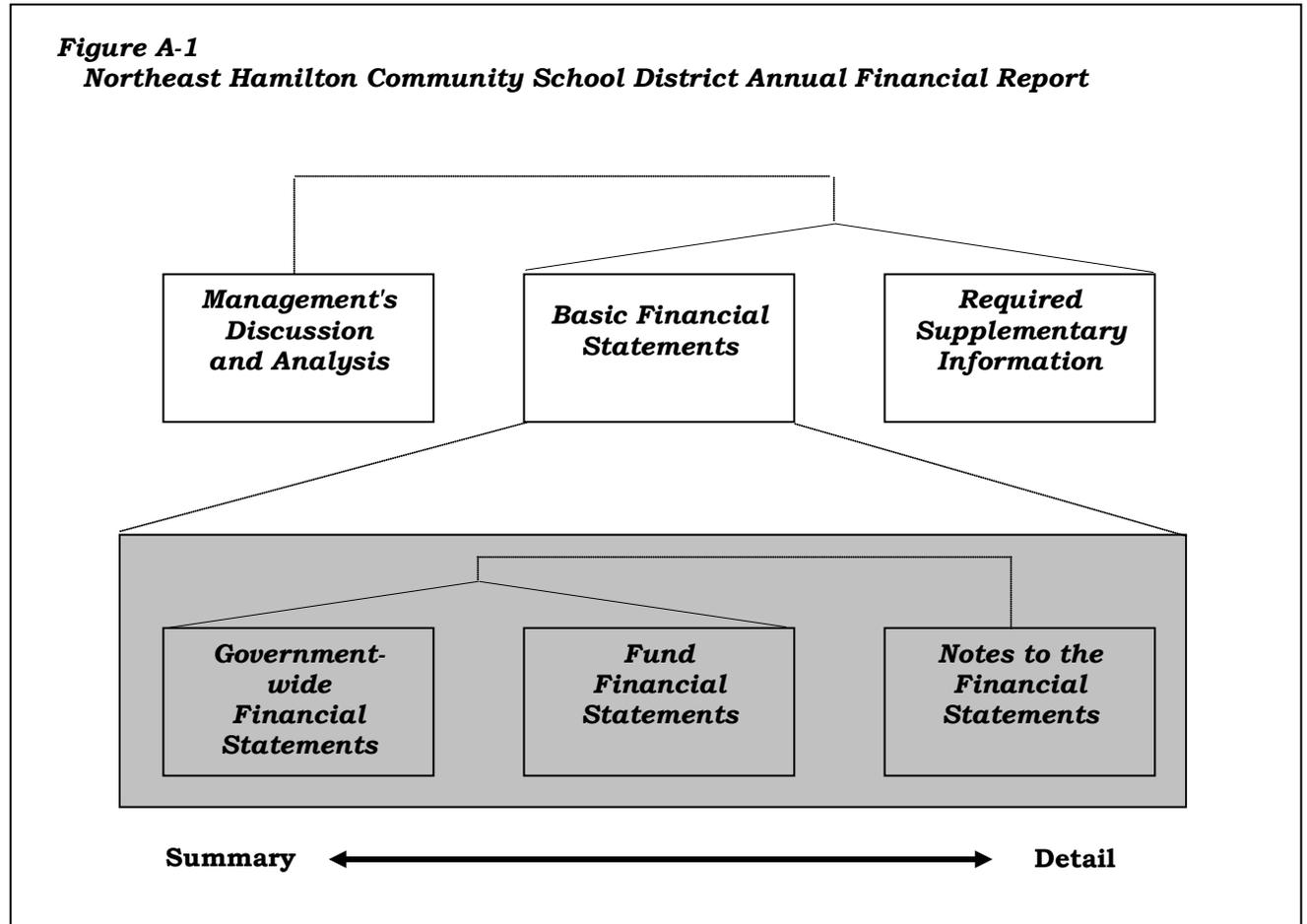


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

<b>Figure A-2</b>				
<b>Major Features of the Government-Wide and Fund Financial Statements</b>				
	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, daycare	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"> <li>• Statement of net position</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net position</li> <li>• Statement of revenues, expenses and changes in fund net position</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net position</li> <li>• Statement of changes in fiduciary net position</li> </ul>
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

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## REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

### Government-wide Financial Statements

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

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

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

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

### Fund Financial Statements

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

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

The District has three kinds of funds:

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

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

The required financial statements for 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 two enterprise funds, the School Nutrition Fund, and Den Daycare Fund.

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

- Private Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.
- Agency Fund – These are funds through which the District administers and accounts for certain monies on behalf of other entities.

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.

Figure A-3  
Condensed Statement of Net Position

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30, 2015	2014 (Not restated)	June 30, 2015	2014 (Not restated)	June 30, 2015	2014 (Not restated)	2014-15
Current and other assets	\$ 5,463,635	5,107,669	24,587	7,308	5,488,222	5,114,977	7.30%
Capital assets	4,118,823	4,146,337	14,817	18,288	4,133,640	4,164,625	-0.74%
Total assets	9,582,458	9,254,006	39,404	25,596	9,621,862	9,279,602	3.69%
Deferred outflows of resources	152,819	-	4,802	-	157,621	-	100%
Long-term obligations	2,906,431	2,186,480	26,293	2,757	2,932,724	2,189,237	33.96%
Other liabilities	233,614	305,744	32,973	9,519	266,587	315,263	-15.44%
Total liabilities	3,140,045	2,492,224	59,266	12,276	3,199,311	2,504,500	27.74%
Deferred inflows of resources	2,375,130	2,199,288	8,863	-	2,383,993	2,199,288	8.40%
Net position:							
Net investment in capital assets	2,133,823	2,066,337	14,817	18,288	2,148,640	2,084,625	3.07%
Restricted	1,909,889	1,381,320	-	-	1,909,889	1,381,320	38.27%
Unrestricted	176,390	1,114,837	(38,740)	(4,968)	137,650	1,109,869	-87.60%
Total net position	\$ 4,220,102	4,562,494	(23,923)	13,320	4,196,179	4,575,814	-8.30%

The District's combined net position decreased by 8.30%, or \$379,635, over 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 increased \$528,569, or 38.27% over the prior year. The increase was a result of the increase in the Capital Projects: Statewide Sales, Services and Use Tax Fund and the Debt Service 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 \$972,219, or 87.6%. This decrease in unrestricted net position was primarily a result the District's decrease in the General fund balance.

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 services	\$ 215,258	281,131	48,202	52,889	263,460	334,020	-21.12%
Operating grants and contributions and restricted interest	246,619	237,297	47,968	57,063	294,587	294,360	0.08%
General revenues:							
Property tax	2,207,704	2,248,350	-	-	2,207,704	2,248,350	-1.81%
Income surtax	110,612	95,063	-	-	110,612	95,063	16.36%
Statewide sales, services and use tax	201,431	201,342	-	-	201,431	201,342	0.04%
Unrestricted state grants	616,240	537,473	-	-	616,240	537,473	14.66%
Unrestricted investment earnings	8,853	5,960	17	16	8,870	5,976	48.43%
Other	23,192	14,590	496	1,601	23,688	16,191	46.30%
Total revenues	3,629,909	3,621,206	96,683	111,569	3,726,592	3,732,775	-0.17%
Program expenses:							
Governmental activities:							
Instructional	1,708,623	1,964,870	-	-	1,708,623	1,964,870	-13.04%
Support services	964,128	1,014,270	-	-	964,128	1,014,270	-4.94%
Non-instructional programs	-	-	105,060	102,646	105,060	102,646	2.35%
Other expenses	301,143	289,954	-	-	301,143	289,954	3.86%
Total expenses	2,973,894	3,269,094	105,060	102,646	3,078,954	3,371,740	-8.68%
Change in net position	656,015	352,112	(8,377)	8,923	647,638	361,035	79.38%
Beginning net position, as restated	3,564,087	4,210,382	(15,546)	4,397	3,548,541	4,214,779	-15.81%
Ending net position	\$ 4,220,102	4,562,494	(23,923)	13,320	4,196,179	4,575,814	-8.30%

In fiscal 2015, property tax, income surtax, statewide sales, services and use tax, and unrestricted state grants account for 86.39% of the revenue from governmental activities while

charges for service and sales and operating grants and contributions account for 99.47% of the revenue from business type activities.

The District's total revenues were approximately \$3.73 million of which \$3.63 million was for governmental activities and less than \$0.10 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a -0.17% decrease in revenues and a 8.68% decrease in expenses. The decrease in expenses was related to an decrease in the instructional and support services functional area.

### Governmental Activities

Revenues for governmental activities were \$3,629,909 and expenses were \$2,973,894.

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, for the year ended June 30, 2015 compared to the year ended June 30, 2014.

Figure A-5  
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2015	2014 (Not restated)	Change 2014-15	2015	2014 (Not restated)	Change 2014-15
Instruction	\$ 1,708,623	1,964,870	-13.04%	1,368,494	1,597,749	-14.35%
Support services	964,128	1,014,270	-4.94%	943,050	965,370	-2.31%
Other expenses	301,143	289,954	3.86%	200,473	187,547	6.89%
Totals	<u>\$ 2,973,894</u>	<u>3,269,094</u>	<u>-9.03%</u>	<u>2,512,017</u>	<u>2,750,666</u>	<u>-8.68%</u>

- The cost financed by users of the District's programs was \$215,258.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$246,619.
- The net cost of governmental activities was financed with \$2,207,704 in property tax, \$110,612 in income surtax, \$201,431 in statewide sales, services and use tax, \$616,240 in unrestricted state grants, \$8,853 in unrestricted investment earnings, and \$23,192 in other general revenues.

### Business Type Activities

Revenues of the District's business type activities were \$96,683 and expenses were \$105,060. 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 and investment income.

## INDIVIDUAL FUND ANALYSIS

As previously noted, the Northeast Hamilton 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 \$3,037,982, above last year's ending fund balances of \$2,473,967. The primary reason for the increase in combined fund balances in fiscal year 2015 is due to the increase in the fund balances for the Capital Projects: Statewide Sales, Services and Use Fund and Debt Service Fund.

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## **Governmental Fund Highlights**

- Overall, District revenues in the General Fund for at June 30, 2015 increased 2.15% or \$53,247, to \$2,529,436 compared to \$2,476,189 in fiscal year 2014. The expenses decreased by 11.35% or \$319,970, to \$2,498,205 compared to \$2,818,175 at June 30, 2014. The General Fund balance increased \$32,026.
- The Capital Projects Accounts balance increased from \$683,876 in at June 30, 2014 to \$840,667 in at June 30, 2014. The increase in fund balance was due primarily to a decrease in capital outlays.
- The Debt Service Fund balance increased from \$425,369 at June 30, 2014 to \$770,020 at June 30, 2015. The increase in fund balance was due primarily to a increase in local source revenues.

## **Proprietary Fund Highlights**

The School Nutrition Fund net position increased from a deficit \$15,546 at June 30, 2014 to a deficit \$20,972 at June 30, 2015, representing a decrease of 34.90%.

The District set up a new daycare fund that ended with a deficit of \$2,951 at June 30, 2015.

## **BUDGETARY HIGHLIGHTS**

The District's revenues were \$99,755 less than budgeted revenues, a variance of 2.60%. The most significant variance resulted from the District receiving less in local 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 support services and other expenditures functional area.

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

### **Capital Assets**

At June 30, 2015, the District had invested \$4,133,640, 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) More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$171,566.

The original cost of the District's capital assets was \$6,543,442. Governmental funds account for \$6,436,446 with the remainder of \$106,996 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 \$342,349 at June 30, 2015, compared to \$272,697 reported at June 30, 2014. This increase resulted from the purchase of new equipment.

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	\$ 42,750	42,750	-	-	42,750	42,750	0.00%
Buildings and improvements	3,739,178	3,838,976	-	-	3,739,178	3,838,976	-2.60%
Land improvements	9,363	10,202	-	-	9,363	10,202	-8.22%
Machinery and equipment	327,532	254,409	14,817	18,288	342,349	272,697	25.54%
Total	\$ 4,118,823	4,146,337	14,817	18,288	4,133,640	4,164,625	-0.74%

### Long-Term Debt

At June 30, 2015, the District had \$2,932,724 in long-term debt outstanding. This represents a decrease of 12.11% 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 general obligation bond indebtedness of \$1,985,000 at June 30, 2015.

The District had total compensated absences payable of \$14,088 at June 30, 2015.

The District had total outstanding net pension liability of \$817,112 at June 30, 2015.

The District had total outstanding other postemployment benefits payable of \$116,524 at June 30, 2015.

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	2015	2014	2015	2014	2014-15
General obligation bonds	\$ 1,985,000	2,080,000	-	-	1,985,000	2,080,000	-4.57%
Compensated absences	14,088	12,838	-	-	14,088	12,838	9.74%
Net pension liability	794,152	1,115,418	22,960	32,249	817,112	1,147,667	-28.80%
Net OPEB liability	113,191	93,642	3,333	2,757	116,524	96,399	20.88%
Totals	\$ 2,906,431	3,301,898	26,293	35,006	2,932,724	3,336,904	-12.11%

### 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:

- District Enrollment continues to decline. Under Iowa's school funding formula, District funding is highly dependent upon enrollment. Future enrollment stability is a critical element in maintaining a sound financial foundation.
- The District will continue the sharing agreement with Webster City CSD for grades 7-12.

- 
- The District has sharing agreements with South Hamilton to share our Transportation Director and with Webster City to share our Business Manager, Technology, Media Center Specialist, Band Instructor, Art Instructor, and Superintendent. In fiscal 2017, we will begin discussions about sharing our Curriculum Director with Webster City as well. These sharing agreements will generate approximately \$119,000 in additional revenues for fiscal 2016.
  - Open enrolled students are projected to remain at a negative ratio for the foreseeable future. This remains a concern for the district.

## **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 Cathi Hildebrand, Business Manager, Northeast Hamilton Community School District, 606 Illinois Street, Blairsburg, Iowa, 50034.

BASIC FINANCIAL STATEMENTS

NORTHEAST HAMILTON COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
JUNE 30, 2015

	Governmental Activities	Business Type Activities	Total
<b>ASSETS</b>			
Cash and pooled investments	\$ 3,119,228	21,197	3,140,425
Receivables:			
Property tax:			
Delinquent	7,743	-	7,743
Succeeding year	2,068,609	-	2,068,609
Income surtax	139,458	-	139,458
Accounts	2,862	1,289	4,151
Due from other funds	20,000	-	20,000
Due from other governments	105,735	-	105,735
Inventories	-	2,101	2,101
Capital assets, net of accumulated depreciation	4,118,823	14,817	4,133,640
<b>TOTAL ASSETS</b>	<b>9,582,458</b>	<b>39,404</b>	<b>9,621,862</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension related deferred outflows	152,819	4,802	157,621
<b>LIABILITIES</b>			
Excess of warrants over bank balance	-	290	290
Accounts payable	27,552	27	27,579
Salaries and benefits payable	190,034	11,084	201,118
Due to other funds	-	20,000	20,000
Interest payable	16,028	-	16,028
Unearned revenue	-	1,572	1,572
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	100,000	-	100,000
Compensated absences payable	14,088	-	14,088
Portion due after one year:			
General obligation bonds payable	1,885,000	-	1,885,000
Net pension liability	794,152	22,960	817,112
Net OPEB liability	113,191	3,333	116,524
<b>TOTAL LIABILITIES</b>	<b>3,140,045</b>	<b>59,266</b>	<b>3,199,311</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pension related deferred inflows	306,521	8,863	315,384
Unavailable property tax revenue	2,068,609	-	2,068,609
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>2,375,130</b>	<b>8,863</b>	<b>2,383,993</b>
<b>NET POSITION</b>			
Net investment in capital assets	2,133,823	14,817	2,148,640
Restricted for:			
Categorical funding	58,201	-	58,201
Debt service	753,992	-	753,992
Management levy purposes	229,323	-	229,323
Student activities	18,959	-	18,959
School infrastructure	523,253	-	523,253
Physical plant and equipment	317,414	-	317,414
Assigned for special purposes	8,747	-	8,747
Unrestricted	176,390	(38,740)	137,650
<b>TOTAL NET POSITION</b>	<b>\$ 4,220,102</b>	<b>(23,923)</b>	<b>4,196,179</b>

SEE NOTES TO FINANCIAL STATEMENTS.

NORTHEAST HAMILTON COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2015

	Program Revenues			Net (Expense) Revenue and Changes in Net Position		Total
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	
<b>Functions/Programs:</b>						
Governmental activities:						
Instruction:						
Regular	\$ 1,228,831	172,273	24,839	(1,031,719)	-	(1,031,719)
Special	254,548	15,195	10,033	(229,320)	-	(229,320)
Other	225,244	27,763	90,026	(107,455)	-	(107,455)
	<u>1,708,623</u>	<u>215,231</u>	<u>124,898</u>	<u>(1,368,494)</u>	<u>-</u>	<u>(1,368,494)</u>
Support services:						
Student	46,738	-	-	(46,738)	-	(46,738)
Instructional staff	91,821	-	10,950	(80,871)	-	(80,871)
Administration	341,901	-	10,101	(331,800)	-	(331,800)
Operation and maintenance of plant	273,310	-	-	(273,310)	-	(273,310)
Transportation	210,358	27	-	(210,331)	-	(210,331)
	<u>964,128</u>	<u>27</u>	<u>21,051</u>	<u>(943,050)</u>	<u>-</u>	<u>(943,050)</u>
Long-term debt interest	99,836	-	-	(99,836)	-	(99,836)
Other expenses:						
AEA flowthrough	100,670	-	100,670	-	-	-
Depreciation(unallocated)*	100,637	-	-	(100,637)	-	(100,637)
	<u>201,307</u>	<u>-</u>	<u>100,670</u>	<u>(100,637)</u>	<u>-</u>	<u>(100,637)</u>
Total governmental activities	2,973,894	215,258	246,619	(2,512,017)	-	(2,512,017)
Business type activities:						
Non-instructional programs:						
Nutrition services	100,415	46,508	47,968	-	(5,939)	(5,939)
Day care services	4,645	1,694	-	-	(2,951)	(2,951)
Total business type activities	<u>105,060</u>	<u>48,202</u>	<u>47,968</u>	<u>-</u>	<u>(8,890)</u>	<u>(8,890)</u>
Total	\$ 3,078,954	263,460	294,587	(2,512,017)	(8,890)	(2,520,907)
<b>General Revenues:</b>						
Property tax levied for:						
General purposes				\$ 1,475,218	-	1,475,218
Debt service				530,384	-	530,384
Capital outlay				202,102	-	202,102
Income surtax				110,612	-	110,612
Statewide sales and services tax				201,431	-	201,431
Unrestricted state grants				616,240	-	616,240
Unrestricted investment earnings				8,853	17	8,870
Other general revenues				23,192	496	23,688
Total general revenues				<u>3,168,032</u>	<u>513</u>	<u>3,168,545</u>
Change in net position				656,015	(8,377)	647,638
Net position beginning of year, as restated				<u>3,564,087</u>	<u>(15,546)</u>	<u>3,548,541</u>
Net position end of year				\$ <u>4,220,102</u>	<u>(23,923)</u>	<u>4,196,179</u>

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

SEE NOTES TO FINANCIAL STATEMENTS.

NORTHEAST HAMILTON COMMUNITY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2015

	General	Capital Projects	Debt Service	Nonmajor	Total
<b>ASSETS</b>					
Cash and pooled investments	\$ 1,293,359	810,370	767,683	247,816	3,119,228
Receivables:					
Property tax:					
Delinquent	6,386	891	-	466	7,743
Succeeding year	1,354,743	207,196	406,670	100,000	2,068,609
Income surtax	123,963	15,495	-	-	139,458
Accounts	525	-	2,337	-	2,862
Due from other funds	20,000	-	-	-	20,000
Due from other governments	74,551	31,184	-	-	105,735
<b>TOTAL ASSETS</b>	<b>\$ 2,873,527</b>	<b>1,065,136</b>	<b>1,176,690</b>	<b>348,282</b>	<b>5,463,635</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable	\$ 25,774	1,778	-	-	27,552
Salaries and benefits payable	190,034	-	-	-	190,034
Total liabilities	215,808	1,778	-	-	217,586
Deferred inflows of resources:					
Unavailable resources:					
Succeeding year property tax	1,354,743	207,196	406,670	100,000	2,068,609
Income surtax	123,963	15,495	-	-	139,458
Total deferred inflows of resources	1,478,706	222,691	406,670	100,000	2,208,067
Fund balances:					
Restricted for:					
Categorical funding	58,201	-	-	-	58,201
Debt service	-	-	770,020	-	770,020
Management levy purposes	-	-	-	229,323	229,323
Student activities	-	-	-	18,959	18,959
School infrastructure	-	523,253	-	-	523,253
Physical plant and equipment	-	317,414	-	-	317,414
Assigned	8,747	-	-	-	8,747
Unassigned	1,112,065	-	-	-	1,112,065
Total fund balances	1,179,013	840,667	770,020	248,282	3,037,982
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 2,873,527</b>	<b>1,065,136</b>	<b>1,176,690</b>	<b>348,282</b>	<b>5,463,635</b>

SEE NOTES TO FINANCIAL STATEMENTS.

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

<b>Total fund balances of governmental funds(page 22)</b>	\$	3,037,982
 <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.		4,118,823
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.		(16,028)
Other long-term assets are not available to pay current year expenditures and, therefore, are recognized as deferred inflows of resources in the governmental funds.		139,458
Pension related deferred outflows of resources and deferred inflwos of resources are not due and payable in the current year and, therefore, are not reported in the governmental fnds, as follows:		
Deferred outflows of resources	\$ 152,819	
Deferred inflows of resources	<u>(306,521)</u>	(153,702)
Long-term liabilities, including bonds payable, net pension liability, compensated absences payable 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>(2,906,431)</u>
<b>Net position of governmental activities(page 20)</b>	<b>\$</b>	<b><u><u>4,220,102</u></u></b>

SEE NOTES TO FINANCIAL STATEMENTS.

NORTHEAST HAMILTON 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
<b>REVENUES:</b>					
Local sources:					
Local tax	\$ 1,477,784	215,045	530,383	100,978	2,324,190
Tuition	122,528	-	-	-	122,528
Other	107,991	1,492	4,775	44,400	158,658
State sources	760,712	203,323	4,963	988	969,986
Federal sources	60,421	-	-	-	60,421
Total revenues	<u>2,529,436</u>	<u>419,860</u>	<u>540,121</u>	<u>146,366</u>	<u>3,635,783</u>
<b>EXPENDITURES:</b>					
Current:					
Instruction:					
Regular	1,122,290	77,580	-	27,225	1,227,095
Special	250,172	-	-	-	250,172
Other	185,953	-	-	55,527	241,480
	<u>1,558,415</u>	<u>77,580</u>	<u>-</u>	<u>82,752</u>	<u>1,718,747</u>
Student	43,535	-	-	-	43,535
Instructional staff	61,559	30,130	-	-	91,689
Administration	329,782	5,149	-	2,731	337,662
Operation and maintenance of plant	242,202	30,742	-	24,879	297,823
Transportation	162,042	79,599	-	5,457	247,098
	<u>839,120</u>	<u>145,620</u>	<u>-</u>	<u>33,067</u>	<u>1,017,807</u>
Non-instructional programs:					
Capital outlay	-	39,869	-	-	39,869
Other expenditures:					
Principal	-	-	95,000	-	95,000
Interest and fiscal charges	-	-	100,470	-	100,470
	<u>-</u>	<u>-</u>	<u>195,470</u>	<u>-</u>	<u>195,470</u>
AEA flowthrough	100,670	-	-	-	100,670
Total expenditures	<u>2,498,205</u>	<u>263,069</u>	<u>195,470</u>	<u>115,819</u>	<u>3,072,563</u>
Excess(Deficiency) of revenues over(under) expenditures	31,231	156,791	344,651	30,547	563,220
Other financing sources:					
Proceeds from the disposal of property	795	-	-	-	795
Change in fund balances	32,026	156,791	344,651	30,547	564,015
Fund balances beginning of year	1,146,987	683,876	425,369	217,735	2,473,967
Fund balances end of year	<u>\$ 1,179,013</u>	<u>840,667</u>	<u>770,020</u>	<u>248,282</u>	<u>3,037,982</u>

SEE NOTES TO FINANCIAL STATEMENTS.

NORTHEAST HAMILTON 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 24)** \$ 564,015

*Amounts reported for governmental activities in the Statement of Activities are different because:*

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

Capital outlays	\$ 140,581	
Depreciation expense	<u>(168,095)</u>	(27,514)

Income surtax account receivable is not available to finance expenditures of the current year period and is recognized as deferred inflows of resources in the governmental funds. (5,874)

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. Current year repayments exceeded issues, as follows:

Repaid	95,000
--------	--------

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. 634

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. 109,141

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.

Compensated absences	\$ (1,250)	
Pension expense	(58,588)	
Other postemployment benefits	<u>(19,549)</u>	<u>(79,387)</u>

**Changes in net position of governmental activities(page 21)** \$ 656,015

SEE NOTES TO FINANCIAL STATEMENTS.

NORTHEAST HAMILTON COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
NONMAJOR PROPRIETARY FUNDS  
JUNE 30, 2015

	School Nutrition	Den Daycare	Total
<b>ASSETS</b>			
Current assets:			
Cash and pooled investments	\$ 21,197	-	21,197
Accounts receivable	1,102	187	1,289
Inventories	2,101	-	2,101
Total current assets	<u>24,400</u>	<u>187</u>	<u>24,587</u>
Non-current assets:			
Capital assets:			
Machinery and equipment, net of accumulated depreciation	14,817	-	14,817
<b>TOTAL ASSETS</b>	<u>39,217</u>	<u>187</u>	<u>39,404</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension related deferred outflows	4,565	237	4,802
<b>LIABILITIES</b>			
Current liabilities:			
Excess of warrants over bank balance	-	290	290
Accounts payable	-	27	27
Salaries and benefits payable	8,026	3,058	11,084
Due to other funds	20,000	-	20,000
Unearned revenue	1,572	-	1,572
Total current liabilities	<u>29,598</u>	<u>3,085</u>	<u>32,683</u>
Long-term liabilities:			
Net pension liability	22,960	-	22,960
Net OPEB liability	3,333	-	3,333
<b>TOTAL LIABILITIES</b>	<u>55,891</u>	<u>3,085</u>	<u>58,976</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pension related deferred inflows	8,863	-	8,863
<b>NET POSITION</b>			
Net invested in capital assets	14,817	-	14,817
Unrestricted	(35,789)	(2,661)	(38,450)
<b>TOTAL NET POSITION</b>	<u>\$ (20,972)</u>	<u>(2,661)</u>	<u>(23,633)</u>

SEE NOTES TO FINANCIAL STATEMENTS.

NORTHEAST HAMILTON COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
NONMAJOR PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2015

	School Nutrition	Den Daycare	Total
OPERATING REVENUE:			
Local sources:			
Charges for services	\$ 46,508	1,694	48,202
Miscellaneous	496	-	496
<b>TOTAL OPERATING REVENUES</b>	<b>47,004</b>	<b>1,694</b>	<b>48,698</b>
OPERATING EXPENSES:			
Non-instructional programs:			
Food service operations:			
Salaries	36,863	3,668	40,531
Benefits	10,838	-	10,838
Supplies	48,880	927	49,807
Depreciation	3,471	-	3,471
Other	363	50	413
<b>TOTAL OPERATING EXPENSES</b>	<b>100,415</b>	<b>4,645</b>	<b>105,060</b>
<b>OPERATING LOSS</b>	<b>(53,411)</b>	<b>(2,951)</b>	<b>(56,362)</b>
NON-OPERATING REVENUES:			
State sources	767	-	767
Federal sources	47,201	-	47,201
Interest income	17	-	17
<b>TOTAL NON-OPERATING REVENUES</b>	<b>47,985</b>	<b>-</b>	<b>47,985</b>
Change in net position	(5,426)	(2,951)	(8,377)
Net position beginning of year, as restated	(15,546)	-	(15,546)
Net position end of year	<b>\$ (20,972)</b>	<b>(2,951)</b>	<b>(23,923)</b>

SEE NOTES TO FINANCIAL STATEMENTS.

NORTHEAST HAMILTON COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
NONMAJOR PROPRIETARY FUND TYPE  
YEAR ENDED JUNE 30, 2015

	School Nutrition	Den Daycare	Total
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	\$ 45,462	1,507	46,969
Cash received from miscellaneous sources	496	-	496
Cash payments to employees for services	(48,643)	(847)	(49,490)
Cash payments to suppliers for goods or services	(43,532)	(950)	(44,482)
Net cash used in operating activities	(46,217)	(290)	(46,507)
Cash flows from non-capital financing activities:			
Transfer from general fund	(3,426)	-	(3,426)
State grants received	767	-	767
Federal grants received	42,042	-	42,042
Net cash provided by non-capital financing activities	39,383	-	39,383
Cash flows from investing activities:			
Interest on investments	17	-	17
Net decrease in cash and cash equivalents	(6,817)	(290)	(7,107)
Cash and cash equivalents at beginning of year	28,014	-	28,014
Cash and cash equivalents at end of year	\$ 21,197	(290)	20,907
Reconciliation of operating loss to net cash used in operating activities:			
Operating loss	\$ (53,411)	(2,951)	(56,362)
Adjustments to reconcile operating loss to net cash used in operating activities:			
Commodities used	5,159	-	5,159
Depreciation	3,471	-	3,471
Increase in inventories	552	-	552
Increase in accounts receivable	(1,035)	(187)	(1,222)
Increase in accounts payable	-	27	27
Increase in salaries and benefits payable	90	3,058	3,148
Decrease in unearned revenue	(11)	-	(11)
Decrease in net pension liability	(9,289)	-	(9,289)
Decrease in deferred outflows of resources	(1,182)	(237)	(1,419)
Increase in deferred inflows of resources	8,863	-	8,863
Increase in other postemployment benefits	576	-	576
Net cash used in operating activities	\$ (46,217)	(290)	(46,507)

## NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2014, the District received Federal commodities valued at \$5,159.

SEE NOTES TO FINANCIAL STATEMENTS.

NORTHEAST HAMILTON COMMUNITY SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET POSITION  
JUNE 30, 2015

	Private Purpose Trust	Agency
<b>ASSETS</b>		
Cash and pooled investments	\$ 3,151	13,035
<b>LIABILITIES</b>		
Due to other groups	-	13,035
<b>NET POSITION</b>		
Held in trust for scholarships	1,500	
Held in trust for special needs	1,651	-
<b>TOTAL NET POSITION</b>	<b>\$ 3,151</b>	<b>-</b>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	<u>Private Purpose Trust</u>
Additions:	
Local sources:	
Gifts and contributions	\$ 3,700
Deductions:	
Instruction:	
Other	10
Support Services	
Scholarships awarded	1,500
Total deductions	<u>1,510</u>
Change in net position	2,190
Net position beginning of year	<u>961</u>
Net position end of year	<u><u>\$ 3,151</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

NORTHEAST HAMILTON COMMUNITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2015

**Note 1. Summary of Significant Accounting Policies**

The Northeast Hamilton 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 Blairsburg, Kamrar and Williams, Iowa, and the predominantly agricultural territory in a portion of Hamilton 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, Northeast Hamilton 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 Northeast Hamilton 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 Hamilton 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 often has constraints on resources that are imposed by management, but can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program 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 Accounts are 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 and Den Daycare Fund. The School Nutrition Fund is used to account for the food service operations of the District. The Den Daycare Fund is used to account for the daycare 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.

The Agency Fund is used to account for assets held by the District as an agent for individuals, private organizations. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of result of operations.

### **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	\$ -
Buildings and improvements	2,000
Land improvements	2,000
Intangibles	25,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	1,000

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

Asset Class	Estimated Useful Lives (In Years)
Buildings and improvements	20-50 years
Land improvements	20 years
Intangibles	3-20 years
Machinery and equipment	5-20 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.

**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 collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred inflows of resources consist of succeeding year 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.

**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.

**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. Negative unassigned balances may be reported in other governmental funds when expenditures incurred for specific purposes exceed the amounts restricted or assigned.

## **E. Budgeting and Budgetary Control**

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2015, expenditures exceeded the amounts budgeted in the support services and other expenditures functional areas.

## **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.

At June 30, 2015, the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$1,221,667 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Iowa Schools Joint Investment Trust was rated AAA by Standard & Poor's Financial Services.

**Note 3. Due From and Due to Other Funds**

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

Receivable Fund	Payable Fund	Amount
School Nutrition	General Fund	\$ 20,000

The School Nutrition Fund is repaying the General Fund

**Note 4. Capital Assets**

Capital asset 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	\$ 42,750	-	-	42,750
Total capital assets not being depreciated	42,750	-	-	42,750
Capital assets being depreciated:				
Buildings and improvements	5,216,091	-	-	5,216,091
Land improvements	109,401	-	-	109,401
Machinery and equipment	927,623	140,581	-	1,068,204
Total capital assets being depreciated	6,253,115	140,581	-	6,393,696
Less accumulated depreciation for:				
Buildings and improvements	1,377,115	99,798	-	1,476,913
Land improvements	99,199	839	-	100,038
Machinery and equipment	673,214	67,458	-	740,672
Total accumulated depreciation	2,149,528	168,095	-	2,317,623
Total capital assets being depreciated, net	4,103,587	(27,514)	-	4,076,073
Governmental activities capital assets, net	\$ 4,146,337	(27,514)	-	4,118,823
Business type activities:				
Machinery and equipment	\$ 106,996	-	-	106,996
Less accumulated depreciation	88,708	3,471	-	92,179
Business-type activities capital assets, net	\$ 18,288	(3,471)	-	14,817

Depreciation expense was charged by the District as follows:

Governmental activities:		
Instruction:		
Regular		\$ 7,514
Support services:		
Administration		4,940
Operation and maintenance of plant		14,463
Transportation		40,541
		<u>67,458</u>
Unallocated depreciation		<u>100,637</u>
		<u>\$ 168,095</u>
Business type activities:		
Food services		<u>\$ 3,471</u>

**Note 5. Long-Term Liabilities**

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

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
<b><u>Governmental Activities:</u></b>					
General obligation bonds	\$ 2,080,000	-	95,000	1,985,000	100,000
Compensated absences	12,838	14,088	12,838	14,088	14,088
Net OPEB liability	93,642	19,549	-	113,191	-
Net pension liability	1,115,418	-	321,266	794,152	-
Total	<u>\$ 3,301,898</u>	<u>33,637</u>	<u>429,104</u>	<u>2,906,431</u>	<u>114,088</u>
<b><u>Business type Activities:</u></b>					
Net OPEB liability	\$ 2,757	576	-	3,333	-
Net pension liability	32,249	-	9,289	22,960	-
Total	<u>\$ 35,006</u>	<u>576</u>	<u>9,289</u>	<u>26,293</u>	<u>-</u>

**General Obligation Bonds**

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

Year Ending June 30,	Bond Issue of May 1, 2009			
	Interest Rate	Principal	Interest	Total
2016	4.50	100,000	96,170	196,170
2017	4.50	105,000	91,670	196,670
2018	4.50	110,000	86,945	196,945
2019	4.20	120,000	81,995	201,995
2020	4.40	125,000	76,955	201,955
2021-2025	4.40-5.05	715,000	292,870	1,007,870
2026-2029	5.10-5.25	710,000	94,420	804,420
Total		<u>\$ 1,985,000</u>	<u>821,025</u>	<u>\$ 2,806,025</u>

## **(6) 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](http://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 \$112,680.

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 \$817,112 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 .020190 percent, which was an decrease of .000079 from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the District recognized pension expense of \$60,282. 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	\$ 8,880	\$ -
Changes of assumptions	36,061	-
Net difference between projected and actual earnings on pension plan investments	-	311,623
Changes in proportion and differences between District contributions and proportionate share of contributions	-	3,761
District contributions subsequent to the measurement date	112,680	-
<b>Total</b>	<b>\$ 157,621</b>	<b>\$ 315,384</b>

\$112,680 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	\$ (68,284)
2017	(68,284)
2018	(68,284)
2019	(68,284)
2020	2,694
	<u>\$ (270,442)</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	\$ 1,543,910	\$ 817,112	\$ 203,619

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](http://www.ipers.org).

Payables to the Pension Plan - At June 30, 2015, the District reported payables to the defined benefit pension plan of \$17,962 for legally required employer contributions and \$11,968 for legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

**Note 7. 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 33 active and 2 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, 2014, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 23,125
Interest on net OPEB obligation	2,410
Adjustment to annual required contribution	(5,410)
Annual OPEB cost	<u>20,125</u>
Net OPEB obligation beginning of year	96,399
Net OPEB obligation end of year	<u>\$ 116,524</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2012. 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	\$ 20,630	12.9 %	\$ 78,103
2014	18,883	3.1	96,399
2015	20,125	-	116,524

**Funded Status and Funding Progress** - As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2013 through June 30, 2014, the actuarial accrued liability was \$172,858, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$172,858. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$1,175,664, and the ratio of the UAAL to covered payroll was 14.7%. 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, 2012 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 projected to 2000. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

**Note 8. Risk Management**

The Northeast Hamilton Community School District is a member in the Iowa School Employees Benefits Association, fully insured pool covered by Wellmark Blue Cross Blue Shield of Iowa. ISEBA is a local government risk-sharing pool whose members include various schools throughout the State of Iowa. The Association was formed July 1999 for the purpose of managing and funding employee benefits. The Association provides coverage and protection in the following categories: health, dental, and vision.

The District's contributions to the risk pool are recorded as expenditures from its General Fund at the time of payment to the risk pool. District contributions to ISEBA for the year ended June 30, 2015 was \$181,893.

Members agree to continue membership in the pool for a period of not less than one full year. After such period, a member who has given 30 days prior written notice may withdraw.

Northeast Hamilton 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. Deficit Balances**

During the year ended June 30, 2015 the District had a total deficit net positions of \$20,972 in the School Nutrition Fund and \$2,951 in the Daycare Fund. The District also had a deficit unrestricted balance of \$35,789 in the School Nutrition Fund and \$2,951 in the Daycare Fund.

**Note 10. Operating Lease Commitment**

The District entered into a five year contract to lease copiers during fiscal year 2014. The payments the District will make over the next five years based off the usage of the machine.

**Note 11. Budget Overexpenditure**

During the year ended June 30, 2015, the District exceeded its budget in the support services and other expenditures functional area.

**Note 12. 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 \$100,670 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 13. Categorical Funding**

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

<u>Program</u>	<u>Amount</u>
Beginning teacher mentoring and induction	\$ 1,886
Four-year-old preschool	10,701
Successful progression for early readers	22,199
Professional development for Model Core Curriculum	7,698
Professional development	13,899
Teacher leadership grants	1,818
Total restricted for categorical funding	<u>\$ 58,201</u>

**Note 14. Detailed Reconciliation of Governmental Fund Balances to Net Position**

The following is the detailed reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position:

	<u>Invested in Capital Assets</u>	<u>Debt Service</u>	<u>Unassigned/ Restricted Balances</u>
Fund Balance (Exhibit C)	\$ -	770,020	1,112,065
Capital assets	4,118,823	-	-
General obligation bond capitalized indebtedness	(1,985,000)	-	-
Accrued interest payable	-	(16,028)	-
Income surtax	-	-	139,458
Compensated absences payable	-	-	(14,088)
Deferred outflows of resources	-	-	152,819
Deferred inflows of resources	-	-	(306,521)
Net pension liability	-	-	(794,152)
Net OPEB liability	-	-	(113,191)
Net position (Exhibit A)	<u>\$ 2,133,823</u>	<u>753,992</u>	<u>176,390</u>

**Note 15. Accounting Change/Restatement Note**

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:

	<u>Governmental Activities</u>	<u>Business Type Activities</u>
Net position June 30, 2014, as previously reported	\$ 4,562,494	\$ 13,320
Net pension liability at June 30, 2014	(1,115,418)	(32,249)
Deferred outflows of resources related to the contributions made after the June 30, 2013 measurement date	117,011	3,383
Net position July 1, 2014, as restated	<u>\$ 3,564,087</u>	<u>\$ (15,546)</u>

REQUIRED SUPPLEMENTARY INFORMATION

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

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to Actual Variance
	Fund Types	Fund Types		Original	Final	
	Actual	Actual				
Revenues:						
Local sources	\$ 2,605,376	48,715	2,654,091	2,904,080	2,904,080	(249,989)
State appropriations	969,986	767	970,753	794,141	794,141	176,612
Federal appropriations	60,421	47,201	107,622	134,000	134,000	(26,378)
Total revenues	<u>3,635,783</u>	<u>96,683</u>	<u>3,732,466</u>	<u>3,832,221</u>	<u>3,832,221</u>	<u>(99,755)</u>
Expenditures/expenses:						
Instruction	1,718,747	-	1,718,747	2,022,000	2,022,000	303,253
Support services	1,017,807	-	1,017,807	944,500	944,500	(73,307)
Non-instructional programs	-	105,060	105,060	140,000	140,000	34,940
Other expenditures/expenses	336,009	-	336,009	306,359	306,359	(29,650)
Total expenditures/expenses	<u>3,072,563</u>	<u>105,060</u>	<u>3,177,623</u>	<u>3,412,859</u>	<u>3,412,859</u>	<u>235,236</u>
Excess(Deficiency) of revenues over(under) expenditures/expenses	563,220	(8,377)	554,843	419,362	419,362	135,481
Other financing sources, net	<u>795</u>	<u>-</u>	<u>795</u>	<u>1,000</u>	<u>1,000</u>	<u>(205)</u>
Excess(Deficiency) of revenues and other financing sources over(under) expenditures/expenses	564,015	(8,377)	555,638	420,362	420,362	135,276
Balance beginning of year	<u>2,473,967</u>	<u>(15,546)</u>	<u>2,458,421</u>	<u>2,198,623</u>	<u>2,198,623</u>	<u>259,798</u>
Balance end of year	<u>\$ 3,037,982</u>	<u>(23,923)</u>	<u>3,014,059</u>	<u>2,618,985</u>	<u>2,618,985</u>	<u>395,074</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NORTHEAST HAMILTON COMMUNITY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING  
YEAR ENDED JUNE 30, 2014

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 and Agency Funds. 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 support services and other expenditures functional areas exceeded the amounts budgeted.

NORTHEAST HAMILTON 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	0.020190%
District's proportionate share of the net pension liability	\$ 817,112
District's covered-employee payroll	\$ 1,261,814
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	64.76%
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

NORTHEAST HAMILTON COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF DISTRICT CONTRIBUTIONS  
IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
LAST 10 FISCAL YEARS

REQUIRED SUPPLEMENTARY INFORMATION

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Statutorily required contribution	\$ 112,680	120,394	113,678	127,922	110,760	112,603	107,729	99,331	79,390	87,646
Contributions in relation to the statutorily required contribution	<u>(112,680)</u>	<u>(120,394)</u>	<u>(113,678)</u>	<u>(127,922)</u>	<u>(110,760)</u>	<u>(112,603)</u>	<u>(107,729)</u>	<u>(99,331)</u>	<u>(79,390)</u>	<u>(87,646)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
District's covered-employee payroll	\$ 1,261,814	1,348,197	1,311,165	1,585,155	1,593,669	1,620,187	1,696,520	1,641,835	1,380,696	1,524,278
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.

NORTHEAST HAMILTON 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.

NORTHEAST HAMILTON 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.

NORTHEAST HAMILTON 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)
2010	July 1, 2009	\$ -	\$ 153,601	\$ 153,601	0.0%	\$ 1,793,000	8.6%
2011	July 1, 2009	-	154,905	154,905	0.0%	1,522,000	10.2%
2012	July 1, 2009	-	150,825	150,825	0.0%	1,445,000	10.4%
2013	July 1, 2012	-	179,897	179,897	0.0%	1,202,000	15.0%
2014	July 1, 2012	-	175,904	175,904	0.0%	1,237,237	14.2%
2015	July 1, 2012	-	172,858	172,858	0.0%	1,175,664	14.7%

See Note 7 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.

OTHER SUPPLEMENTARY INFORMATION

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

	Special Revenue		
	Management Levy	Student Activity	Total
<b>ASSETS</b>			
Cash and pooled investments	\$ 228,857	18,959	247,816
Receivables:			
Property tax:			
Delinquent	466	-	466
Succeeding year	100,000	-	100,000
<b>TOTAL ASSETS</b>	<b>\$ 329,323</b>	<b>18,959</b>	<b>348,282</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>			
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	100,000	-	100,000
Fund balances:			
Restricted for:			
Management levy purposes	229,323	-	229,323
Student activities	-	18,959	18,959
Total fund balances	229,323	18,959	248,282
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 329,323</b>	<b>18,959</b>	<b>348,282</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Special Revenue		
	Manage- ment Levy	Student Activity	Total
REVENUES:			
Local sources:			
Local tax	\$ 100,978	-	100,978
Other	7,999	36,401	44,400
State sources	988	-	988
Total revenues	<u>109,965</u>	<u>36,401</u>	<u>146,366</u>
EXPENDITURES:			
Current:			
Instruction:			
Regular	27,225	-	27,225
Other	-	55,527	55,527
Support services:			
Administration	2,731	-	2,731
Operation and maintenance of plant	24,879	-	24,879
Transportation	5,457	-	5,457
Total expenditures	<u>60,292</u>	<u>55,527</u>	<u>115,819</u>
Change in fund balances	49,673	(19,126)	30,547
Fund balances beginning of year	<u>179,650</u>	<u>38,085</u>	<u>217,735</u>
Fund balances end of year	<u>\$ 229,323</u>	<u>18,959</u>	<u>248,282</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NORTHEAST HAMILTON COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 CAPITAL PROJECTS ACCOUNTS  
 JUNE 30, 2015

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
<b>ASSETS</b>			
Cash and pooled investments	\$ 492,069	318,301	810,370
Receivables:			
Property tax:			
Delinquent	-	891	891
Succeeding year	-	207,196	207,196
Income surtax	-	15,495	15,495
Due from other governments	31,184	-	31,184
<b>TOTAL ASSETS</b>	<b>\$ 523,253</b>	<b>541,883</b>	<b>1,065,136</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ -	1,778	1,778
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	-	207,196	207,196
Income surtax	-	15,495	15,495
Total deferred inflows of resources	-	222,691	222,691
Fund balances:			
Restricted for:			
School infrastructure	523,253	-	523,253
Physical plant and equipment levy	-	317,414	317,414
Total fund balances	523,253	317,414	840,667
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 523,253</b>	<b>541,883</b>	<b>1,065,136</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
<b>REVENUES:</b>			
Local sources:			
Local tax	\$ -	215,045	215,045
Other	520	972	1,492
State sources	201,432	1,891	203,323
Total revenues	201,952	217,908	419,860
<b>EXPENDITURES:</b>			
Current:			
Instruction:			
Regular	-	77,580	77,580
Support services:			
Instructional staff	-	30,130	30,130
Administration	-	5,149	5,149
Operation and maintenance of plant	-	30,742	30,742
Transportation	-	79,599	79,599
	-	145,620	145,620
Capital outlay	-	39,869	39,869
Total expenditures	-	263,069	263,069
Excess(Deficiency)of revenues over(under) expenditures	201,952	(45,161)	156,791
Fund balance beginning of year	321,301	362,575	683,876
Fund balance end of year	\$ 523,253	317,414	840,667

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NORTHEAST HAMILTON COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES -  
 TRUST ACCOUNTS  
 YEAR ENDED JUNE 30, 2015

	Scholarship	Special Needs	Total
<b>ASSETS</b>			
Cash and pooled investments	\$ 1,500	1,651	3,151
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities	-	-	-
Fund balances:			
Held in trust for:			
Scholarships	1,500	-	1,500
Special Needs	-	1,651	1,651
Total fund balances	1,500	1,651	3,151
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 1,500</b>	<b>1,651</b>	<b>3,151</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NORTHEAST HAMILTON COMMUNITY SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 TRUST ACCOUNTS  
 YEAR ENDED JUNE 30, 2015

	Scholarship	Special Needs	Total
<b>REVENUES:</b>			
Local sources:			
Gifts and contributions	\$ 2,039	1,661	3,700
Total revenues	<u>2,039</u>	<u>1,661</u>	<u>3,700</u>
<b>EXPENDITURES:</b>			
Current:			
Instruction:			
Other	-	10	10
Support services:			
Scholarships awarded	<u>1,500</u>	-	<u>1,500</u>
Total expenditures	<u>1,500</u>	<u>10</u>	<u>1,510</u>
Change in fund balances	539	1,651	2,190
Fund balances beginning of year	<u>961</u>	-	<u>961</u>
Fund balances end of year	<u>\$ 1,500</u>	<u>1,651</u>	<u>3,151</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NORTHEAST HAMILTON 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	Balance End of Year
Student council	\$ 1,024	4,055	4,827	252
JH student council	253	-	227	26
Student commons	776	405	1,181	-
National honor society	241	-	157	84
Fall play (drama)	1,715	1,235	1,198	1,752
Swing Choir	17	-	17	-
Band	5,887	-	3,287	2,600
Instrument rent & ins.	404	-	404	-
Yearbook	20,041	2,672	9,378	13,335
Fall cheerleaders	1,066	430	1,496	-
Alumni classes	324	-	324	-
Class of 2018	241	-	241	-
Class of 2015	699	241	909	31
Class of 2016	412	2,359	2,771	-
After prom party	424	3,045	3,450	19
Athletics	893	12,874	13,072	695
Football donations	555	5,590	6,052	93
Boys basketball donations	170	40	210	-
Baseball donations	641	1,283	1,852	72
Boys track donations	479	-	479	-
Softball donations	21	-	21	-
Girls basketball donations	154	1,146	1,300	-
Volleyball donations	1,485	956	2,441	-
Girls track donations	157	-	157	-
Interest on investment	6	70	76	-
TOTAL	\$ 38,085	36,401	55,527	18,959

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NORTHEAST HAMILTON COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES -  
 AGENCY FUND  
 YEAR ENDED JUNE 30, 2015

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
<b><u>SPIRIT CLUB</u></b>				
<b>ASSETS</b>				
Cash and pooled investments	\$ 11,719	24,970	23,654	13,035
<b>LIABILITIES</b>				
Accounts payable	\$ 3,277	-	3,277	-
Due to other groups	8,442	24,970	20,377	13,035
Total Liabilities	\$ 11,719	24,970	23,654	13,035

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

**NORTHEAST HAMILTON COMMUNITY SCHOOL DISTRICT**  
**SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION -**  
**ALL GOVERNMENTAL FUND TYPES**  
**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	\$ 2,324,190	2,387,813	2,497,236	2,489,287	2,202,097	1,806,420	1,643,283	1,437,005	1,488,065	1,516,005
Tuition	122,528	137,987	133,920	212,336	198,001	272,293	219,279	277,811	229,589	212,004
Other	158,658	186,692	200,262	230,856	244,566	206,125	156,887	226,157	241,646	211,572
Intermediate sources	-	-	-	-	-	-	-	-	5,000	-
State sources	969,986	894,705	679,430	924,552	916,490	719,191	986,383	1,064,461	991,282	1,252,296
Federal sources	60,421	58,409	64,726	115,853	153,711	225,745	95,765	80,083	84,765	103,919
Total	\$ 3,635,783	3,665,606	3,575,574	3,972,884	3,714,865	3,229,774	3,101,597	3,085,517	3,040,347	3,295,796
Expenditures:										
Instruction:										
Regular	\$ 1,227,095	1,273,881	1,145,041	1,170,195	1,205,244	1,161,555	1,195,593	1,110,925	992,603	1,033,066
Special	250,172	315,532	228,016	341,259	262,994	347,738	330,232	269,913	283,106	292,186
Other	241,480	358,734	307,548	448,097	503,416	478,194	482,607	452,985	433,149	459,902
Support services:										
Student	43,535	29,983	47,126	39,483	47,785	55,709	56,893	61,557	90,343	89,321
Instructional staff	91,689	134,258	90,717	150,552	99,458	139,794	126,344	109,811	105,076	176,173
Administration	337,662	327,248	272,376	358,531	343,064	364,040	354,253	342,690	339,596	332,257
Operation and maintenance of plant	297,823	299,447	246,190	275,894	302,199	240,908	293,491	278,938	294,859	305,449
Transportation	247,098	242,197	163,726	249,330	183,075	197,160	175,420	181,394	213,063	147,350
Non-instructional programs	-	-	1,180	822	1,353	1,300	2,045	820	827	945
Other expenditures:										
Capital outlays	39,869	233,889	107,489	65,072	285,635	2,686,581	520,426	45,294	50,496	67,983
Long-term debt:										
Principal	95,000	90,000	90,000	85,000	80,000	75,000	-	-	-	-
Interest and other charges	100,470	104,620	106,770	109,532	112,083	114,470	-	-	-	-
AEA flow-through	100,670	102,407	99,675	101,432	111,640	110,512	101,256	99,272	98,443	97,959
Total	\$ 3,072,563	3,512,196	2,905,854	3,395,199	3,537,946	5,972,961	3,638,560	2,953,599	2,901,561	3,002,591

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

**NOLTE, CORNMAN & JOHNSON P.C.**

**Certified Public Accountants**

(a professional corporation)

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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 Northeast Hamilton 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 Northeast Hamilton 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 22, 2016.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Northeast Hamilton 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 Northeast Hamilton Community School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Northeast Hamilton 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, we identified deficiencies in internal control we consider to be material weaknesses and significant deficiencies.

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 I of the accompanying Schedule of Findings as items I-A-15 to be material weaknesses.

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

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Northeast Hamilton 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 II of the accompanying Schedule of Findings.

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.

## **Northeast Hamilton Community School District's Responses to Findings**

Northeast Hamilton Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. Northeast Hamilton 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 Northeast Hamilton 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, CORMAN & JOHNSON, P.C.

March 22, 2016  
Newton, Iowa

NORTHEAST HAMILTON COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2015

**Part I: Findings Related to the Financial Statements:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**INTERNAL CONTROL DEFICIENCIES:**

I-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, reconciling.
- 2) Investments - investing, detailed recordkeeping, custody of investments and reconciling earnings.
- 3) Receipts - collecting, recording and depositing.
- 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, preparation, posting and distribution.
- 9) Transfers - preparing and approving.
- 10) Financial reporting - preparing, reconciling and approving.
- 11) Computer systems - performing all general accounting functions and controlling all data input and output.
- 12) 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 are constantly looking at ways to improve our segregation of duties and internal controls.

Conclusion – Response Accepted.

I-B-15 Non-certified Time Sheets - We noted during our audit that the District does not maintain documentation of hours worked by coaches who are non-certified staff. This creates a situation where calculating wage per hour amounts is not possible to verify the District is in compliance with the Department of Labor requirements for wages per hour and overtime.

Recommendation - In order to comply with the Department of Labor requirements on wage per hour contracts, the District needs to keep track of the hours worked for non-certified staff coaches. The District should then determine if wages paid comply with minimum wage and overtime requirements.

Response - The district no longer has non-certified staff coaches which will eliminate this problem.

Conclusion – Response Accepted.

I-C-15 Board Policies - We noted during our audit some of the policies in the District's board policy book appears to have not been kept up to date. All board policies should be reviewed every five years and documented when approved and reviewed.

Recommendation - The District should review the board policy book and update all policies that have not been updated within the past five years. The District should take steps to review board policies in a more timely manner.

Response - In March of 2016, the Board has contracted with the Iowa Association of School Boards Policy Service to do a complete review and rewrite of the policy manual. In addition the district will be subscribing to the policy update service with Iowa Association of School Boards. A review schedule will be established by the board.

Conclusion – Response Accepted.

I-D-15 Negative Lunch Account Balances - It was noted during the audit that the Nutrition Fund is carrying numerous negative student and adult lunch account balances on the books. It was noted that some of the negative accounts appear to be excessive in amount.

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 balances from the families. Another option would be to give these families a free/reduced lunch application to see if they qualify.

Response – We will continue to work on collecting all negative lunch account balances and distribute free and reduced lunch applications to families to see if they qualify.

Conclusion – Response Accepted.

I-E-15 Supporting Documentation for Payments - During our fieldwork, we noted purchases from the District for DJ services for prom and Casey's for fundraising supplies that did not have a supporting invoice or any other documentation to support the payment.

Recommendation - The District should review its procedures to ensure that all payments have supporting documentation to support the purchase.

Response - The District will require documentation for all purchases.

Conclusion – Response Accepted.

I-F-15 Student Activity Fund-Fundraisers - We noted during our audit that the District maintains fundraisers in the Student Activity Fund, however they are not approved by the Board. We recommend that all fundraisers be approved by Board. We also noted that the fundraisers do not always have a stated purpose.

Recommendation - Districts should have policies and/or procedures in place to address fund-raising activity including:

- a. The Board or its designee should approve all District-sponsored fundraising activity.
- b. The Board may also adopt a policy to require Board approval of all fundraising activity including fundraising activities of affiliated organizations such as Booster Clubs and the PTO.
- c. Boards should establish procedures for fund-raising activity for District sponsored fund-raisers as well as fund-raisers sponsored by outside groups and organizations to help ensure consistency and accountability over fund-raising activities.
- d. The Board should determine the extent, if any, of administrative support to be provided for District-sponsored and affiliated organization fundraising activity including the cost and/or expense associated with staff time used in collecting payments; preparing, printing and/or assembling mailings; postage; etc.
- e. Fund-raising activity should be clearly designated as District-sponsored and/or sponsored by an outside group or affiliated organization to clearly establish responsibility and accountability.
- f. If District-sponsored, the District should account for the fund-raising activity.

Response - The Board will approve all fundraising requests.

Conclusion – Response Accepted.

I-G-15 Physical Plant and Equipment Levy - During our audit we noted the purchase of toys and educational materials for the daycare paid from the PPEL Fund. Since toys and educational materials are instructional in nature the General Fund would be the appropriate Fund for such expenditures.

Recommendation – The district should review purchases to ensure they are paid from the correct fund.

Response - The District will review all purchases to ensure they are paid from the correct fund.

Conclusion – Response Accepted.

## **Part II: Other Findings Related to Required Statutory Reporting:**

- II-A-15 Certified Budget - Expenditures for the year ended June 30, 2015 exceeded the certified budget amounts in the support services and other expenditures functional area.
- Recommendation - The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.
- Response - We will monitor our budget and amend as needed
- Conclusion – Response Accepted.
- II-B-15 Questionable Disbursements –Noted no expenditures we believe may not meet the requirements of public purpose as defined in the Attorney General’s opinion dated April 25, 1979.
- II-C-15 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- II-D-15 Business Transactions - No business transactions between the District and District officials or employees are detailed as follows:
- II-E-15 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- II-F-15 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.
- II-G-15 Certified Enrollment - No a variance in the basic enrollment data certified to the Department of Education were noted.
- II-H-15 Supplementary Weighting - No variances regarding the supplementary weighting data certified to the Iowa Department of Education were noted.
- II-I-15 Deposits and Investments - 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 were noted.
- II-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.
- II-K-15 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.
- II-L-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 District reported the following information regarding the statewide sales, services, and use tax revenue in the District’s CAR:

Beginning balance		\$	321,301
Revenues:			
Sales tax revenues	\$	201,432	
Other local revenue		<u>520</u>	<u>201,952</u>
			<u>523,253</u>
Ending balance		\$	<u>523,253</u>

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

II-M-15 Financial Condition - During the year ended June 30, 2015 the District had a total deficit net position of \$20,972 in the School Nutrition Fund and \$2,661 in its Den Daycare Fund. The District also had deficit unrestricted net positions of \$35,789 in the School Nutrition Fund and \$2,661 in the Den Daycare Fund.

Recommendation - The District should monitor this fund and investigate alternatives to eliminate the deficit account.

Response - We will continue to monitor the nutrition fund and day care fund and look for cost saving measures to eliminate the deficit.

Conclusion – Response Accepted.

II-N-15 Contracts - We noted during our audit that the athletic director was signing athletic officials contracts and the principal signed a contract with a hypnotist for after prom. According to Chapter 291.1 of the Code of Iowa, the Board President shall sign all contracts entered into by the District.

Recommendation - The District should have the Board President sign all contracts entered into by the District to be in compliance with Chapter 291.1 of the Code of Iowa.

Response - The Board President will sign all contracts.

Conclusion – Response Accepted.

II-O-15 Payroll Procedures - We noted during our audit the District does not have written authorization to mail employees' payroll checks. Per Chapter 91A.3 of the Code of Iowa requires that an employer have a written request from an employee before wages can be sent to an employee by mail.

Recommendation - The District should obtain written authorization from each employee who desires to receive a payroll check by mail.

Response - We will obtain written authorization from each employee who desires to receive a payroll check by mail.

Conclusion – Response Accepted.