

**HAMPTON-DUMONT COMMUNITY SCHOOL DISTRICT  
INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2016**

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## Introductory Section

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# Board of Education and School District Officials

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As of June 30, 2016

<b>Name</b>	<b>Title</b>	<b>Term Expires</b>
<b>Board of Education</b>		
<b>(Before September, 2015 Election)</b>		
Ronald Raney	President	September, 2015
Stacy Miller	Vice President	September, 2015
Thomas Broksma	Board Member	September, 2017
Chad Hanson	Board Member	September, 2017
Erran Miller	Board Member	September, 2015
Jeff Rosenberg	Board Member	September, 2017
Kristin Wragge	Board Member	September, 2015
<b>(After September, 2015 Election)</b>		
Ronald Raney	President	September, 2019
Stacy Miller	Vice President	September, 2019
Thomas Broksma	Board Member	September, 2017
Chad Hanson	Board Member	September, 2017
Erran Miller	Board Member	September, 2019
Jeff Rosenberg	Board Member	September, 2017
Tom Birdsell	Board Member	September, 2019
<b>School Officials</b>		
Todd Lettow	Superintendent	Indefinite
Lisa Lewis	District Secretary/Treasurer	Indefinite

**Financial Section**



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# HOGAN • HANSEN

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Certified Public Accountants and Consultants

## Independent Auditor's Report

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Hampton-Dumont Community School District, Hampton, Iowa, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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

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

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Hampton-Dumont Community School District as of June 30, 2016, and the respective changes in financial position and cash flows, where applicable, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, the budgetary comparison information, the schedule of proportionate share of the net pension liability, the schedule of contributions and the schedule of funding progress for the retiree health plan on pages 4 through 13 and 43 through 48 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Hampton-Dumont Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the four years ended June 30, 2015 (which are not presented herein) and expressed unmodified opinions on those financial statements. The financial statements for the five years ended June 30, 2011 (which are not presented herein) were audited by other auditors in accordance with the standards referred to in the third paragraph of this report who expressed unmodified opinions on those financial statements. The supplementary information included on pages 49 through 56, including the schedule of expenditures of federal awards required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued a report dated January 17, 2017 on our consideration of Hampton-Dumont Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Hampton-Dumont Community School District's internal control over financial reporting and compliance.

*HOGAN - HANSEN*

HOGAN - HANSEN

Mason City, Iowa  
January 17, 2017

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

Hampton-Dumont Community School District provides this management's discussion and analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2016. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### **FINANCIAL HIGHLIGHTS**

- General Fund revenue increased from \$13,751,900 in fiscal year 2015 to \$14,554,661 in fiscal year 2016, and General Fund expenditures decreased from \$13,771,073 in fiscal year 2015 to \$13,705,114 in fiscal year 2016. The District's General Fund balance was \$1,296,166 as of the end of fiscal year 2015 and increased to \$2,145,713 as of the end of fiscal year 2016, a 65.5% increase.
- The fiscal year 2016 increase in General Fund revenue was primarily attributable to an increase in revenue from state sources.
- The slight decrease in expenditures was due primarily to decreases in special education, instructional support and administrative support expenditures that offset increases in other 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 Hampton-Dumont Community School District as a whole and present an overall view of the District's finances.

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

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

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

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

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

**FIGURE A-1**

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

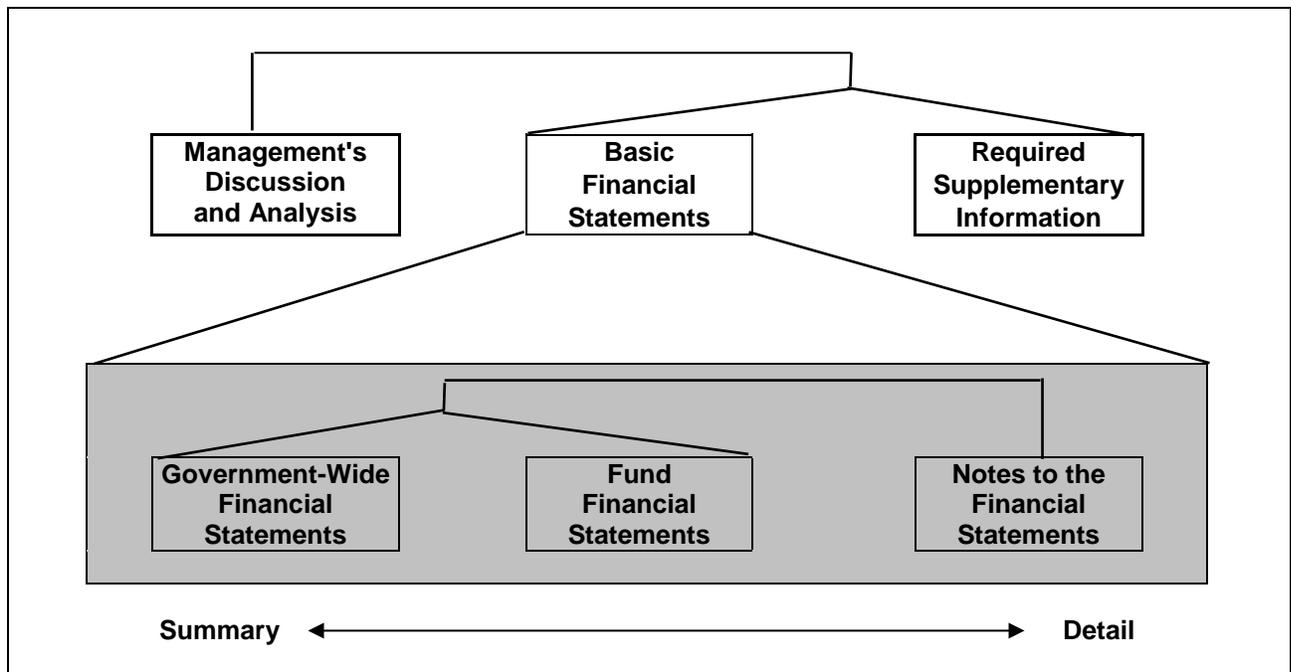


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

<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 services and internal services	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net position</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statements of revenue, expenditures and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net position</li> <li>• Statement of revenue, 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, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of deferred outflow/inflow information	Consumption/acquisition of net position that is applicable to a future reporting period	Consumption/acquisition of fund balance that is applicable to a future reporting period	Consumption/acquisition of net position that is applicable to a future reporting period	Consumption/acquisition of net position that is applicable to a future reporting period
Type of inflow/outflow information	All revenue and expenses during year, regardless of when cash is received or paid	Revenue for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenue and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

## REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

### Government-Wide Financial Statements

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

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

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

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

### Fund Financial Statements

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

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

The District has three kinds of funds:

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

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

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

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

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

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

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

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

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net position as of June 30, 2016 compared to June 30, 2015.

**FIGURE A-3  
CONDENSED STATEMENT OF NET POSITION**

	Governmental Activities		Business- Type Activities		Total District		Total Percentage Change June 30, 2015-2016
	June 30,		June 30,		June 30,		
	2016	2015	2016	2015	2016	2015	
Current and other assets	\$ 12,461,642	\$ 12,400,271	\$ 104,368	\$ 130,565	\$ 12,566,010	\$ 12,530,836	0.3%
Capital assets	15,579,709	15,111,331	105,935	101,793	15,685,644	15,213,124	3.1
<b>Total Assets</b>	<b><u>28,041,351</u></b>	<b><u>27,511,602</u></b>	<b><u>210,303</u></b>	<b><u>232,358</u></b>	<b><u>28,251,654</u></b>	<b><u>27,743,960</u></b>	<b>1.8</b>
<b>Deferred Outflows of Resources</b>	<b><u>1,252,437</u></b>	<b><u>1,368,978</u></b>	<b><u>30,786</u></b>	<b><u>38,740</u></b>	<b><u>1,283,223</u></b>	<b><u>1,407,718</u></b>	<b>(8.8)</b>
<b>Total Assets and Deferred Outflows of Resources</b>	<b><u>\$ 29,293,788</u></b>	<b><u>\$ 28,880,580</u></b>	<b><u>\$ 241,089</u></b>	<b><u>\$ 271,098</u></b>	<b><u>\$ 29,534,877</u></b>	<b><u>\$ 29,151,678</u></b>	<b>1.3</b>
Long-term liabilities	\$ 14,753,941	\$ 14,699,921	\$ 203,860	\$ 169,004	\$ 14,957,801	\$ 14,868,925	0.6
Other liabilities	1,789,926	2,223,195	7,929	7,183	1,797,855	2,230,378	(19.3)
<b>Total Liabilities</b>	<b><u>16,543,867</u></b>	<b><u>16,923,116</u></b>	<b><u>211,789</u></b>	<b><u>176,187</u></b>	<b><u>16,755,656</u></b>	<b><u>17,099,303</u></b>	<b>(2.0)</b>
<b>Deferred Inflows of Resources</b>	<b><u>5,660,011</u></b>	<b><u>6,964,664</u></b>	<b><u>10,175</u></b>	<b><u>57,589</u></b>	<b><u>5,670,186</u></b>	<b><u>7,022,253</u></b>	<b>(19.3)</b>
<b>Net Position</b>							
Net investment in capital assets	7,890,022	6,496,058	105,935	101,793	7,995,957	6,597,851	21.2
Restricted	2,188,721	2,570,097	—	—	2,188,721	2,570,097	(14.8)
Unrestricted	(2,988,833)	(4,073,355)	(86,810)	(64,471)	(3,075,643)	(4,137,826)	25.7
<b>Total Net Position</b>	<b><u>7,089,910</u></b>	<b><u>4,992,800</u></b>	<b><u>19,125</u></b>	<b><u>37,322</u></b>	<b><u>7,109,035</u></b>	<b><u>5,030,122</u></b>	<b>41.3</b>
<b>Total Liabilities, Deferred Inflows of Resources and Net Position</b>	<b><u>\$ 29,293,788</u></b>	<b><u>\$ 28,880,580</u></b>	<b><u>\$ 241,089</u></b>	<b><u>\$ 271,098</u></b>	<b><u>\$ 29,534,877</u></b>	<b><u>\$ 29,151,678</u></b>	<b>1.3</b>

The District's total net position increased 41.3%, or \$2,078,913, from the prior year. The largest portion of the District's net position is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets.

Restricted net position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position decreased by \$381,376, or 14.8%, from the prior year. The decrease was primarily a result of a decrease in restricted funds held for school infrastructure.

Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements increased by \$1,062,183, or 25.7%. This increase in unrestricted net position was the result of the reduced expenditures and increased revenue.

Figure A-4 shows the changes in net position for the year ended June 30, 2016 compared to the year ended June 30, 2015.

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

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total District</u>		<u>Total Percentage Change 2015-2016</u>
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	
<b>Revenue</b>							
Program Revenue							
Charges for service	\$ 868,475	\$ 808,840	\$ 225,426	\$ 276,015	\$ 1,093,901	\$ 1,084,855	1.3%
Operating grants and contributions	2,973,092	2,617,330	576,977	572,922	3,550,069	3,190,252	11.3
General Revenue							
Property tax	5,208,874	4,986,652	—	—	5,208,874	4,986,652	4.5
Income surtax	153,035	195,975	—	—	153,035	195,975	(21.9)
Statewide sales, services and use tax	1,174,525	1,146,673	—	—	1,174,525	1,146,673	2.4
Unrestricted state grants	6,552,914	6,430,836	—	—	6,552,914	6,430,836	1.9
Unrestricted investment earnings	35,268	33,809	124	144	35,392	33,953	4.2
Other	53,536	201,737	4,723	—	58,259	201,737	(73.5)
<b>Total Revenue</b>	<b><u>17,019,719</u></b>	<b><u>16,421,852</u></b>	<b><u>807,250</u></b>	<b><u>849,081</u></b>	<b><u>17,826,969</u></b>	<b><u>17,270,933</u></b>	<b>3.2</b>
<b>Program Expenses</b>							
Instruction	10,461,806	10,270,603	—	—	10,461,806	10,270,603	1.9
Support services	3,748,929	4,354,213	—	—	3,748,929	4,354,213	(13.9)
Noninstructional programs	—	—	825,447	842,623	825,447	842,623	(2.0)
Other expenses	711,874	879,652	—	—	711,874	879,652	(19.1)
<b>Total Program Expenses</b>	<b><u>14,922,609</u></b>	<b><u>15,504,468</u></b>	<b><u>825,447</u></b>	<b><u>842,623</u></b>	<b><u>15,748,056</u></b>	<b><u>16,347,091</u></b>	<b>(3.7)</b>
<b>Change in Net Position</b>	<b>2,097,110</b>	<b>917,384</b>	<b>(18,197)</b>	<b>6,458</b>	<b>2,078,913</b>	<b>923,842</b>	<b>55.6</b>
Net Position - Beginning of Year	<u>4,992,800</u>	<u>4,075,416</u>	<u>37,322</u>	<u>30,864</u>	<u>5,030,122</u>	<u>4,106,280</u>	22.5
<b>Net Position - End of Year</b>	<b><u>\$ 7,089,910</u></b>	<b><u>\$ 4,992,800</u></b>	<b><u>\$ 19,125</u></b>	<b><u>\$ 37,322</u></b>	<b><u>\$ 7,109,035</u></b>	<b><u>\$ 5,030,122</u></b>	<b>41.3</b>

In fiscal year 2016, property tax and unrestricted state grants accounted for 69.1% of governmental activities revenue while charges for service and operating grants and contributions accounted for almost 100% of business-type activities revenue. As shown on Figure A-4, the District as a whole experienced a 3.2% increase in revenue and a 3.7% decrease in expenses.

### **Governmental Activities**

Revenue for governmental activities was \$17,019,719 and expenses were \$14,922,609 for the year ended June 30, 2016.

The following table presents the total and net cost of the District's major governmental activities, instruction, support services and other expenses for the year ended June 30, 2016 compared to the year ended June 30, 2015.

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

	Total Cost of Services			Net Cost of Services		
	2016	2015	Percentage Change 2015-2016	2016	2015	Percentage Change 2015-2016
Instruction	\$ 10,461,806	\$ 10,270,603	1.9%	\$ 7,309,898	\$ 7,535,704	(3.0)%
Support services	3,748,929	4,354,213	(13.9)	3,614,552	4,203,993	(14.0)
Other expenses	711,874	879,652	(19.1)	156,592	338,601	(53.8)
<b>Total</b>	<b><u>\$ 14,922,609</u></b>	<b><u>\$ 15,504,468</u></b>	<b>(3.8)</b>	<b><u>\$ 11,081,042</u></b>	<b><u>\$ 12,078,298</u></b>	<b>(8.3)</b>

For the year ended June 30, 2016:

- The cost financed by users of the District's programs was \$868,475.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$2,973,092.
- The net cost of governmental activities was financed with \$6,536,434 in property and other taxes and \$6,552,914 in unrestricted state grants.

### **Business-Type Activities**

Revenue for business-type activities during the year ended June 30, 2016 was \$807,250, representing a 4.9% decrease from the prior year, while expenses totaled \$825,447, a 2.0% decrease from the prior year. The District's business-type activities include the School Nutrition Fund. Revenue from these activities was comprised of charges for service, federal and state reimbursements and investment income.

### **INDIVIDUAL FUND ANALYSIS**

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balances of \$4,399,806, an increase from last year's ending fund balances of \$4,076,151. The primary reason for the increase in combined fund balances in fiscal year 2016 is due to a reduction in instruction and support services expenses.

### **Governmental Fund Highlights**

- The General Fund balance increased from \$1,296,166 as of the end of fiscal year 2015 to \$2,145,713 as of the end of fiscal year 2016. The increase was due to an increase in revenue from state sources.
- The Capital Projects Fund balance decreased from \$2,326,150 as of the end of fiscal year 2015 to \$1,884,816 as of the end of fiscal year 2016. This decrease was largely due to the completion of the North Side Renovation Project.

## Proprietary Fund Highlights

School Nutrition Fund net position decreased from \$37,322 as of June 30, 2015 to \$19,125 as of June 30, 2016, representing a decrease of 48.8%. The decrease is mainly due to reduced operating revenue.

Internal Service Fund net position increased from \$956,048 as of June 30, 2015 to \$997,745 as of June 30, 2016, representing an increase of 4.4%. The increase was a result of premium contributions in excess of premiums, claims and fees.

## BUDGETARY HIGHLIGHTS

The District's total revenue was \$239,034 more than total budgeted revenue.

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

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

As of June 30, 2016, the District had invested \$15,685,643 net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net increase of 3.1% from last year. More detailed information about the District's capital assets is presented in Note 4 to the financial statements. Depreciation expense for the year was \$616,090.

The original cost of the District's capital assets was \$21,993,895. Governmental funds account for \$21,742,802 with the remainder of \$251,093 accounted for in the Proprietary, School Nutrition Fund.

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

	Governmental Activities		Business-Type Activities		Total District		Total Percentage Change June 30, 2015-2016
	June 30,		June 30,		June 30,		
	2016	2015	2016	2015	2016	2015	
Land	\$ 207,500	\$ 202,500	\$ —	\$ —	\$ 207,500	\$ 202,500	2.5%
Construction in progress	—	629,604	—	—	—	629,604	(100.0)
Buildings and improvements	14,920,089	13,778,760	—	—	14,920,089	13,778,760	8.3
Furniture and equipment	452,120	500,467	105,935	101,793	558,055	602,260	(7.3)
<b>Total</b>	<b><u>\$ 15,579,709</u></b>	<b><u>\$ 15,111,331</u></b>	<b><u>\$ 105,935</u></b>	<b><u>\$ 101,793</u></b>	<b><u>\$ 15,685,644</u></b>	<b><u>\$ 15,213,124</u></b>	<b>3.1</b>

## Long-Term Debt

As of June 30, 2016, the District had \$3,795,000 of general obligation bonds outstanding. This represents a decrease of 10.2% from last year. (See Figure A-7.) Additional information about the District's long-term debt is presented in Note 5 to the financial statements.

The District also had outstanding revenue bonds of \$3,850,000 for a geothermal heating and cooling system at the high school as of June 30, 2016. This represents a decrease of 11.3% from last year.

The District is in the second year of a lease purchase agreement for laptops and iPads as part of the 1 to 1 initiative and the remaining obligation as of June 30, 2016 was \$254,451.

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

	<b>Total District</b>		<b>Total</b>
	<b>June 30,</b>		<b>Percentage</b>
	<b>2016</b>	<b>2015</b>	<b>Change</b>
			<b>June 30,</b>
			<b>2015-16</b>
General obligation bonds	\$ 3,795,000	\$ 4,225,000	(10.2)%
Unamortized bond premium	44,687	50,273	(11.1)
Revenue bonds	3,850,000	4,340,000	(11.3)
Lease purchase obligation	254,451	381,676	(33.3)
<b>Total</b>	<b><u>\$ 7,944,138</u></b>	<b><u>\$ 8,996,949</u></b>	<b>(11.7)</b>

## ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

## CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

## **Basic Financial Statements**

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## Statement of Net Position

As of June 30, 2016

	Governmental Activities	Business- Type Activities	Total
<b>Assets and Deferred Outflows of Resources</b>			
<b>Assets</b>			
Cash, cash equivalents and pooled investments.....	\$ 6,466,036	\$ 81,973	\$ 6,548,009
Receivables			
Property Tax, Net of Allowance			
Current year delinquent.....	64,466	—	64,466
Succeeding year .....	5,174,500	—	5,174,500
Accounts .....	10,193	—	10,193
Due from other governments .....	740,981	10,935	751,916
Inventories and prepaid expenses .....	5,466	11,460	16,926
Capital assets, net of accumulated depreciation .....	15,579,709	105,935	15,685,644
<b>Total Assets</b> .....	<b><u>28,041,351</u></b>	<b><u>210,303</u></b>	<b><u>28,251,654</u></b>
<b>Deferred Outflows of Resources</b>			
Refunding loss .....	103,451	—	103,451
Pension-related deferred outflows .....	1,148,986	30,786	1,179,772
<b>Total Deferred Outflows of Resources</b> .....	<b><u>1,252,437</u></b>	<b><u>30,786</u></b>	<b><u>1,283,223</u></b>
<b>Total Assets and Deferred Outflows of Resources ...</b>	<b><u>\$ 29,293,788</u></b>	<b><u>\$ 241,089</u></b>	<b><u>\$ 29,534,877</u></b>
<b>Liabilities, Deferred Inflows of Resources and Net Position</b>			
<b>Liabilities</b>			
Accounts payable.....	\$ 322,324	\$ 780	\$ 323,104
Salaries and benefits payable.....	1,391,320	7,149	1,398,469
Accrued interest payable .....	76,282	—	76,282
Long-Term Liabilities			
Portion Due Within One Year			
General obligation bonds .....	445,586	—	445,586
Revenue bonds .....	500,000	—	500,000
Lease purchase obligation .....	127,225	—	127,225
Early retirement benefits .....	59,062	—	59,062
Portion Due After One Year			
General obligation bonds .....	3,394,101	—	3,394,101
Revenue bonds .....	3,350,000	—	3,350,000
Lease purchase obligation .....	127,226	—	127,226
Early retirement.....	166,046	—	166,046
Net pension liability .....	5,975,695	184,860	6,160,555
Net OPEB liability .....	609,000	19,000	628,000
<b>Total Liabilities</b> .....	<b><u>16,543,867</u></b>	<b><u>211,789</u></b>	<b><u>16,755,656</u></b>
<b>Deferred Inflows of Resources</b>			
Unavailable property tax revenue .....	5,174,500	—	5,174,500
Pension-related deferred inflows .....	485,511	10,175	495,686
<b>Total Deferred Inflows of Resources</b> .....	<b><u>5,660,011</u></b>	<b><u>10,175</u></b>	<b><u>5,670,186</u></b>
<b>Net Position</b>			
Net investment in capital assets .....	7,890,022	105,935	7,995,957
Restricted for			
Categorical funding.....	132,567	—	132,567
Debt service .....	58,344	—	58,344
Management levy purposes.....	(40,252)	—	(40,252)
Physical plant and equipment.....	302,974	—	302,974
School infrastructure.....	1,581,842	—	1,581,842
Student activities.....	153,246	—	153,246
Unrestricted.....	(2,988,833)	(86,810)	(3,075,643)
<b>Total Net Position</b> .....	<b><u>7,089,910</u></b>	<b><u>19,125</u></b>	<b><u>7,109,035</u></b>
<b>Total Liabilities, Deferred Inflows of Resources and Net Position</b> .....	<b><u>\$ 29,293,788</u></b>	<b><u>\$ 241,089</u></b>	<b><u>\$ 29,534,877</u></b>

See accompanying notes to the financial statements.

# Statement of Activities

Year Ended June 30, 2016

Functions/Programs	Expenses	Program Revenue		Net (Expenses), Revenue and Changes in Net Position		
		Charges for Service	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Governmental Activities</b>						
Instruction						
Regular .....	\$ 6,549,134	\$ 433,272	\$ 2,000,476	\$ (4,115,386)	\$ —	\$ (4,115,386)
Special .....	2,123,179	112,320	319,482	(1,691,377)	—	(1,691,377)
Other .....	1,789,493	250,446	35,912	(1,503,135)	—	(1,503,135)
Total Instruction.....	<u>10,461,806</u>	<u>796,038</u>	<u>2,355,870</u>	<u>(7,309,898)</u>	<u>—</u>	<u>(7,309,898)</u>
Support Services						
Student .....	384,411	—	—	(384,411)	—	(384,411)
Instructional staff .....	605,901	—	—	(605,901)	—	(605,901)
Administration .....	1,216,818	31,244	—	(1,185,574)	—	(1,185,574)
Operation and maintenance of plant .....	1,071,458	20,458	61,940	(989,060)	—	(989,060)
Transportation.....	470,341	20,735	—	(449,606)	—	(449,606)
Total Support Services .....	<u>3,748,929</u>	<u>72,437</u>	<u>61,940</u>	<u>(3,614,552)</u>	<u>—</u>	<u>(3,614,552)</u>
Other Expenses						
Long-term debt interest and fiscal charges.....	156,592	—	—	(156,592)	—	(156,592)
AEA flows through.....	555,282	—	555,282	—	—	—
Depreciation/amortization (unallocated) .....	—	—	—	—	—	—
Total Other Expenses.....	<u>711,874</u>	<u>—</u>	<u>555,282</u>	<u>(156,592)</u>	<u>—</u>	<u>(156,592)</u>
<b>Total Governmental Activities.....</b>	<b><u>14,922,609</u></b>	<b><u>868,475</u></b>	<b><u>2,973,092</u></b>	<b><u>(11,081,042)</u></b>	<b><u>—</u></b>	<b><u>(11,081,042)</u></b>
<b>Business-Type Activities</b>						
Noninstructional Programs						
Food service operations.....	<u>825,447</u>	<u>225,426</u>	<u>576,977</u>	<u>—</u>	<u>(23,044)</u>	<u>(23,044)</u>
<b>Total .....</b>	<b><u>\$ 15,748,056</u></b>	<b><u>\$ 1,093,901</u></b>	<b><u>\$ 3,550,069</u></b>	<b><u>(11,081,042)</u></b>	<b><u>(23,044)</u></b>	<b><u>(11,104,086)</u></b>
<b>General Revenue</b>						
Property Tax Levied for						
General purposes.....				4,191,230	—	4,191,230
Management levy purposes .....				101,851	—	101,851
Debt service .....				531,069	—	531,069
Capital outlay .....				384,724	—	384,724
Income surtax.....				153,035	—	153,035
Statewide sales, services and use tax .....				1,174,525	—	1,174,525
Unrestricted state grants .....				6,552,914	—	6,552,914
Unrestricted investment earnings .....				35,268	124	35,392
Other .....				53,536	4,723	58,259
<b>Total General Revenue .....</b>				<b><u>13,178,152</u></b>	<b><u>4,847</u></b>	<b><u>13,182,999</u></b>
<b>Change in Net Assets.....</b>				<b>2,097,110</b>	<b>(18,197)</b>	<b>2,078,913</b>
Net Assets - Beginning of Year.....				<u>4,992,800</u>	<u>37,322</u>	<u>5,030,122</u>
<b>Net Assets - End of Year .....</b>				<b><u>\$ 7,089,910</u></b>	<b><u>\$ 19,125</u></b>	<b><u>\$ 7,109,035</u></b>

## Balance Sheet - Governmental Funds

As of June 30, 2016

	General	Capital Projects	Nonmajor	Total
<b>Assets</b>				
Cash, cash equivalents and pooled investments .....	\$ 3,388,920	\$ 1,705,709	\$ 365,825	\$ 5,460,454
Receivables				
Property Tax, Net of Allowance				
Current year delinquent.....	52,704	4,394	7,367	64,465
Succeeding year .....	4,070,591	385,733	718,176	5,174,500
Accounts .....	2,209	4	7,980	10,193
Due from other governments .....	<u>548,057</u>	<u>192,924</u>	<u>—</u>	<u>740,981</u>
<b>Total Assets .....</b>	<b><u>\$ 8,062,481</u></b>	<b><u>\$ 2,288,764</u></b>	<b><u>\$ 1,099,348</u></b>	<b><u>\$ 11,450,593</u></b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>				
<b>Liabilities</b>				
Accounts payable .....	\$ 278,911	\$ 18,215	\$ 11,895	\$ 309,021
Salaries and benefits payable.....	<u>1,391,320</u>	<u>—</u>	<u>—</u>	<u>1,391,320</u>
<b>Total Liabilities .....</b>	<b><u>1,670,231</u></b>	<b><u>18,215</u></b>	<b><u>11,895</u></b>	<b><u>1,700,341</u></b>
<b>Deferred Inflows of Resources</b>				
Unavailable Revenue				
Succeeding year property tax.....	4,070,591	385,733	718,176	5,174,500
Income surtax .....	<u>175,946</u>	<u>—</u>	<u>—</u>	<u>175,946</u>
<b>Total Deferred Inflows of     Resources .....</b>	<b><u>4,246,537</u></b>	<b><u>385,733</u></b>	<b><u>718,176</u></b>	<b><u>5,350,446</u></b>
<b>Fund Balances</b>				
Restricted for				
Categorical funding .....	132,567	—	—	132,567
Debt service .....	—	1,054,885	31,175	1,086,060
Management levy purposes .....	—	—	184,856	184,856
Student activities .....	—	—	153,246	153,246
School infrastructure .....	—	526,957	—	526,957
Physical plant and equipment ....	—	302,974	—	302,974
Unassigned .....	<u>2,013,146</u>	<u>—</u>	<u>—</u>	<u>2,013,146</u>
<b>Total Fund Balances .....</b>	<b><u>2,145,713</u></b>	<b><u>1,884,816</u></b>	<b><u>369,277</u></b>	<b><u>4,399,806</u></b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances .....</b>	<b><u>\$ 8,062,481</u></b>	<b><u>\$ 2,288,764</u></b>	<b><u>\$ 1,099,348</u></b>	<b><u>\$ 11,450,593</u></b>

See accompanying notes to the financial statements.

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

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As of June 30, 2016

**Total Fund Balances for Governmental Funds (Page 16)....** **\$ 4,399,806**

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

Income surtax receivable is not available to pay current year expenditures and, therefore, is recognized as deferred inflows of resources in the governmental funds..... 175,946

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds..... 15,579,709

An internal service fund is used by management to charge the costs of health insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position..... 997,745

Unamortized refunding losses are amortized over the life of the bonds and, therefore, are not reported as deferred outflows in the governmental funds ..... 103,451

Accrued interest payable on long-term liabilities is not due and payable in the current year and, therefore, is not reported as a liability in the governmental funds..... (76,282)

Pension-related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental funds, as follows:

Deferred outflows of resources .....	\$ 1,148,986	
Deferred inflows of resources .....	<u>(485,511)</u>	663,475

Long-term liabilities are not due and payable in the current year and, therefore, are not reported as liabilities in the governmental funds.

General obligation bonds, net of unamortized premium....	\$ 3,839,687	
Revenue bonds .....	3,850,000	
Lease purchase obligation.....	254,451	
Early retirement.....	225,108	
Net OPEB liability .....	609,000	
Net pension liability .....	<u>5,975,694</u>	<u>(14,753,940)</u>

**Net Position of Governmental Activities (Page 14) .....** **\$ 7,089,910**

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

Year Ended June 30, 2016

	General	Capital Projects	Nonmajor	Total
<b>Revenue</b>				
Local Sources				
Local tax .....	\$ 4,271,841	\$ 374,492	\$ 616,824	\$ 5,263,157
Tuition .....	465,129	—	—	465,129
Other .....	281,361	23,831	257,504	562,696
Intermediate sources .....	1,893	153	260	2,306
State sources .....	8,695,905	1,184,917	16,364	9,897,186
Federal sources .....	<u>838,532</u>	<u>—</u>	<u>—</u>	<u>838,532</u>
<b>Total Revenue .....</b>	<b><u>14,554,661</u></b>	<b><u>1,583,393</u></b>	<b><u>890,952</u></b>	<b><u>17,029,006</u></b>
<b>Expenditures</b>				
Current				
Instruction				
Regular .....	6,136,936	—	61,540	6,198,476
Special .....	2,157,870	—	—	2,157,870
Other .....	<u>1,563,168</u>	<u>—</u>	<u>210,962</u>	<u>1,774,130</u>
Total Instruction .....	<u>9,857,974</u>	<u>—</u>	<u>272,502</u>	<u>10,130,476</u>
Support Services				
Student .....	390,994	—	—	390,994
Instructional staff .....	522,350	91,768	—	614,118
Administration .....	1,176,696	58,305	—	1,235,001
Operation and maintenance of plant .....	849,930	14,843	168,571	1,033,344
Transportation .....	<u>351,888</u>	<u>110,322</u>	<u>17,912</u>	<u>480,122</u>
Total Support Services .....	<u>3,291,858</u>	<u>275,238</u>	<u>186,483</u>	<u>3,753,579</u>
Other Expenditures				
Facilities acquisition .....	—	1,002,837	—	1,002,837
Long-Term Debt				
Principal .....	—	—	1,047,225	1,047,225
Interest and fiscal charges .....	—	—	220,175	220,175
AEA flowthrough .....	<u>555,282</u>	<u>—</u>	<u>—</u>	<u>555,282</u>
Total Other Expenditures .....	<u>555,282</u>	<u>1,002,837</u>	<u>1,267,400</u>	<u>2,825,519</u>
<b>Total Expenditures .....</b>	<b><u>13,705,114</u></b>	<b><u>1,278,075</u></b>	<b><u>1,726,385</u></b>	<b><u>16,709,574</u></b>
<b>Revenue Over (Under)</b>				
<b>Expenditures .....</b>	<b><u>849,547</u></b>	<b><u>305,318</u></b>	<b><u>(835,433)</u></b>	<b><u>319,432</u></b>
<b>Other Financing Sources (Uses)</b>				
Proceeds from sale of assets .....	—	4,223	—	4,223
Transfers in .....	—	—	750,875	750,875
Transfers out .....	<u>—</u>	<u>(750,875)</u>	<u>—</u>	<u>(750,875)</u>
<b>Total Other Financing Sources (Uses) .....</b>	<b><u>—</u></b>	<b><u>(746,652)</u></b>	<b><u>750,875</u></b>	<b><u>4,223</u></b>
<b>Change in Fund Balances .....</b>	<b>849,547</b>	<b>(441,334)</b>	<b>(84,558)</b>	<b>323,655</b>
Fund Balances - Beginning of Year .....				
	<u>1,296,166</u>	<u>2,326,150</u>	<u>453,835</u>	<u>4,076,151</u>
<b>Fund Balances - End of Year .....</b>	<b><u>\$ 2,145,713</u></b>	<b><u>\$ 1,884,816</u></b>	<b><u>\$ 369,277</u></b>	<b><u>\$ 4,399,806</u></b>

See accompanying notes to the financial statements.

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

Year Ended June 30, 2016

**Change in Fund Balances - Total Governmental Funds (Page 18) \$ 323,655**

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

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

Capital outlays.....	\$ 1,064,348	
Depreciation expense.....	<u>(595,970)</u>	468,378

Income surtax not collected for several months after year end is not considered available revenue and is recognized as deferred inflows of resources in the governmental funds..... (13,510)

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the governmental funds when due. In the statement of activities, interest expense is recognized as the interest accrues, regardless of when it is due..... 70,929

Amortization of premiums and refunding losses on bonds payable did not provide or use current financial resources of governmental funds but it decreases deferred outflows of resources and liabilities in the statement of net position..... (7,345)

Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term debt in the statement of net position..... 1,047,225

The current year District employer share of IPERS contributions is reported as expenditures in the governmental funds, but is reported as a deferred outflow of resources in the statement of net position..... 739,460

An internal service fund is used by management to charge the costs of health insurance to individual funds. The change in net position in the internal service fund is reported with governmental activities in the statement of activities ..... 41,697

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

Early retirement.....	\$ 1,394	
Pension expense.....	(559,773)	
Other post employment benefits.....	<u>(15,000)</u>	<u>(573,379)</u>

**Net Position of Governmental Activities (Page 15) \$ 2,097,110**

## Statement of Net Position - Proprietary Funds

As of June 30, 2016

	<u>Nonmajor Enterprise School Nutrition</u>	<u>Internal Service Health Insurance</u>
<b>Assets and Deferred Outflows of Resources</b>		
<b>Current Assets</b>		
Cash, cash equivalents and pooled investments .....	\$ 81,973	\$ 1,005,582
Due from other governments .....	10,935	—
Inventories and prepaid expenses .....	<u>11,460</u>	<u>5,466</u>
<b>Total Current Assets</b> .....	<b><u>104,368</u></b>	<b><u>1,011,048</u></b>
<b>Capital Assets, Net of Accumulated Depreciation</b> .....	<b><u>105,935</u></b>	<b><u>—</u></b>
<b>Total Assets</b> .....	<b><u>210,303</u></b>	<b><u>1,011,048</u></b>
<b>Deferred Outflows of Resources</b>		
Pension-related deferred outflows .....	<u>30,786</u>	<u>—</u>
<b>Total Assets and Deferred Outflows of Resources</b> .....	<b><u>\$ 241,089</u></b>	<b><u>\$ 1,011,048</u></b>
<b>Liabilities, Deferred Inflows of Resources and Net Position</b>		
<b>Current Liabilities</b>		
Accounts payable .....	\$ 780	\$ 13,303
Salaries and benefits payable .....	<u>7,149</u>	<u>—</u>
<b>Total Current Liabilities</b> .....	<b><u>7,929</u></b>	<b><u>13,303</u></b>
<b>Noncurrent Liabilities</b>		
Net pension liability .....	184,860	—
Net OPEB liability .....	<u>19,000</u>	<u>—</u>
<b>Total Noncurrent Liabilities</b> .....	<b><u>203,860</u></b>	<b><u>—</u></b>
<b>Total Liabilities</b> .....	<b><u>211,789</u></b>	<b><u>13,303</u></b>
<b>Deferred Inflows of Resources</b>		
Pension-related deferred inflows .....	<u>10,175</u>	<u>—</u>
<b>Net Position</b>		
Net investment in capital assets .....	105,935	—
Unrestricted .....	<u>(86,810)</u>	<u>997,745</u>
<b>Total Net Position</b> .....	<b><u>19,125</u></b>	<b><u>997,745</u></b>
<b>Total Liabilities, Deferred Inflows of Resources and Net Position</b> .....	<b><u>\$ 241,089</u></b>	<b><u>\$ 1,011,048</u></b>

See accompanying notes to the financial statements.

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

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Year Ended June 30, 2016

	<u>Nonmajor Enterprise School Nutrition</u>	<u>Internal Service Health Insurance</u>
<b>Operating Revenue</b>		
Local Sources		
Charges for service.....	\$ 225,426	\$ —
Other receipts .....	4,723	—
Health insurance contributions .....	<u>—</u>	<u>1,637,474</u>
<b>Total Operating Revenue .....</b>	<b><u>230,149</u></b>	<b><u>1,637,474</u></b>
<b>Operating Expenses</b>		
Noninstructional Programs		
Food Service Operations		
Salaries and benefits.....	376,825	—
Purchased services and supplies .....	428,502	—
Depreciation.....	20,120	—
Health insurance premiums, claims and fees.....	<u>—</u>	<u>1,598,689</u>
<b>Total Operating Expenses .....</b>	<b><u>825,447</u></b>	<b><u>1,598,689</u></b>
<b>Income (Loss) From Operations.....</b>	<b><u>(595,298)</u></b>	<b><u>38,785</u></b>
<b>Nonoperating Revenue</b>		
State sources .....	6,689	—
Federal sources.....	570,288	—
Interest on investments .....	<u>124</u>	<u>2,912</u>
<b>Total Nonoperating Revenue.....</b>	<b><u>577,101</u></b>	<b><u>2,912</u></b>
<b>Change in Net Position .....</b>	<b>(18,197)</b>	<b>41,697</b>
Net Position - Beginning of Year.....	<u>37,322</u>	<u>956,048</u>
<b>Net Position - End of Year.....</b>	<b><u>\$ 19,125</u></b>	<b><u>\$ 997,745</u></b>

## Statement of Cash Flows - Proprietary Funds

Year Ended June 30, 2016

	<b>Nonmajor Enterprise School Nutrition</b>	<b>Internal Service Health Insurance</b>
<b>Cash Flows From Operating Activities</b>		
Cash received from sale of lunches and breakfasts.....	\$ 244,763	\$ —
Cash received from other .....	4,723	—
Cash received from assessments made to other funds .....	—	1,637,474
Cash payments to employees for services .....	(381,221)	—
Cash payments to suppliers for goods or services.....	(371,641)	—
Cash payments for insurance premiums, claims and fees .....	—	(1,611,160)
<b>Net Cash Provided by (Used in) Operating Activities .....</b>	<b><u>(503,376)</u></b>	<b><u>26,314</u></b>
<b>Cash Flows From Noncapital Financing Activities</b>		
State grants received.....	6,689	—
Federal grants received.....	519,784	—
<b>Net Cash Provided by Noncapital Financing Activities .....</b>	<b><u>526,473</u></b>	<b><u>—</u></b>
<b>Cash Flows From Capital and Related Financing Activities</b>		
Acquisition of capital assets.....	(24,262)	—
<b>Cash Flows From Investing Activities</b>		
Interest on investments .....	124	2,913
<b>Net Increase (Decrease) in Cash, Cash Equivalents and Pooled Investments .....</b>	<b>(1,041)</b>	<b>29,227</b>
Cash, Cash Equivalents and Pooled Investments - Beginning of Year .....	83,014	976,355
<b>Cash, Cash Equivalents and Pooled Investments - End of Year .....</b>	<b><u>\$ 81,973</u></b>	<b><u>\$ 1,005,582</u></b>
<b>Reconciliation of Income (Loss) From Operations to Net Cash Provided by (Used in) Operating Activities</b>		
Income (loss) from operations.....	\$ (595,298)	\$ 38,785
Adjustments to Reconcile Income (Loss) From Operations to Net Cash Provided by (Used in) Operating Activities		
Commodities used.....	53,618	—
Depreciation .....	20,120	—
Decrease in due from other funds .....	19,336	—
Decrease in inventories and prepaid expenses .....	2,708	—
Increase (decrease) in accounts payable and provision for health insurance claims .....	536	(12,471)
Increase in salaries and benefits payable .....	208	—
Increase in net pension liability.....	33,856	—
Decrease in deferred outflows of resources.....	7,954	—
Decrease in deferred inflows of resources.....	(47,414)	—
Increase in other postemployment benefits .....	1,000	—
<b>Net Cash Provided by (Used in) Operating Activities .....</b>	<b><u>\$ (503,376)</u></b>	<b><u>\$ 26,314</u></b>

### Noncash Investing, Capital and Financing Activities

During the year ended June 30, 2016, the District received \$52,903 of federal commodities.

See accompanying notes to the financial statements.

# Statement of Fiduciary Net Position - Fiduciary Funds

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As of June 30, 2016

	<b>Private Purpose Trusts</b>
<b>Assets</b>	
Cash, cash equivalents and pooled investments .....	<u>\$ 36,197</u>
<b>Total Assets</b> .....	<u><b>\$ 36,197</b></u>
<b>Liabilities and Net Position</b>	
<b>Liabilities</b>	
Accounts payable .....	<u>\$ 4,994</u>
<b>Net Position</b>	
Restricted for special purposes .....	<u>31,203</u>
<b>Total Liabilities and Net Position</b> .....	<u><b>\$ 36,197</b></u>

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

Year Ended June 30, 2016

	<b>Private Purpose Trusts</b>
<b>Additions</b>	
Local Sources	
Interest income .....	<u>\$ 141</u>
<b>Deductions</b>	
Instruction	
Other .....	<u>—</u>
<b>Change in Net Position</b> .....	<b>141</b>
Net Position - Beginning of Year .....	<u>31,062</u>
<b>Net Position - End of Year</b> .....	<b><u>\$ 31,203</u></b>

# Notes to the Financial Statements

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## (1) Summary of Significant Accounting Policies

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

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

### Reporting Entity

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

### Jointly Governed Organizations

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

### Basis of Presentation

#### ***Government-Wide Financial Statements***

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

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

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

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

# Notes to the Financial Statements

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## (1) Summary of Significant Accounting Policies

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

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

### ***Fund Financial Statements***

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

The District reports the following major governmental funds:

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

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

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

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

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

### **Measurement Focus and Basis of Accounting**

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

# Notes to the Financial Statements

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## **(1) Summary of Significant Accounting Policies**

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

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

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

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

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

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

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

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

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

#### ***Cash, Cash Equivalents and Pooled Investments***

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

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

# Notes to the Financial Statements

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## (1) Summary of Significant Accounting Policies

### ***Property Tax Receivable***

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

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

Property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1-1/2% monthly penalty for delinquent payments; is based on January 1, 2014 assessed property valuations; is for the tax accrual period July 1, 2015 through June 30, 2016; and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2015.

### ***Due From Other Governments***

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

### ***Inventories***

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

### ***Capital Assets***

Capital assets, which include property, furniture and equipment and intangibles, are reported in the applicable governmental or business-type activities columns in the government-wide statement of net position. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. The District did not have any intangible assets as of June 30, 2016. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

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

# Notes to the Financial Statements

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## (1) Summary of Significant Accounting Policies

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

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

### ***Deferred Outflows of Resources***

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

### ***Salaries and Benefits Payable***

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

### ***Compensated Absences***

District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect as of June 30, 2016. The compensated absences liability was deemed to be immaterial as of June 30, 2016.

### ***Long-Term Liabilities***

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

### ***Pensions***

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

## (1) Summary of Significant Accounting Policies

### ***Deferred Inflows of Resources***

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

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

### ***Fund Equity***

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

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

**Unassigned** - All amounts not included in the preceding classification.

### **Budgeting and Budgetary Control**

The budgetary comparison and related disclosures are reported as required supplementary information. During the year ended June 30, 2016, expenditures did not exceed the amounts budgeted, and the District did not exceed its General Fund unspent authorized budget.

### **Estimates and Assumptions**

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

## (2) Cash, Cash Equivalents and Pooled Investments

The District's deposits in banks as of June 30, 2016 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.

## Notes to the Financial Statements

### (2) Cash, Cash Equivalents and Pooled Investments

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.

The District had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 72.

### (3) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2016 is as follows:

Transfer To	Transfer From	Amount
Debt Service	Capital Projects	<u>\$ 750,875</u>

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

### (4) Capital Assets

Capital assets activity for the year ended June 30, 2016 was as follows:

	Balance - Beginning of Year	Increases	Decreases	Balance - End of Year
<b>Governmental Activities</b>				
Capital Assets Not Being Depreciated				
Land.....	\$ 202,500	\$ 5,000	\$ —	\$ 207,500
Construction in progress .....	<u>629,604</u>	<u>799,162</u>	<u>1,428,766</u>	<u>—</u>
Total Capital Assets Not Being Depreciated.....	<u>832,104</u>	<u>804,162</u>	<u>1,428,766</u>	<u>207,500</u>
Capital Assets Being Depreciated				
Buildings and improvements .....	18,079,520	1,590,188	—	19,669,708
Furniture and equipment .....	<u>1,876,937</u>	<u>98,764</u>	<u>110,107</u>	<u>1,865,594</u>
Total Capital Assets Being Depreciated.....	<u>19,956,457</u>	<u>1,688,952</u>	<u>110,107</u>	<u>21,535,302</u>
Less Accumulated Depreciation for				
Buildings and improvements .....	4,300,760	448,859	—	4,749,619
Furniture and equipment .....	<u>1,376,470</u>	<u>147,111</u>	<u>110,107</u>	<u>1,413,474</u>
Total Accumulated Depreciation...	<u>5,677,230</u>	<u>595,970</u>	<u>110,107</u>	<u>6,163,093</u>
Total Capital Assets Being Depreciated, Net.....	<u>14,279,227</u>	<u>1,092,982</u>	<u>—</u>	<u>15,372,209</u>
<b>Governmental Activities Capital Assets, Net.....</b>	<b><u>\$ 15,111,331</u></b>	<b><u>\$ 1,897,144</u></b>	<b><u>\$ 1,428,766</u></b>	<b><u>\$ 15,579,709</u></b>

## Notes to the Financial Statements

### (4) Capital Assets

Capital assets activity for the year ended June 30, 2016 was as follows:

	Balance - Beginning of Year	Increases	Decreases	Balance - End of Year
<b>Business-Type Activities</b>				
Furniture and equipment .....	\$ 230,125	\$ 24,370	\$ 3,402	\$ 251,093
Less accumulated depreciation .....	<u>128,332</u>	<u>20,120</u>	<u>3,294</u>	<u>145,158</u>
<b>Business-Type Activities</b>				
<b>Capital Assets, Net</b> .....	<u>\$ 101,793</u>	<u>\$ 4,250</u>	<u>\$ 108</u>	<u>\$ 105,935</u>

Depreciation expense was charged to the following functions:

#### Governmental Activities

Instruction		
Regular .....		\$ 448,869
Special .....		905
Other .....		41,311
Support Services		
Administration .....		473
Operation and maintenance of plant .....		14,402
Transportation .....		<u>90,010</u>
<b>Total Depreciation Expense - Governmental Activities</b> .....		<u><b>\$ 595,970</b></u>

#### Business-Type Activities

Food service operations .....		<u><b>\$ 20,120</b></u>
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### (5) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2016 are summarized as follows:

	Balance - Beginning of Year	Additions	Reductions	Balance - End of Year	Due Within One Year
<b>Governmental Activities</b>					
General obligation					
bonds .....	\$ 4,225,000	\$ —	\$ 430,000	\$ 3,795,000	\$ 440,000
Unamortized bond					
premium .....	50,273	—	5,586	44,687	5,586
Revenue bonds .....	4,340,000	—	490,000	3,850,000	500,000
Lease purchase					
obligation .....	381,676	—	127,225	254,451	127,225
Early retirement .....	226,502	59,062	60,456	225,108	59,062
Net pension liability....	4,882,470	1,093,225	—	5,975,695	—
Net OPEB liability .....	<u>594,000</u>	<u>15,000</u>	<u>—</u>	<u>609,000</u>	<u>—</u>
<b>Total</b> .....	<u><b>\$ 14,699,921</b></u>	<u><b>\$ 1,167,287</b></u>	<u><b>\$ 1,113,267</b></u>	<u><b>\$ 14,753,941</b></u>	<u><b>\$ 1,131,873</b></u>

## Notes to the Financial Statements

### (5) Long-Term Liabilities

	Balance - Beginning of Year	Additions	Reductions	Balance - End of Year	Due Within One Year
<b>Business-Type Activities</b>					
Net pension liability....	\$ 151,004	\$ 33,856	\$ —	\$ 184,860	\$ —
Net OPEB liability .....	18,000	1,000	—	19,000	—
<b>Total .....</b>	<b><u>\$ 169,004</u></b>	<b><u>\$ 34,856</u></b>	<b><u>\$ —</u></b>	<b><u>\$ 203,860</u></b>	<b><u>\$ —</u></b>

### General Obligation Bonds

Details of the District's June 30, 2016 general obligation bonded indebtedness are as follows:

Year Ending June 30,	<b>Bonds Issued June 7, 2012</b>		
	Interest Rates	Principal	Interest
2017 .....	2.00%	\$ 440,000	\$ 77,425
2018 .....	2.00	450,000	68,625
2019 .....	2.00	455,000	59,625
2020 .....	2.00	470,000	50,525
2021 .....	2.00	480,000	41,125
2022-2024 .....	2.00	1,500,000	64,580
<b>Total .....</b>		<b><u>\$ 3,795,000</u></b>	<b><u>\$ 361,905</u></b>

### Revenue Bonds

Details of the District's June 30, 2016 statewide sales, services and use tax revenue bonded indebtedness are as follows:

Year Ending June 30,	<b>Bonds Issued June 1, 2011</b>		
	Interest Rates	Principal	Interest
2017 .....	2.50%	\$ 500,000	\$ 120,505
2018 .....	2.90	515,000	106,788
2019 .....	3.10	530,000	91,105
2020 .....	3.30	545,000	73,897
2021 .....	3.50	565,000	55,018
2022-2023 .....	3.70 - 3.85	1,195,000	46,050
<b>Total .....</b>		<b><u>\$ 3,850,000</u></b>	<b><u>\$ 493,363</u></b>

The District has pledged future statewide sales, services and use tax revenue to repay the bonds issued in June, 2011. The bonds were issued for the purpose of financing the installation of a geothermal heating and cooling system at the high school. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenue received by the District and are payable through 2023. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require nearly 60% of the statewide sales, services and use tax revenue. The total principal and interest remaining to be paid on the bonds is \$4,343,363. For the current year, principal of \$490,000 and interest of \$131,900 was paid on the bonds and total statewide sales, services and use tax revenue was \$1,196,004.

## Notes to the Financial Statements

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### (5) Long-Term Liabilities

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

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

The District complied with all the revenue bond provisions during the year ended June 30, 2016.

### Capital Lease Obligation

In May, 2014, the District entered into a lease-purchase agreement for laptops and iPads as part of the 1 to 1 initiative. A payment of \$127,225 was made during the year ended June 30, 2016, with two remaining annual payments of \$127,225.

### (6) Operating Lease

In October, 2010, the District entered into a lease for the use of the auditorium and gym at the former middle school. The annual lease payment was \$13,257 in the current year. Payments will average \$13,450 for the remaining three years of the lease.

In March, 2016, the District entered into a four-year lease for copiers that requires minimum monthly payments of \$3,730 starting in May, 2016.

In January, 2016, the District entered into a 30-month lease for the use of buildings to store school buses. The lease requires monthly payments of \$1,250 for year one and \$1,500 for year two. In June, 2018, the condition of the buildings will be evaluated and a possible extension of the lease will be discussed.

Rental expense was \$84,616 for all operating lease agreements during the year ended June 30, 2016.

# Notes to the Financial Statements

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## (6) Operating Lease

The future minimum lease payments required under operating leases that have initial or remaining noncancelable lease terms in excess of one year as of June 30, 2016 are as follows:

Year Ending June 30,	
2017 .....	\$ 74,731
2018 .....	74,373
2019 .....	58,266
2020 .....	41,030
	<u>\$ 248,400</u>

## (7) Pension Plan

### Plan Description

IPERS membership is mandatory for employees of the District, except for those covered by another retirement system. Employees of the District are provided with pensions through a cost-sharing multiple-employer defined benefit pension plan administered by 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 informational purposes only. Refer to the plan documents for more information.

### Pension Benefits

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

- A multiplier based on years of service.
- The member's highest five-year average salary, except members with service before June 30, 2012 will use the highest three-year average salary as of that date 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% for each month that the member receives benefits before the member's earliest normal retirement age. For service earned on or after July 1, 2012, the reduction is 0.50% for each month that the member receives benefits before age 65.

### **(7) Pension Plan**

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**

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

In fiscal year 2016, pursuant to the required rate, regular members contributed 5.95% of covered payroll and the District contributed 8.93% of covered payroll, for a total rate of 14.88%.

The District's contributions to IPERS for the year ended June 30, 2016 totaled \$762,281.

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

As of June 30, 2016, the District reported a liability of \$6,160,555 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, 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 IPERS relative to the contributions of all IPERS participating employers. As of June 30, 2015, the District's proportion was 0.124695% which was a decrease of 0.002223% from its proportion measured as of June 30, 2014.

## Notes to the Financial Statements

### (7) Pension Plan

For the year ended June 30, 2016, the District recognized pension expense of \$573,188. As of June 30, 2016, 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 .....	\$ 93,078	\$ —
Changes of assumptions .....	134,444	—
Net difference between projected and actual earnings on IPERS' investments .....	—	477,647
Changes in proportion and differences between District contributions and proportionate share of contributions .....	189,919	18,039
District contributions subsequent to the measurement date.....	762,281	—
<b>Total</b> .....	<b><u>\$ 1,179,722</u></b>	<b><u>\$ 495,686</u></b>

\$762,281 reported as deferred outflows of resources related to pensions resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year Ending June 30,</b>	
2017 .....	\$ (117,572)
2018 .....	(117,572)
2019 .....	(117,572)
2020 .....	272,492
2021 .....	2,028
<b>Total</b> .....	<b><u>\$ (78,196)</u></b>

There were no nonemployer contributing entities at IPERS.

#### Actuarial Assumptions

The total pension liability in the June 30, 2015 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% per annum.
Salary increases (effective June 30, 2010)	4%, average, including inflation. Rates vary by membership group.
Investment rate of return (effective June 30, 1996)	7.5% per annum, compounded annually, net of investment expense, including inflation.
Wage growth (effective June 30, 1990)	4% per annum, based on 3% inflation assumption and 1.00% real wage inflation.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

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

## Notes to the Financial Statements

### (7) Pension Plan

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

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
Core Plus Fixed Income	28%	2.04%
Domestic Equity	24	6.29
International Equity	16	6.75
Private Equity/Debt	11	11.32
Real Estate	8	3.48
Credit Opportunities	5	3.63
U.S. TIPS	5	1.91
Other Real Assets	2	6.24
Cash	1	(0.71)
<b>Total</b>	<u><u>100%</u></u>	

#### Discount Rate

The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the District will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS' 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 IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

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

	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
District's proportionate share of the net pension liability	\$ 10,786,024	\$ 6,160,555	\$ 2,256,328

## Notes to the Financial Statements

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### (7) Pension Plan

#### Pension Plan Fiduciary Net Position

Detailed information about IPERS' 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

As of June 30, 2016, the District reported payables to IPERS of \$65,862 for legally required District contributions and \$43,884 for legally required employee contributions withheld from employee wages which had not yet been remitted to IPERS.

### (8) Other Postemployment Benefits (OPEB)

#### Plan Description

The District operates a single-employer health benefit plan which provides medical and prescription drug benefits for employees, retirees and their spouses. There are 192 active and 29 retired members in the plan. Retired participants must be age 55 or older at retirement.

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

#### Funding Policy

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

#### Annual OPEB Cost and Net OPEB Obligation

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

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2016, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution .....	\$ 160,000
Interest on net OPEB obligation.....	24,000
Adjustment to annual required contribution.....	<u>(41,000)</u>
Annual OPEB Cost .....	143,000
Contributions made .....	<u>(127,000)</u>
Increase in Net OPEB Obligation .....	16,000
Net OPEB Obligation - Beginning of Year.....	<u>612,000</u>
Net OPEB Obligation - End of Year .....	<u><b>\$ 628,000</b></u>

## Notes to the Financial Statements

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### (8) Other Postemployment Benefits (OPEB)

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end-of-year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2016.

For the fiscal year 2016, the District contributed \$127,000 to the medical plan. Plan members eligible for benefits contributed \$19,600, or 13.3%, of the premium costs.

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

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2014	\$ 279,000	26.2%	\$ 470,000
June 30, 2015	223,000	36.3	612,000
June 30, 2016	143,000	22.8	628,000

### Funded Status and Funding Progress

As of July 1, 2015, the most recent actuarial valuation date for the period of July 1, 2015 through June 30, 2016, the actuarial accrued liability was \$1.248 million, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$1.248 million. The covered payroll (annual payroll of active employees covered by the plan) was \$8.54 million, and the ratio of the UAAL to the covered payroll was 15.7%. As of June 30, 2016, there were no trust fund assets.

### Actuarial Methods and Assumptions

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

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

## Notes to the Financial Statements

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### **(8) Other Postemployment Benefits (OPEB)**

As of the July 1, 2015 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions include a 4% discount rate based on the District's funding policy. The projected annual medical trend rate is 8%. The ultimate medical trend rate is 4.5%. The medical trend rate is reduced 0.5% each year until reaching the 4.5% ultimate trend rate. An inflation rate of 0% is assumed for the purpose of this computation.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2015 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2015.

Projected claim costs of the medical plan are \$786 per month for retirees age 60. The salary increase rate was assumed to be 3.5% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

### **(9) Risk Management**

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

### **(10) Area Education Agency Support**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the Area Education Agency. The District's actual amount for this purpose totaled \$555,282 for the year ended June 30, 2016, and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

### **(11) Early Retirement**

In prior years, the District offered a voluntary early retirement plan for employees who were at least 55 years of age and had completed at least 15 years of continuous service to the District. The program was not offered for the year ended June 30, 2016. The benefit depends on the classification of the employee. For licensed staff, it consists of two parts. Part one is a cash payment of \$1,000 for each year of service, capped at \$25,000. The second part is a payment of \$100 for each unused sick day. These payments are deposited into an escrow account to be used for insurance premiums. Support staff receive 75 days per diem, deposited into an escrow account to be used for insurance premiums. The Board has complete discretion to offer or not to offer an early retirement plan.

As of June 30, 2016, the District had obligations to 25 participants with a total liability of \$225,108. Actual early retirement expenditures for the year ended June 30, 2016 totaled \$60,456.

## Notes to the Financial Statements

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### **(12) Subsequent Events**

Management has evaluated subsequent events through January 17, 2017, the date which the financial statements were available to be issued.

### **(13) Commitments**

As of June 30, 2016, the District was committed to purchasing three new bleachers for softball, baseball and football at a total cost of \$106,600.

**Required Supplementary Information**

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

Year Ended June 30, 2016

	<u>Actual</u>			<u>Budgeted Amounts</u>		Over (Under) Budget
	Govern- mental Funds	Proprietary Fund	Total	Original	Final	
<b>Revenue</b>						
Local sources .....	\$ 6,293,288	\$ 230,273	\$ 6,523,561	\$ 6,398,916	\$ 6,398,916	\$ 124,645
State sources .....	9,897,186	6,689	9,903,875	9,751,306	9,751,306	152,569
Federal sources .....	<u>838,532</u>	<u>570,288</u>	<u>1,408,820</u>	<u>1,447,000</u>	<u>1,447,000</u>	<u>(38,180)</u>
<b>Total Revenue .....</b>	<b><u>17,029,006</u></b>	<b><u>807,250</u></b>	<b><u>17,836,256</u></b>	<b><u>17,597,222</u></b>	<b><u>17,597,222</u></b>	<b><u>239,034</u></b>
<b>Expenditures/Expenses</b>						
Instruction.....	10,130,476	—	10,130,476	10,745,000	10,745,000	(614,524)
Support services .....	3,753,579	—	3,753,579	4,316,000	4,316,000	(562,421)
Noninstructional programs	—	825,447	825,447	876,000	876,000	(50,553)
Other expenditures.....	<u>2,825,519</u>	<u>—</u>	<u>2,825,519</u>	<u>3,748,448</u>	<u>3,748,448</u>	<u>(922,929)</u>
<b>Total Expenditures/ Expenses.....</b>	<b><u>16,709,574</u></b>	<b><u>825,447</u></b>	<b><u>17,535,021</u></b>	<b><u>19,685,448</u></b>	<b><u>19,685,448</u></b>	<b><u>(2,150,427)</u></b>
<b>Excess (Deficiency) of Revenue Over (Under) Expenditures/Expenses</b>	<b>319,432</b>	<b>(18,197)</b>	<b>301,235</b>	<b>(2,088,226)</b>	<b>(2,088,226)</b>	<b>2,389,461</b>
<b>Other Financing Sources, Net.....</b>	<b><u>4,223</u></b>	<b><u>—</u></b>	<b><u>4,223</u></b>	<b><u>—</u></b>	<b><u>—</u></b>	<b><u>4,223</u></b>
<b>Excess (Deficiency) of Revenue and Other Financing Sources Over (Under) Expenditures/ Expenses and Other Financing Uses .....</b>	<b>323,655</b>	<b>(18,197)</b>	<b>305,458</b>	<b>(2,088,226)</b>	<b>(2,088,226)</b>	<b>2,393,684</b>
Balance - Beginning of Year .....	<u>4,076,151</u>	<u>37,322</u>	<u>4,113,473</u>	<u>4,105,755</u>	<u>4,105,755</u>	<u>7,718</u>
<b>Balance - End of Year ....</b>	<b><u>\$ 4,399,806</u></b>	<b><u>\$ 19,125</u></b>	<b><u>\$ 4,418,931</u></b>	<b><u>\$ 2,017,529</u></b>	<b><u>\$ 2,017,529</u></b>	<b><u>\$ 2,401,402</u></b>

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

Year Ended June 30, 2016

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

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

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

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

Last Two Years\*

	<b>2016</b>	<b>2015</b>
District's proportion of the net pension liability .....	0.1246954%	0.124373%
District's proportionate share of the net pension liability .....	\$6,160,555	\$5,033,474
District's covered-employee payroll .....	\$8,544,000	\$8,309,000
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll .....	72.10%	60.58%
IPERS' net position as a percentage of the total pension liability .....	85.19%	87.61%

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

**Schedule of Contributions**  
**Iowa Public Employees' Retirement System**

Last Ten Years

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Statorily required contribution .....	\$ 762,000	\$ 763,000	\$ 742,000	\$ 667,000	\$ 611,000	\$ 520,000	\$ 462,000	\$ 418,000	\$ 397,000	\$ 362,000
Contributions in relation to the statorily required contributions.....	<u>(762,000)</u>	<u>(763,000)</u>	<u>(742,000)</u>	<u>(667,000)</u>	<u>(611,000)</u>	<u>(520,000)</u>	<u>(462,000)</u>	<u>(418,000)</u>	<u>(397,000)</u>	<u>(362,000)</u>
Contribution Deficiency (Excess) .....	<u>\$ —</u>									
District's covered-employee payroll .....	\$ 8,536,000	\$ 8,544,000	\$ 8,309,000	\$ 7,693,000	\$ 7,571,000	\$ 7,482,000	\$ 6,947,000	\$ 6,583,000	\$ 6,562,000	\$ 6,296,000
Contributions as a percentage of covered-employee payroll .....	8.93%	8.93%	8.93%	8.67%	8.07%	6.95%	6.65%	6.35%	6.05%	5.75%

## Notes to Required Supplementary Information - Pension Liability ---

Year Ended June 30, 2016

### Changes of Benefit Terms

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

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

### Changes of Assumptions

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

- Decreased the inflation assumption from 3.25% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the regular membership group.
- 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.

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

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
2010	7-1-09	\$ —	\$ 1,422,000	\$ 1,422,000	0%	\$ 7,054,000	20.2%
2011	7-1-09	—	1,422,000	1,422,000	0	7,524,000	18.9
2012	7-1-09	—	1,422,000	1,422,000	0	7,859,000	18.1
2013	7-1-12	—	1,344,000	1,344,000	0	8,080,000	16.6
2014	7-1-12	—	1,344,000	1,344,000	0	8,750,000	15.4
2015	7-1-12	—	1,344,000	1,344,000	0	8,543,000	15.7
2016	7-1-15	—	1,248,000	1,248,000	0	8,537,386	15.7

See Note 8 in the accompanying notes to the financial statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

**Supplementary Information**

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# Combining Balance Sheet - Nonmajor Governmental Funds

As of June 30, 2016

	<u>Special Revenue</u>		Debt Service	Total
	Student Activity	Management Levy		
<b>Assets</b>				
Cash, cash equivalents and pooled investments.....	\$ 157,161	\$ 183,562	\$ 25,102	\$ 365,825
Receivables				
Property Tax, Net of Allowance				
Current year delinquent .....	—	1,294	6,073	7,367
Succeeding year .....	—	200,000	518,176	718,176
Accounts .....	<u>7,980</u>	<u>—</u>	<u>—</u>	<u>7,980</u>
<b>Total Assets .....</b>	<b><u>\$ 165,141</u></b>	<b><u>\$ 384,856</u></b>	<b><u>\$ 549,351</u></b>	<b><u>\$ 1,099,348</u></b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>				
<b>Liabilities</b>				
Accounts payable .....	<u>\$ 11,895</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 11,895</u>
<b>Deferred Inflows of Resources</b>				
Unavailable Revenue				
Succeeding year property tax.....	<u>—</u>	<u>200,000</u>	<u>518,176</u>	<u>718,176</u>
<b>Fund Balances</b>				
Restricted for				
Student activities .....	153,246	—	—	153,246
Management levy purposes .....	—	184,856	—	184,856
Debt service .....	<u>—</u>	<u>—</u>	<u>31,175</u>	<u>31,175</u>
<b>Total Fund Balances .....</b>	<b><u>153,246</u></b>	<b><u>184,856</u></b>	<b><u>31,175</u></b>	<b><u>369,277</u></b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b><u>\$ 165,141</u></b>	<b><u>\$ 384,856</u></b>	<b><u>\$ 549,351</u></b>	<b><u>\$ 1,099,348</u></b>

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

Year Ended June 30, 2016

	<b>Special Revenue</b>				
	<b>Student Activity</b>	<b>Management Levy</b>	<b>Debt Service</b>	<b>Total</b>	
<b>Revenue</b>					
Local Sources					
Local tax .....	\$ —	\$ 99,879	\$ 516,945	\$ 616,824	
Other .....	234,734	20,792	1,978	257,504	
Intermediate .....	—	47	213	260	
State sources .....	—	2,019	14,345	16,364	
<b>Total Revenue .....</b>	<b>234,734</b>	<b>122,737</b>	<b>533,481</b>	<b>890,952</b>	
<b>Expenditures</b>					
Current					
Instruction					
Regular .....	—	61,540	—	61,540	
Other .....	210,962	—	—	210,962	
Total Instruction .....	210,962	61,540	—	272,502	
Support Services					
Operation and maintenance of plant .....	—	168,571	—	168,571	
Transportation .....	—	17,912	—	17,912	
Total Support Services .....	—	186,483	—	186,483	
Other Expenditures					
Long-Term Debt					
Principal .....	—	—	1,047,225	1,047,225	
Interest and fiscal charges .....	—	—	220,175	220,175	
Total Other Expenditures .....	—	—	1,267,400	1,267,400	
<b>Total Expenditures .....</b>	<b>210,962</b>	<b>248,023</b>	<b>1,267,400</b>	<b>1,726,385</b>	
<b>Revenue Over (Under) Expenditures</b>	<b>23,772</b>	<b>(125,286)</b>	<b>(733,919)</b>	<b>(835,433)</b>	
<b>Other Financing Sources</b>					
Transfers in .....	—	—	750,875	750,875	
<b>Change in Fund Balances .....</b>	<b>23,772</b>	<b>(125,286)</b>	<b>16,956</b>	<b>(84,558)</b>	
Fund Balances - Beginning of Year .....	129,474	310,142	14,219	453,835	
<b>Fund Balances - End of Year .....</b>	<b>\$ 153,246</b>	<b>\$ 184,856</b>	<b>\$ 31,175</b>	<b>\$ 369,277</b>	

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

Year Ended June 30, 2016

Account	Balance - Beginning of Year	Revenue	Expenditures	Intrafund Transfers	Balance - End of Year
IT Adventures Club.....	\$ 437	\$ —	\$ —	\$ —	\$ 437
Girls Book Club .....	276	—	—	—	276
Character Counts .....	903	—	59	—	844
Key Club.....	664	301	785	—	180
MS Cheerleading.....	138	210	311	—	37
HS Cheerleading .....	5,296	10,116	11,630	—	3,782
Drama Club .....	1,842	—	25	—	1,817
FBL .....	389	—	—	—	389
FCA.....	21	—	—	—	21
FCCLA .....	2,339	—	—	—	2,339
FFA .....	993	609	1,602	—	—
Future Teachers .....	1,461	—	25	—	1,436
International Club .....	1,206	890	39	—	2,057
Mock Trial.....	—	1,467	1,467	—	—
SADD .....	2,116	257	23	—	2,350
Student Council .....	3,090	3,290	2,272	—	4,108
Drill Team.....	1,279	8,383	5,887	—	3,775
Dramatics - Plays and Musicals	4,873	2,623	2,033	—	5,463
HS Instrumental Music .....	—	2,147	2,147	—	—
HS Instrumental Uniform .....	557	816	22	—	1,351
HS Music - Vocal.....	—	2,943	2,943	—	—
HS Vocal Uniform.....	3,713	1,863	—	—	5,576
MS Music - Vocal .....	—	228	228	—	—
MS Instrumental Music.....	—	351	351	—	—
MS Vocal Uniform .....	3,156	3,828	5,440	—	1,544
Speech.....	—	676	676	—	—
MS Instrumental Uniform.....	—	975	—	—	975
MS Yearbook.....	2,681	3,066	2,034	—	3,713
HS Yearbook .....	3,403	10,854	8,765	—	5,492
MS Success Center.....	1,225	—	—	—	1,225
HS Success Center .....	2,340	3,357	3,303	—	2,394
Class of 2015 .....	4,605	—	—	(4,605)	—
Class of 2016 .....	1,130	1,458	2,304	4,605	4,889
Class of 2017 .....	891	405	950	—	346
Class of 2018 .....	1,264	464	—	—	1,728
Class of 2019 .....	—	1,512	709	—	803

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

Year Ended June 30, 2016

Account	Balance - Beginning of Year	Revenue	Expenditures	Intrafund Transfers	Balance - End of Year
MS PBIS.....	\$ 3,733	\$ 2,677	\$ 1,898	\$ —	\$ 4,512
Bulldog Byte .....	751	—	61	—	690
Cross Country .....	282	2,842	1,541	—	1,583
MS Basketball - Boys .....	—	6,159	6,159	—	—
HS Basketball - Boys.....	5,961	6,980	5,549	—	7,392
MS Football .....	—	1,194	1,194	—	—
HS Football .....	5,755	17,811	16,124	—	7,442
Baseball .....	3,407	12,255	13,215	—	2,447
HS Boys Track .....	1,593	4,468	3,195	—	2,866
MS Boys Track.....	141	462	603	—	—
Golf - Boys .....	—	1,756	1,756	—	—
MS Wrestling .....	—	238	238	—	—
HS Wrestling .....	1,073	8,211	4,681	—	4,603
MS Basketball - Girls.....	—	2,022	2,022	—	—
HS Basketball - Girls .....	3,512	5,796	5,669	—	3,639
MS Volleyball.....	—	1,579	1,579	—	—
HS Volleyball .....	5,568	6,882	6,077	—	6,373
Tennis - Boys .....	—	257	257	—	—
Tennis - Girls.....	—	199	199	—	—
Softball .....	1,388	4,310	4,257	—	1,441
HS Girls Track.....	6,580	3,863	5,954	—	4,489
MS Girls Track.....	141	537	678	—	—
Golf - Girls .....	519	658	697	—	480
Weightlifting.....	—	306	55	—	251
MS Activity .....	52	—	—	—	52
Start Cash Fund Balance.....	—	1,600	1,600	—	—
HS Activity .....	2,470	16,281	5,819	—	12,932
MS Concession Fund Balance	10,723	—	—	(10,723)	—
HS Concession Fund Balance	10,482	43,225	41,317	10,723	23,113
Vending Machine Sales.....	6,151	—	6,151	—	—
Student Planning Committee	477	107	294	—	290
Game Host .....	5,947	18,969	16,089	—	8,827
Freshmen Mentor/Ambassador	270	—	—	—	270
Production Class .....	210	—	—	—	210
	<b><u>\$ 129,474</u></b>	<b><u>\$ 234,733</u></b>	<b><u>\$ 210,958</u></b>	<b><u>\$ —</u></b>	<b><u>\$ 153,249</u></b>

# Combining Balance Sheet - Capital Projects Accounts

As of June 30, 2016

	<u>Capital Projects</u>		Total
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	
<b>Assets</b>			
Cash, cash equivalents and pooled investments	\$ 1,406,448	\$ 299,261	\$ 1,705,709
Receivables			
Property Tax, Net of Allowance			
Current year delinquent .....	—	4,394	4,394
Succeeding year .....	—	385,733	385,733
Other .....	—	4	4
Due from other governments .....	<u>192,924</u>	<u>—</u>	<u>192,924</u>
<b>Total Assets .....</b>	<b><u>\$ 1,599,372</u></b>	<b><u>\$ 689,392</u></b>	<b><u>\$ 2,288,764</u></b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>			
<b>Liabilities</b>			
Accounts payable .....	<u>\$ 17,530</u>	<u>\$ 685</u>	<u>\$ 18,215</u>
<b>Deferred Inflows of Resources</b>			
Unavailable Revenue			
Succeeding year property tax .....	<u>—</u>	<u>385,733</u>	<u>385,733</u>
<b>Fund Balances</b>			
Restricted for			
Debt service .....	1,054,885	—	1,054,885
School infrastructure .....	526,957	—	526,957
Physical plant and equipment .....	<u>—</u>	<u>302,974</u>	<u>302,974</u>
<b>Total Fund Balances .....</b>	<b><u>1,581,842</u></b>	<b><u>302,974</u></b>	<b><u>1,884,816</u></b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances .....</b>	<b><u>\$ 1,599,372</u></b>	<b><u>\$ 689,392</u></b>	<b><u>\$ 2,288,764</u></b>

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

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Year Ended June 30, 2016

	Capital Projects		Total
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	
<b>Revenue</b>			
Local Sources			
Local tax .....	\$ —	\$ 374,492	\$ 374,492
Other.....	21,479	2,352	23,831
Intermediate sources .....	—	153	153
State sources .....	<u>1,174,525</u>	<u>10,392</u>	<u>1,184,917</u>
<b>Total Revenue .....</b>	<b><u>1,196,004</u></b>	<b><u>387,389</u></b>	<b><u>1,583,393</u></b>
<b>Expenditures</b>			
Current			
Support Services			
Instructional staff .....	7,169	84,599	91,768
Administration.....	—	58,305	58,305
Operation and maintenance of plant.....	—	14,843	14,843
Transportation .....	—	<u>110,322</u>	<u>110,322</u>
Total Support Services.....	<u>7,169</u>	<u>268,069</u>	<u>275,238</u>
Other Expenditures			
Facilities acquisition .....	<u>1,002,837</u>	—	<u>1,002,837</u>
<b>Total Expenditures.....</b>	<b><u>1,010,006</u></b>	<b><u>268,069</u></b>	<b><u>1,278,075</u></b>
<b>Revenue Over Expenditures .....</b>	<b><u>185,998</u></b>	<b><u>119,320</u></b>	<b><u>305,318</u></b>
<b>Other Financing Sources (Uses)</b>			
Proceeds from sale of assets .....	—	4,223	4,223
Transfers out .....	<u>(623,650)</u>	<u>(127,225)</u>	<u>(750,875)</u>
<b>Total Other Financing Sources (Uses) ....</b>	<b><u>(623,650)</u></b>	<b><u>(123,002)</u></b>	<b><u>(746,652)</u></b>
<b>Change in Fund Balances.....</b>	<b>(437,652)</b>	<b>(3,682)</b>	<b>(441,334)</b>
Fund Balances - Beginning of Year .....	<u>2,019,494</u>	<u>306,656</u>	<u>2,326,150</u>
<b>Fund Balances - End of Year .....</b>	<b><u>\$ 1,581,842</u></b>	<b><u>\$ 302,974</u></b>	<b><u>\$ 1,884,816</u></b>

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

Last Ten Years

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
<b>Revenue</b>										
Local Sources										
Local tax .....	\$ 5,263,157	\$ 5,161,176	\$ 5,083,260	\$ 6,132,509	\$ 6,175,471	\$ 5,666,628	\$ 5,653,892	\$ 5,951,406	\$ 5,558,155	\$ 5,212,791
Tuition .....	465,129	387,847	405,762	433,545	470,494	365,882	352,775	343,608	310,974	247,231
Other .....	562,696	697,294	574,846	510,613	758,089	536,922	649,846	684,545	890,486	779,212
Intermediate sources .....	2,306	—	—	6,700	9,240	—	—	—	—	—
State sources .....	9,897,186	9,223,244	8,831,785	7,238,885	7,141,572	6,825,588	5,548,193	6,466,110	6,049,643	5,892,259
Federal sources .....	<u>838,532</u>	<u>856,093</u>	<u>984,015</u>	<u>812,572</u>	<u>990,319</u>	<u>793,066</u>	<u>1,121,623</u>	<u>416,487</u>	<u>365,253</u>	<u>309,272</u>
<b>Total .....</b>	<b><u>\$ 17,029,006</u></b>	<b><u>\$ 16,325,654</u></b>	<b><u>\$ 15,879,668</u></b>	<b><u>\$ 15,134,824</u></b>	<b><u>\$ 15,545,185</u></b>	<b><u>\$ 14,188,086</u></b>	<b><u>\$ 13,326,329</u></b>	<b><u>\$ 13,862,156</u></b>	<b><u>\$ 13,174,511</u></b>	<b><u>\$ 12,440,765</u></b>
<b>Expenditures</b>										
Instruction .....	\$ 10,130,476	\$ 10,105,497	\$ 10,063,053	\$ 9,125,513	\$ 8,902,293	\$ 8,666,395	\$ 8,200,129	\$ 7,742,453	\$ 7,582,925	\$ 7,065,695
Support Services										
Student .....	390,994	374,643	369,232	353,159	381,698	343,821	276,310	275,627	318,331	435,746
Instructional staff .....	614,118	1,145,486	837,752	711,817	576,618	794,057	600,898	334,231	588,486	574,654
Administration .....	1,235,001	1,300,987	1,288,193	1,222,975	1,026,923	1,004,631	1,055,358	937,527	895,293	992,143
Operations and maintenance of plant .....	1,033,344	1,014,599	1,019,369	980,639	858,475	862,776	889,838	899,872	976,448	996,419
Transportation .....	480,122	496,587	408,120	466,924	370,237	563,898	472,776	503,631	472,626	469,573
Other Expenditures										
Facilities acquisition .....	1,002,837	1,054,275	223,118	207,486	2,554,563	2,714,554	328,844	676,698	1,137,056	2,794,866
Long-Term Debt										
Principal .....	1,047,225	705,000	580,000	480,000	1,723,145	570,000	545,000	530,000	510,000	620,891
Interest and fiscal charges .....	220,175	236,322	371,802	384,691	420,929	304,733	327,596	338,365	352,120	374,007
AEA flowthrough .....	<u>555,282</u>	<u>541,051</u>	<u>516,972</u>	<u>481,980</u>	<u>487,060</u>	<u>533,139</u>	<u>506,620</u>	<u>444,565</u>	<u>415,018</u>	<u>397,607</u>
<b>Total .....</b>	<b><u>\$ 16,709,574</u></b>	<b><u>\$ 16,974,447</u></b>	<b><u>\$ 15,677,611</u></b>	<b><u>\$ 14,415,184</u></b>	<b><u>\$ 17,301,941</u></b>	<b><u>\$ 16,358,004</u></b>	<b><u>\$ 13,203,369</u></b>	<b><u>\$ 12,682,969</u></b>	<b><u>\$ 13,248,303</u></b>	<b><u>\$ 14,721,601</u></b>

# Schedule of Expenditures of Federal Awards

Year Ended June 30, 2016

Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Grant Number	Expenditures
<b>U.S. Department of Agriculture - Indirect</b>			
Pass-Through From Iowa Department of Education			
Child Nutrition Cluster			
School Breakfast Program .....	10.553	FY 16	\$ 120,029
National School Lunch Program .....	10.555	FY 16	419,500*
Summer Food Service Program for Children .....	10.559	FY 16	19,183
Total Child Nutrition Cluster .....			<u>558,712</u>
Fresh Fruit and Vegetable Program .....	10.582	FY 16	11,577
<b>Total U.S. Department of Agriculture</b> .....			<b><u>570,289</u></b>
<b>U.S. Department of Education - Indirect</b>			
Pass-Through From Area Education Agency 267			
Special Education - Grants to States .....	84.027	FY 16	<u>61,339</u>
Pass-Through From Iowa Department of Education			
Title I Grants to Local Educational Agencies .....	84.010	FY 16	<u>441,352</u>
Career and Technical Education - Basic Grants to States .....	84.048	FY 16	<u>364</u>
Rural Education .....	84.358	FY 16	<u>22,006</u>
English Language Acquisition State Grants .....	84.365	FY 16	<u>11,313</u>
Improving Teacher Quality State Grants .....	84.367	FY 16	<u>40,996</u>
Grants for State Assessments and Related Activities Total Pass-Through From Iowa Department of Education .....	84.369	FY 16	<u>4,744</u>
<b>Total U.S. Department of Education</b> .....			<u>520,775</u>
<b>Total U.S. Department of Education</b> .....			<b><u>582,114</u></b>
<b>Total</b> .....			<b><u>\$ 1,152,403</u></b>

\* Includes \$52,903 of noncash awards.

## Basis of Presentation

The accompanying schedule of expenditures of federal awards (Schedule) includes the federal award activity of Hampton-Dumont Community School District under programs of the federal government for the year ended June 30, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Hampton-Dumont Community School District, it is not intended to and does not present the financial position, changes in financial position or cash flows of Hampton-Dumont Community School District.

## Summary of Significant Accounting Policies

Expenditures reported in the Schedule are reported on the accrual or modified accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, Cost Principles for State, Local and Indian Tribal Governments, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Hampton-Dumont Community School District has elected to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

## Subrecipients

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

## **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**

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Hampton-Dumont Community School District as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, as listed in the table of contents, and have issued our report thereon dated January 17, 2017.

### **Internal Control Over Financial Reporting**

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

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in Part II of the accompanying schedule of findings and questioned costs as items 16-II-R-1 and 16-II-R-2 to be material weaknesses.

### **Compliance and Other Matters**

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

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2016 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

### **Hampton-Dumont Community School District's Responses to Findings**

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

### **Purpose of This Report**

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

*HOGAN - HANSEN*

HOGAN - HANSEN

Mason City, Iowa  
January 17, 2017

## **Independent Auditor's Report on Compliance for the Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance**

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

### **Report on Compliance for Each Major Federal Program**

We have audited Hampton-Dumont Community School District's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on Hampton-Dumont Community School District's major federal program for the year ended June 30, 2016. Hampton-Dumont Community School District's major federal program is identified in Part I of the accompanying schedule of findings and questioned costs.

### **Management's Responsibility**

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

### **Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for Hampton-Dumont Community School District's major federal program based on our audit of the types of compliance requirements referred to above.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the audit requirements of the *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Hampton-Dumont Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion on compliance for major federal programs. However, our audit does not provide a legal determination on Hampton-Dumont Community School District's compliance with those requirements.

### **Opinion on Each Major Federal Program**

In our opinion, Hampton-Dumont Community School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2016.

### **Report on Internal Control Over Compliance**

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

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

A deficiency in the District's internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control over compliance described in Part III of the accompanying schedule of findings and questioned costs as item 16-III-R-1 to be a material weakness.

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

The purpose of this report on internal control over compliance, a public record by law, is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*HOGAN - HANSEN*

HOGAN - HANSEN

Mason City, Iowa  
January 17, 2017

# Schedule of Findings and Questioned Costs

Year Ended June 30, 2016

## Part I: Summary of the Independent Auditor's Results

### Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weakness identified?	<u>  X  </u> yes <u>    </u> no
Significant deficiency identified not considered to be material weakness?	<u>    </u> yes <u>  X  </u> none reported
Noncompliance material to financial statements noted?	<u>    </u> yes <u>  X  </u> no

### Federal Awards

Internal control over major programs:	
Material weakness identified?	<u>  X  </u> yes <u>    </u> no
Significant deficiency identified not considered to be material weakness?	<u>    </u> yes <u>  X  </u> none reported

Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of the Uniform Guidance?	<u>  X  </u> yes <u>    </u> no

Identification of major programs:

#### **CFDA Numbers or Cluster**

#### **Name of Federal Program**

Child Nutrition Cluster	
10.553	School Breakfast Program
10.555	National School Lunch Program
10.559	Summer Food Service Program for Children

Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000
Auditee qualified as low-risk auditee?	<u>    </u> yes <u>  X  </u> no

# Schedule of Findings and Questioned Costs

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Year Ended June 30, 2016

## **Part II: Findings Related to the Financial Statements**

### **Instances of Noncompliance**

There were no reported instances of noncompliance.

### **Internal Control Deficiencies**

#### **16-II-R-1 Segregation of Duties**

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

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

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

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

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

**Auditor's Conclusion** - Response accepted.

#### **16-II-R-2 Financial Statement Preparation**

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

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

# Schedule of Findings and Questioned Costs

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Year Ended June 30, 2016

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

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

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

**Auditor's Conclusion** - Response accepted.

## **Part III: Findings and Questioned Costs For Federal Awards**

### **Instances of Noncompliance**

There were no reported instances of noncompliance.

### **Internal Control Deficiencies**

### **All Programs Displayed on the Schedule of Expenditures of Federal Awards**

**16-III-R-1 Segregation of Duties** - As previously identified in the fiscal year 2015 audit report as item (2016-001) 16-III-R-1, adequate control procedures through the segregation of employee duties is difficult to achieve due to the limited number of staff administering grants and performing accounting functions. See finding 16-II-R-1 for additional information.

## **Part IV: Other Findings Related to Statutory Reporting**

**16-IV-A Certified Budget** - Expenditures for the year ended June 30, 2016 did not exceed the budgeted amounts.

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

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

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

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

## Schedule of Findings and Questioned Costs

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Year Ended June 30, 2016

### 16-IV-F Board Minutes

**Finding** - We noted four instances where the schedule of expenditures approved was not published timely as required by Chapter 279.35 of the Code of Iowa. No business transactions were noted that we believe should have been approved in the Board minutes but were not.

**Auditor's Recommendation** - The Board Secretary should publish a copy of the approved schedule of expenditures within the timeframe required by the Code of Iowa.

**District's Response** - Procedures will be revised to ensure the schedule of expenditures approved will be published as required.

**Auditor's Conclusion** - Response accepted.

**16-IV-G Certified Enrollment** - No variances in the basic enrollment data certified to the Iowa Department of Education were noted.

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

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

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

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

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

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2016, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

# Schedule of Findings and Questioned Costs

Year Ended June 30, 2016

Beginning balance.....		\$ 2,019,494
Revenue		
Sales tax revenue .....	\$ 1,174,525	
Other local revenue .....	<u>21,479</u>	1,196,004
Expenditures/Transfers Out		
School infrastructure .....	\$ 1,002,837	
Other .....	7,169	
Transfer to Other Funds		
Debt Service Fund .....	<u>623,650</u>	<u>1,633,656</u>
<b>Ending Balance .....</b>		<b><u>\$ 1,581,842</u></b>

For the year ended June 30, 2016, the District reduced the following levies as a result of the monies received under Chapter 423E or 423F of the Code of Iowa.

	<b>Rate of Levy Reduction Per \$1,000 of Taxable Valuation</b>	<b>Property Tax Dollars Reduced</b>
Debt service levy.....	\$ 0.03723	\$ 13,567

## 16-IV-M Depository Resolution

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

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

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

**Auditor's Conclusion** - Response accepted.

## 16-IV-N Student Activity Fund

**Finding** - We noted a field trip for the fifth graders to go skating was paid for by the Student Activity Fund. This activity does not appear to be an appropriate expenditure for student activity funds which allow only extracurricular or co-curricular activity as required by Chapter 298A.8 of the Code of Iowa and Iowa Administrative Rule 281.12.6(1).

**Auditor's Recommendation** - The District should only use Student Activity Fund monies to support extracurricular or co-curricular activities as required.

**District's Response** - The District will comply with this recommendation.

**Auditor's Conclusion** - Response accepted.