

NEW HAMPTON COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2014

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New Hampton Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
(Before September 2013 Election)		
Tom Rasmussen	President	2015
Joe Rosonke	Vice President	2013
Jennifer Ewert	Board Member	2015
Timothy Denner	Board Member	2013
Damian Baltes	Board Member	2013
(After September 2013 Election)		
Tom Rasmussen	President	2015
Joe Rosonke	Vice President	2017
Jennifer Ewert	Board Member	2015
Timothy Denner	Board Member	2017
Damian Baltes	Board Member	2017
School Officials		
Jay Jurrens	Superintendent	2014
Bob Ayers	Business Manager/Board Secretary	2014
Swisher & Cohrt, P.L.C.	Attorney	2014

New Hampton Community School District

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

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the New Hampton Community School District:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of New Hampton Community School District, New Hampton, Iowa, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of New Hampton Community School District as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 15 and 40 through 42 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise New Hampton 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 nine years ended June 30, 2013 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 7, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 27, 2015 on our consideration of New Hampton Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering New Hampton Community School District's internal control over financial reporting and compliance.



NOLTE, CORNMAN & JOHNSON, P.C.

March 27, 2015
Newton, Iowa

MANAGEMENT'S DISCUSSION AND ANALYSIS

New Hampton 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, 2014. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2014 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$10,280,640 in fiscal 2013 to \$10,773,935 in fiscal 2014, while General Fund expenditures decreased from \$10,509,456 in fiscal 2013 to \$10,394,547 in fiscal 2014. This resulted in an increase in the District's General Fund balance from \$379,821 at June 30, 2013 to \$759,209 in June 30, 2014, an increase of 99.89% from the prior year.
- The increase in General Fund revenues was attributable to increases in local tax revenues. The decrease in expenditures was due primarily to increased expenditures in the regular instruction functional area.

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 New Hampton 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 New Hampton Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which New Hampton Community School District acts solely as an agent or custodial for the benefit of those outside of the School District.

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

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

Supplementary Information provides detailed information about the nonmajor governmental funds.

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

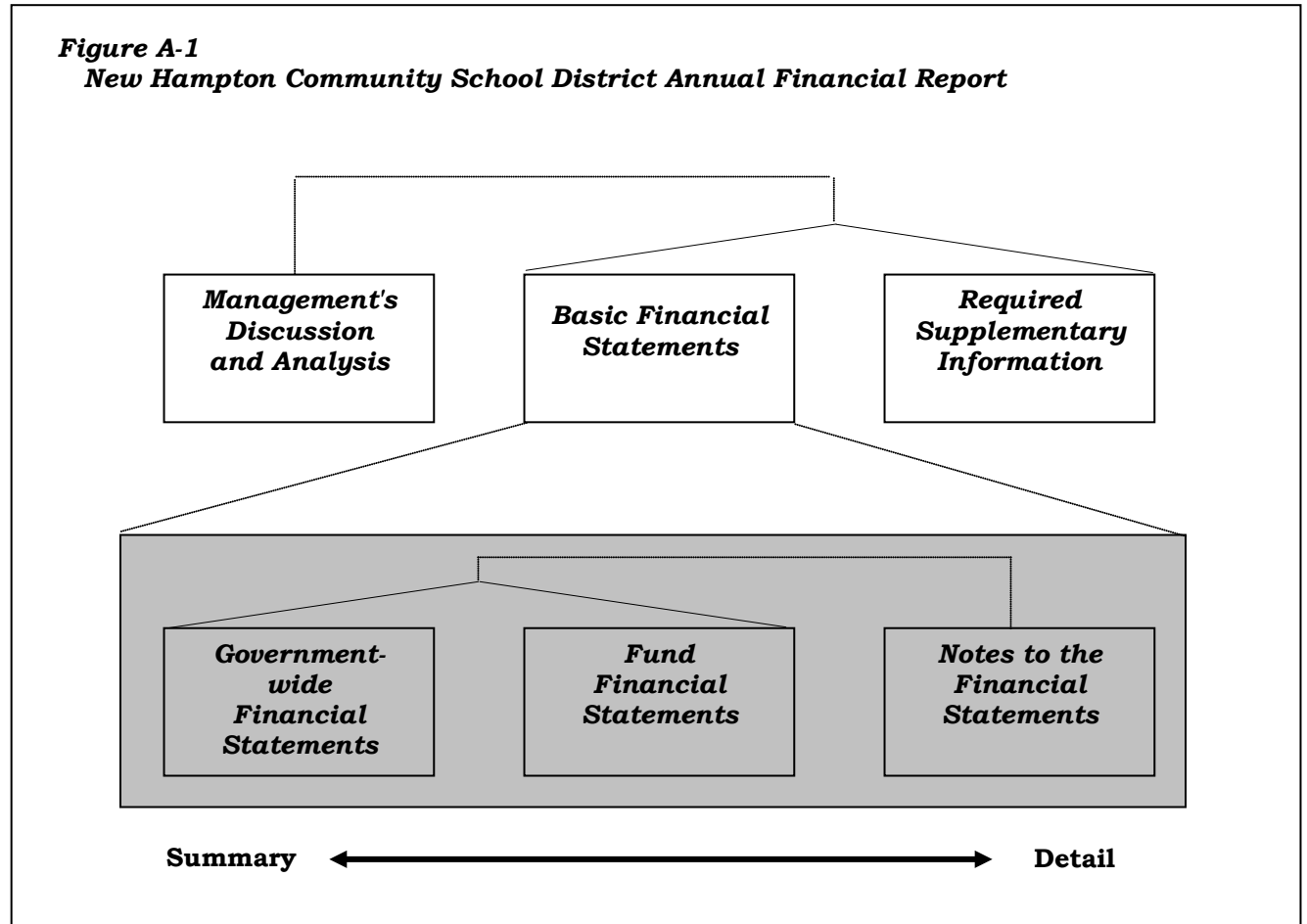


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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

REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

The District has two kinds of funds:

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

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

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

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's enterprise fund, a type of proprietary fund, is the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has one enterprise fund, the School Nutrition Fund.

The District's internal service fund (another type of proprietary fund) is the same as its governmental activities but provide more detail and additional information, such as cash flows. The District has one internal service fund, the Cafeteria Plan Fund.

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

3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds include an Agency Fund.

- North East Iowa Conference (NEIC) Agency Fund – These are funds that are collected by the District from other schools in the conference, and used for the benefit of all Athletic Directors in the conference to attend meetings and pay subsequent expenses.

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 the fiduciary funds include a Statement of 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 total net position at June 30, 2014 compared to June 30, 2013.

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2014	2013	2014	2013	2014	2013	2013-14
Current and other assets	\$ 7,777,257	7,931,080	50,566	18,321	7,827,823	7,949,401	-1.53%
Capital assets	10,749,449	10,257,107	23,060	26,156	10,772,509	10,283,263	4.76%
Total assets	18,526,706	18,188,187	73,626	44,477	18,600,332	18,232,664	2.02%
Long-term liabilities	3,569,072	3,404,234	21,404	18,799	3,590,476	3,423,033	4.89%
Other liabilities	144,128	273,160	6,908	5,878	151,036	279,038	-45.87%
Total liabilities	3,713,200	3,677,394	28,312	24,677	3,741,512	3,702,071	1.07%
Deferred inflows of resources	4,371,401	4,388,654	-	-	4,371,401	4,388,654	-0.39%
Net position:							
Net investment in capital assets	8,084,449	7,467,107	23,060	26,156	8,107,509	7,493,263	8.20%
Restricted	1,855,054	2,429,685	-	-	1,855,054	2,429,685	-23.65%
Unrestricted	502,602	225,347	22,254	(6,356)	524,856	218,991	139.67%
Total net position	\$ 10,442,105	10,122,139	45,314	19,800	10,487,419	10,141,939	3.41%

The District's combined net position increased by 3.41%, or \$345,480, from the prior year. A large portion of the District's net position is the invested in capital assets, net of related debt category. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net position represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position decreased \$574,631, or 23.65% from the prior year. The decrease was primarily the result of the decrease in the Capital Projects: Statewide Sales, Services and Use Tax Fund balance during the year.

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 \$305,865, or 139.67%. This reduction in unrestricted net position was primarily a result of an increase in the increase in the General Fund balance during the year.

Figure A-4 shows the changes in net position for the years ended June 30, 2014 compared to June 30, 2013.

	Figure A-4						
	Changes of Net Position						
	Governmental		Business Type		Total		Total
	Activities		Activities		District		Change
June 30,		June 30,		June 30,		June 30,	
2014	2013	2014	2013	2014	2013	2013-14	
Revenues:							
Program revenues:							
Charges for services	\$ 975,748	894,559	252,667	248,988	1,228,415	1,143,547	7.42%
Operating grants, contributions and restricted interest	988,715	979,420	292,710	236,029	1,281,425	1,215,449	5.43%
General revenues:							
Property tax	4,389,541	4,106,607	-	-	4,389,541	4,106,607	6.89%
Income surtax	586,255	627,225	-	-	586,255	627,225	-6.53%
Statewide sales, service and use tax	854,034	996,235	-	-	854,034	996,235	-14.27%
Unrestricted state grants	4,563,187	4,326,607	-	-	4,563,187	4,326,607	5.47%
Unrestricted investment earnings	15,320	24,081	155	214	15,475	24,295	-36.30%
Other	46,342	156,709	1,852	2,741	48,194	159,450	-69.77%
Total revenues	12,419,142	12,111,443	547,384	487,972	12,966,526	12,599,415	2.91%
Program expenses:							
Instructional	8,122,781	8,642,539	-	-	8,122,781	8,642,539	-6.01%
Support services	3,141,219	3,237,532	13,619	12,778	3,154,838	3,250,310	-2.94%
Non-instructional programs	-	-	508,251	525,731	508,251	525,731	-3.32%
Other expenses	835,176	909,272	-	-	835,176	909,272	-8.15%
Total expenses	12,099,176	12,789,343	521,870	538,509	12,621,046	13,327,852	-5.30%
Change in net position	319,966	(677,900)	25,514	(50,537)	345,480	(728,437)	-147.43%
Net position beginning of year	10,122,139	10,800,039	19,800	70,337	10,141,939	10,870,376	-6.70%
Net position end of year	\$ 10,442,105	10,122,139	45,314	19,800	10,487,419	10,141,939	3.41%

In fiscal 2014, local property tax, statewide sales, service and use tax and unrestricted state grants accounted for 78.96% of the revenue from governmental activities while charges for services and operating grants and contributions account for 99.63% of the revenue from business type activities.

The District's total revenues were approximately \$12.97 million of which approximately \$12.42 million was for governmental activities and approximately \$0.55 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced an increase of 2.91% in revenues and a 5.30% decrease in expenses.

Governmental Activities

Revenues for governmental activities were \$12,419,142 and expenses were \$12,099,176.

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, 2014 compared to the year ended June 30, 2013.

	Total Cost of Services			Net Cost of Services		
	2014	2013	Change 2013-14	2014	2013	Change 2013-14
Instruction	\$ 8,122,781	8,642,539	-6.01%	6,619,829	7,213,483	-8.23%
Support services	3,141,219	3,237,532	-2.97%	3,102,518	3,203,155	-3.14%
Other expenses	835,176	909,272	-8.15%	412,366	498,726	-17.32%
Totals	\$ 12,099,176	12,789,343	-5.40%	10,134,713	10,915,364	-7.15%

- The cost financed by users of the District's programs was \$975,748.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$988,715.
- The net cost of governmental activities was financed with \$4,389,541 in property tax, \$586,255 in income surtax, \$854,034 in statewide sales, services and use tax, \$4,563,187 in unrestricted state grants, \$15,320 in interest income and \$46,342 in other general revenues.

Business Type Activities

Revenues of the District's business type activities were \$547,384 and expenses were \$521,870. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$2,747,909, below last year's ending fund balances of \$2,750,768. The primary reason for the decrease in combined fund balances in fiscal 2014 is due to the decrease in the fund balance of the Capital Projects: Statewide Sales, Services and Use Tax Fund during the year.

Governmental Fund Highlights

- The District's decrease in the General Fund financial position is the product of many factors. The difference between fiscal year 2014 revenues of \$10,773,935 and expenses of \$10,394,547 resulted in a net increase in fund balance of \$379,388. As a result, the District's General Fund balance increased from \$379,821 at June 30, 2013 to a balance of \$759,209 at June 30, 2014. This represents a 99.89% increase from the prior year.
- The Capital Projects Fund balance decreased from \$1,822,724 at June 30, 2013 to \$1,596,042 at June 30, 2014, a decrease of 12.44% from the prior year. This decrease can be attributed in part to a decrease in local tax revenues and an increase in transportation expenses, as compared to the prior year.

- The Debt Service Fund balance decreased from a balance of \$40 at June 30, 2013 to \$0 at June 30, 2014.

Proprietary Fund Highlights

The School Nutrition Fund net position increased from \$19,800 at June 30, 2013 to \$45,314 at June 30, 2014, representing an increase of 128.86%.

BUDGETARY HIGHLIGHTS

During the year, the District amended its budget one time to reflect additional expenditures associated with the instruction and other expenditures functional areas.

The District’s revenues were \$220,109 more than budgeted revenues, a variance of 1.73%. The most significant variance resulted from the District receiving less from local sources than originally anticipated.

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

During the year ended June 30, 2014, expenditures in the other expenditures functional area exceeded the amounts budgeted.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2014, the District had invested \$10,772,509, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$675,808.

The original cost of the District’s capital assets was \$20.26 million. Governmental funds account for \$20.15 million with the remainder of \$0.11 million in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the construction in progress category. The District’s construction in progress totaled \$0 at June 30, 2013, compared to \$84,002 reported at June 30, 2014. This increase in construction in progress is the result of a stadium improvement project started during the year.

Figure A-6 Capital Assets, Net of Depreciation							
	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2014	2013	2014	2013	2014	2013	2013-14
Land	\$ 381,700	381,700	-	-	381,700	381,700	0.00%
Construction in progress	84,002	-	-	-	84,002	-	100.00%
Buildings	8,534,369	8,516,882	-	-	8,534,369	8,516,882	0.21%
Land improvements	394,031	419,296	-	-	394,031	419,296	-6.03%
Machinery and equipment	1,355,347	939,229	23,060	26,156	1,378,407	965,385	42.78%
Total	\$ 10,749,449	10,257,107	23,060	26,156	10,772,509	10,283,263	4.76%

Long-Term Debt

At June 30, 2014, the District had \$3,590,476 in revenue bonds, termination benefits, and other postemployment benefits liabilities outstanding. This represents an increase of 4.89% from the prior year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 5 to the financial statements.

The District had total outstanding revenue bonds payable of \$2,665,000 at June 30, 2014.

The District had total outstanding termination benefits payable of \$394,357 at June 30, 2014, with \$8,000 payable from General Fund and the remaining \$386,357 payable from the Special Revenue, Management Levy Fund.

The District had a net OPEB liability of \$531,119 at June 30, 2014. Of this total, \$509,715 is included in the governmental activities while the remaining \$21,404 is included in business type activities.

Figure A-7 Outstanding Long-Term Obligations							
Governmental Activities		Business Type Activities		Total District		Total Change	
June 30,		June 30,		June 30,		June 30,	
2014	2013	2014	2013	2014	2013	2013-14	
Revenue bonds	\$ 2,665,000	2,790,000	-	-	2,665,000	2,790,000	-4.48%
Termination benefits	394,357	166,000	-	-	394,357	166,000	137.56%
Net OPEB liability	509,715	448,234	21,404	18,799	531,119	467,033	13.72%
Total	\$ 3,569,072	3,404,234	21,404	18,799	3,590,476	3,423,033	4.89%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- The budget guarantee (whereby Districts are guaranteed 100% of their current budget for the upcoming year) is being phased out over a ten year period which began in fiscal year 2005.
- Low allowable growth over several years and enrollment decreases is negatively impacting the District's spending authority. Contractual increases and program changes cannot be made without thorough consideration of our unspent authorized budget.

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 Bob Ayers, District Secretary/Treasurer and Business Manager, New Hampton Community School District, 710 West Main Street, New Hampton, Iowa, 50659.

New Hampton Community School District

BASIC FINANCIAL STATEMENTS

NEW HAMPTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2014

	Governmental Activities	Business Type Activities	Total
Assets			
Cash and pooled investments	\$ 2,430,736	36,736	2,467,472
Receivables:			
Property tax:			
Delinquent	41,090	-	41,090
Succeeding year	4,371,401	-	4,371,401
Income surtax	486,043	-	486,043
Accounts	2,026	-	2,026
Due from other governments	445,961	-	445,961
Inventories	-	13,830	13,830
Capital assets, net of accumulated depreciation	10,749,449	23,060	10,772,509
Total assets	18,526,706	73,626	18,600,332
Liabilities			
Accounts payable	119,827	-	119,827
Salaries and benefits payable	3,534	-	3,534
Due to other governments	20,767	-	20,767
Unearned revenue	-	6,908	6,908
Long-term liabilities:			
Portion due within one year:			
Revenue bonds payable	165,000	-	165,000
Termination benefits payable	64,950	-	64,950
Portion due after one year:			
Revenue bonds payable	2,500,000	-	2,500,000
Termination benefits payable	329,407	-	329,407
Net OPEB liability	509,715	21,404	531,119
Total liabilities	3,713,200	28,312	3,741,512
Deferred Inflows of Resources			
Unavailable property tax revenue	4,371,401	-	4,371,401
Net Position			
Net investment in capital assets	8,084,449	23,060	8,107,509
Restricted for:			
Categorical funding	139,774	-	139,774
Student activities	119,238	-	119,238
School infrastructure	1,336,818	-	1,336,818
Physical plant and equipment	259,224	-	259,224
Unrestricted	502,602	22,254	524,856
Total net position	\$ 10,442,105	45,314	10,487,419

SEE NOTES TO FINANCIAL STATEMENTS.

NEW HAMPTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2014

	Program Revenues			Net (Expense) Revenue and Changes in Net Position		Total
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	
Functions/Programs:						
Governmental activities:						
Instruction:						
Regular	\$ 5,034,451	371,120	71,442	(4,591,889)	-	(4,591,889)
Special	1,250,914	18,645	113,973	(1,118,296)	-	(1,118,296)
Other	1,837,416	585,685	342,087	(909,644)	-	(909,644)
	8,122,781	975,450	527,502	(6,619,829)	-	(6,619,829)
Support services:						
Student	211,620	-	-	(211,620)	-	(211,620)
Instructional staff	254,265	-	-	(254,265)	-	(254,265)
Administration	1,208,938	-	-	(1,208,938)	-	(1,208,938)
Operation and maintenance of plant	817,090	-	-	(817,090)	-	(817,090)
Transportation	649,306	298	38,403	(610,605)	-	(610,605)
	3,141,219	298	38,403	(3,102,518)	-	(3,102,518)
Long-term debt interest	78,038	-	-	(78,038)	-	(78,038)
Other expenditures:						
AEA flowthrough	422,810	-	422,810	-	-	-
Depreciation(unallocated)*	334,328	-	-	(334,328)	-	(334,328)
	757,138	-	422,810	(334,328)	-	(334,328)
Total governmental activities	12,099,176	975,748	988,715	(10,134,713)	-	(10,134,713)
Business type activities:						
Support services:						
Administration	4,512	-	-	-	(4,512)	(4,512)
Operation and maintenance of plant	9,107	-	-	-	(9,107)	(9,107)
Non-instructional programs:						
Food service operations	508,251	252,667	292,710	-	37,126	37,126
Total business type activities	521,870	252,667	292,710	-	23,507	23,507
Total	\$ 12,621,046	1,228,415	1,281,425	(10,134,713)	23,507	(10,111,206)
General Revenues:						
Property tax levied for:						
General purposes				\$ 4,247,567	-	4,247,567
Capital outlay				141,974	-	141,974
Income surtax				586,255	-	586,255
Statewide sales, services and use tax				854,034	-	854,034
Unrestricted state grants				4,563,187	-	4,563,187
Unrestricted investment earnings				15,320	155	15,475
Other				46,342	1,852	48,194
Total general revenues				10,454,679	2,007	10,456,686
Changes in net position				319,966	25,514	345,480
Net position beginning of year				10,122,139	19,800	10,141,939
Net position end of year				\$ 10,442,105	45,314	10,487,419

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

SEE NOTES TO FINANCIAL STATEMENTS.

NEW HAMPTON COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014

	General	Capital Projects	Nonmajor	Total
Assets				
Cash and pooled investments	\$ 687,475	1,320,399	395,086	2,402,960
Receivables:				
Property tax				
Delinquent	38,850	1,303	937	41,090
Succeeding year	3,929,301	143,325	298,775	4,371,401
Income surtax	486,043	-	-	486,043
Accounts	1,872	-	154	2,026
Due from other governments	171,621	274,340	-	445,961
Total assets	\$ 5,315,162	1,739,367	694,952	7,749,481
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts payable	\$ 116,308	-	3,519	119,827
Salaries and benefits payable	3,534	-	-	3,534
Due to other governments	20,767	-	-	20,767
Total liabilities	140,609	-	3,519	144,128
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	3,929,301	143,325	298,775	4,371,401
Income surtax	486,043	-	-	486,043
Total deferred inflows of resources	4,415,344	143,325	298,775	4,857,444
Fund balances:				
Restricted for:				
Categorical funding	139,774	-	-	139,774
Student activities	-	-	119,238	119,238
Management levy purposes	-	-	297,474	297,474
School infrastructure	-	1,336,818	-	1,336,818
Physical plant and equipment	-	259,224	-	259,224
Assigned	7,122	-	-	7,122
Unassigned:				
General	612,313	-	-	612,313
Student activities	-	-	(24,054)	(24,054)
Total fund balances	759,209	1,596,042	392,658	2,747,909
Total liabilities, deferred inflows of resources and fund balances	\$ 5,315,162	1,739,367	694,952	7,749,481

SEE NOTES TO FINANCIAL STATEMENTS.

NEW HAMPTON COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET POSITION
 JUNE 30, 2014

Total fund balances of governmental funds(page 20)	\$	2,747,909
 <i>Amounts reported for governmental activities in the Statement of Net Position are different because:</i>		
Capital assets used in governmental activities are not financial resources and, therefore, are not report as assets in the governmental funds.		10,749,449
Income surtax recivables are not yet available to pay current year expenditures and, therefore, are recognized as deferred inflows of resources in the governmental funds.		486,043
Blending of the Internal Service Funds to be reflected on an entity-wide basis.		27,776
Long-term liabilities, including bonds payable, termination benefits, and other postemployment benefits are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		<u>(3,569,072)</u>
Net position of governmental activities(page 18)	\$	<u><u>10,442,105</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

NEW HAMPTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2014

	General	Capital Projects	Debt Service	Nonmajor	Total
Revenues:					
Local sources:					
Local tax	\$ 4,742,370	141,974	-	100,018	4,984,362
Tuition	341,325	-	-	-	341,325
Other	199,574	7,142	-	550,477	757,193
Intermediate sources	1,110	-	-	-	1,110
State sources	5,185,767	854,108	-	54	6,039,929
Federal sources	303,789	-	-	-	303,789
Total revenues	<u>10,773,935</u>	<u>1,003,224</u>	<u>-</u>	<u>650,549</u>	<u>12,427,708</u>
Expenditures:					
Current:					
Instruction:					
Regular	4,543,557	406,815	-	143,080	5,093,452
Special	1,237,022	-	-	-	1,237,022
Other	1,305,770	-	-	531,380	1,837,150
	<u>7,086,349</u>	<u>406,815</u>	<u>-</u>	<u>674,460</u>	<u>8,167,624</u>
Support services:					
Student	210,481	-	-	-	210,481
Instructional staff	253,145	-	-	-	253,145
Administration	1,198,063	150	-	7,319	1,205,532
Operation and maintenance of plant	704,717	-	-	102,695	807,412
Transportation	518,982	228,939	-	21,600	769,521
	<u>2,885,388</u>	<u>229,089</u>	<u>-</u>	<u>131,614</u>	<u>3,246,091</u>
Capital outlay	-	391,004	-	-	391,004
Long-term debt:					
Principal	-	-	2,965,000	-	2,965,000
Interest and fiscal charges	-	-	78,038	-	78,038
	<u>-</u>	<u>-</u>	<u>3,043,038</u>	<u>-</u>	<u>3,043,038</u>
Other expenditures:					
AEA flowthrough	422,810	-	-	-	422,810
Total expenditures	<u>10,394,547</u>	<u>1,026,908</u>	<u>3,043,038</u>	<u>806,074</u>	<u>15,270,567</u>
Excess(Deficiency) of revenues over(under) expenditures	379,388	(23,684)	(3,043,038)	(155,525)	(2,842,859)
Other financing sources(uses):					
Transfer in	-	-	202,998	-	202,998
Transfer out	-	(202,998)	-	-	(202,998)
Proceeds from revenue bond issuance	-	-	2,840,000	-	2,840,000
Total other financing sources(uses)	<u>-</u>	<u>(202,998)</u>	<u>3,042,998</u>	<u>-</u>	<u>2,840,000</u>
Change in fund balances	379,388	(226,682)	(40)	(155,525)	(2,859)
Fund balances beginning of year	<u>379,821</u>	<u>1,822,724</u>	<u>40</u>	<u>548,183</u>	<u>2,750,768</u>
Fund balances end of year	<u>\$ 759,209</u>	<u>1,596,042</u>	<u>-</u>	<u>392,658</u>	<u>2,747,909</u>

SEE NOTES TO FINANCIAL STATEMENTS.

NEW HAMPTON COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 YEAR ENDED JUNE 30, 2014

Change in fund balances - total governmental funds(page 22) \$ (2,859)

*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. Capital outlay expenditures and depreciation expense in the current year are as follows:

Capital outlay	\$ 1,165,054	
Depreciation expense	<u>(672,712)</u>	492,342

Income surtax account receivable is not available to finance expenditures of the current period and is recognized as deferred inflows of resources in the governmental funds. (8,566)

Proceeds of long-term debt liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of long-term debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position.

Repaid	2,965,000	
Issued	<u>(2,840,000)</u>	125,000

Net change in Internal Service Fund charged back against expenditures of the current year period in the governmental funds. 3,887

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Termination benefits	(228,357)	
Other postemployment benefits	<u>(61,481)</u>	<u>(289,838)</u>

Change in net position of governmental activities(page 19) \$ 319,966

SEE NOTES TO FINANCIAL STATEMENTS.

NEW HAMPTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2014

	Business Type Activities: <u>Enterprise Fund</u> School Nutrition	Governmental Activities: Internal Service Fund
Assets		
Current assets:		
Cash and pooled investments	\$ 36,736	27,776
Inventories	13,830	-
Total current assets	<u>50,566</u>	<u>27,776</u>
Noncurrent assets:		
Capital assets, net of accumulated depreciation	23,060	-
Total assets	<u>73,626</u>	<u>27,776</u>
Liabilities		
Current liabilities:		
Unearned revenue	6,908	-
Noncurrent liabilities:		
Net OPEB liability	21,404	-
Total liabilities	<u>28,312</u>	<u>-</u>
Net Position		
Net investment in capital assets	23,060	-
Unrestricted	22,254	27,776
Total net position	<u>\$ 45,314</u>	<u>27,776</u>

SEE NOTES TO FINANCIAL STATEMENTS.

NEW HAMPTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2014

	Business Type Activities: <u>Enterprise Fund</u> School Nutrition	Governmental Activities: Internal Service Fund
Operating revenues:		
Local sources:		
Charges for services	\$ 292,710	-
Miscellaneous	1,852	63,052
Total operating revenues	<u>294,562</u>	<u>63,052</u>
Operating expenses:		
Support services:		
Administration:		
Benefits	4,512	59,260
Operation and maintenance of plant:		
Supplies	9,107	-
	<u>13,619</u>	<u>59,260</u>
Non-instructional programs:		
Food service operations:		
Salaries	175,128	-
Benefits	78,709	-
Services	4,110	-
Supplies	247,208	-
Depreciation	3,096	-
	<u>508,251</u>	<u>-</u>
Total operating expenses	<u>521,870</u>	<u>59,260</u>
Operating income(loss)	<u>(227,308)</u>	<u>3,792</u>
Non-operating revenues		
State sources	15,449	-
Federal sources	237,218	-
Interest income	155	95
Total non-operating revenues	<u>252,822</u>	<u>95</u>
Change in net position	25,514	3,887
Net position beginning of year	<u>19,800</u>	<u>23,889</u>
Net position end of year	<u>\$ 45,314</u>	<u>27,776</u>

SEE NOTES TO FINANCIAL STATEMENTS.

NEW HAMPTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2014

	Business Type Activities: <u>Enterprise Fund</u> School Nutrition	Governmental Activities: Internal Service Fund
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 294,289	-
Cash received from miscellaneous sources	1,852	63,052
Cash payments to employees for services	(255,744)	(59,260)
Cash payments to suppliers for goods or services	(221,786)	-
Net cash provided by(used in) operating activities	<u>(181,389)</u>	<u>3,792</u>
Cash flows from non-capital financing activities:		
State grants received	15,449	-
Federal grants received	199,460	-
Net cash provided by non-capital financing activities	<u>214,909</u>	<u>-</u>
Cash flows from investing activities:		
Interest on investments	155	95
Net increase in cash and cash equivalents	33,675	3,887
Cash and cash equivalents beginning of year	<u>3,061</u>	<u>23,889</u>
Cash and cash equivalents end of year	<u>\$ 36,736</u>	<u>27,776</u>
Reconciliation of operating income(loss) to net cash provided by(used in) operating activities:		
Operating income(loss)	\$ (227,308)	3,792
Adjustments to reconcile operating income(loss) to net cash provided by(used in) operating activities:		
Commodities consumed	37,758	-
Depreciation	3,096	-
Decrease in inventories	1,430	-
Decrease in accounts payable	(549)	-
Increase in unearned revenue	1,579	-
Increase in other postemployment benefits	2,605	-
Net cash provided by(used in) operating activities	<u>\$ (181,389)</u>	<u>3,792</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2014, the District received Federal commodities valued at \$37,758.

SEE NOTES TO FINANCIAL STATEMENTS.

NEW HAMPTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
JUNE 30, 2014

	<u>Agency</u>
Assets	
Cash and pooled investments	<u>\$ 9,392</u>
Liabilities	
Due to other groups	<u>\$ 9,392</u>

SEE NOTES TO FINANCIAL STATEMENTS.

NEW HAMPTON COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

Note 1. Summary of Significant Accounting Policies

The New Hampton 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. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the City of New Hampton, Iowa, and the predominate agricultural territory in Howard and Chickasaw Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

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

A. Reporting Entity

For financial reporting purposes, New Hampton 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 New Hampton Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but 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 Howard and Chickasaw Counties Assessors' Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Position and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for 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 plus unspent bond proceeds 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.

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

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

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

The District reports the following major governmental funds:

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

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

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

The District reports the following nonmajor proprietary funds:

The District's proprietary funds are the Enterprise, School Nutrition Fund and the Internal Service, Cafeteria Plan Fund. The Enterprise, School Nutrition Fund is used to account for the food service operations of the District. The Internal Service, Cafeteria Plan Fund is used to account for benefit programs offered by the District.

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise 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 revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

D. Assets, Liabilities, Deferred Inflows of Resources and Fund Balances

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

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable 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, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in the governmental funds are 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 become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2012 assessed property valuations; is for the tax accrual period July 1, 2013 through June 30, 2014 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2013.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

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

Capital Assets - Capital assets, which include property, machinery and equipment and intangibles, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Position. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 500
Buildings	500
Land improvements	500
Intangibles	25,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	500

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

Asset Class	Estimated Useful Life (In Years)
Buildings	50 years
Land improvements	20 years
Intangibles	2 + years
Machinery and equipment	5-12 years

Salaries and Benefits Payable - Payroll and related expenditures for corresponding to the current school year, which is payable in July and August, have been accrued as liabilities.

Deferred Inflows of Resources - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred inflows of resources 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 period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred inflows of resources consists of property tax receivables and other receivables not collected within sixty days after year end.

Deferred inflows of resources on the Statement of Net Position consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

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

Long-term Liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Position.

Fund Balances - 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.

Assigned - Amounts the Board of Education intends to use for specific purposes.

Unassigned - All amounts not included in other spendable classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2014, expenditures exceeded the amounts budgeted in the other expenditures functional area.

Note 2. Cash and Pooled Investments

The District's deposits at June 30, 2014 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district. The District had no investments at June 30, 2014.

Note 3. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2014 is as follows:

Transfer to	Transfer from	Amount
	Capital Projects:	
	Statewide Sales,	
Debt Service	Services, and Use Tax	\$ 202,998

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

Note 4. Capital Assets

Capital assets activity for the year ended June 30, 2014 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 381,700	-	-	381,700
Construction in progress	-	84,002	-	84,002
Total capital assets not being depreciated	<u>381,700</u>	<u>84,002</u>	<u>-</u>	<u>465,702</u>
Capital assets being depreciated:				
Buildings	13,666,576	317,850	-	13,984,426
Land improvements	888,292	8,700	-	896,992
Machinery and equipment	4,722,294	754,502	672,767	4,804,029
Total capital assets being depreciated	<u>19,277,162</u>	<u>1,081,052</u>	<u>672,767</u>	<u>19,685,447</u>
Less accumulated depreciation for:				
Buildings	5,149,694	300,363	-	5,450,057
Land improvements	468,996	33,965	-	502,961
Machinery and equipment	3,783,065	338,384	672,767	3,448,682
Total accumulated depreciation	<u>9,401,755</u>	<u>672,712</u>	<u>672,767</u>	<u>9,401,700</u>
Total capital assets being depreciated, net	<u>9,875,407</u>	<u>408,340</u>	<u>-</u>	<u>10,283,747</u>
Governmental activities capital assets, net	<u>\$ 10,257,107</u>	<u>492,342</u>	<u>-</u>	<u>10,749,449</u>
Business Type Activities:				
Machinery and equipment	\$ 113,749	-	275	113,474
Less accumulated depreciation	87,593	3,096	275	90,414
Business type activities capital assets, net	<u>\$ 26,156</u>	<u>(3,096)</u>	<u>-</u>	<u>23,060</u>

Depreciation expense was charged by the District as follows:

Governmental Activities:	
Instruction:	
Regular	\$ 216,655
Special	4,202
Support services:	
Operation and maintenance of plant	14,150
Transportation	103,377
	<u>338,384</u>
Unallocated depreciation	<u>334,328</u>
Total governmental activities depreciation expense	<u>\$ 672,712</u>
Business Type Activities:	
Food service operations	<u>\$ 3,096</u>

Note 5. Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2014 are summarized as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Governmental Activities:					
Revenue bonds	\$ 2,790,000	2,840,000	2,965,000	2,665,000	165,000
Termination benefits	166,000	292,357	64,000	394,357	64,950
Net OPEB liability	448,234	61,481	-	509,715	-
Total	<u>\$ 3,404,234</u>	<u>3,193,838</u>	<u>3,029,000</u>	<u>3,569,072</u>	<u>229,950</u>
Business Type Activities:					
Net OPEB liability	\$ 18,799	2,605	-	21,404	-

Revenue Bonds Payable

Details of the District's June 30, 2014 revenue bonded indebtedness are as follows:

Year Ending June 30,	Interest Rate	Bond Issue August 8, 2013		
		Principal	Interest	Total
2015	0.75%	\$ 165,000	63,482	228,482
2016	1.05	170,000	62,245	232,245
2017	1.40	170,000	60,460	230,460
2018	1.70	175,000	58,080	233,080
2019	1.90	175,000	55,105	230,105
2020-2024	2.20-2.90	945,000	214,840	1,159,840
2025-2028	3.00-3.30	865,000	70,650	935,650
Total		<u>\$ 2,665,000</u>	<u>584,862</u>	<u>3,249,862</u>

On August 8, 2013 the District issued a \$2,840,000 of revenue bonds with interest rates from 0.75 to 3.30 percent to refund \$2,790,000 of the outstanding revenue bonds dated November 1, 2008 with interest rates from 3.25 to 4.95 percent. The new refunding revenue bond has been added to the appropriate financial statements and schedules. The economic savings of the refunding is \$479,574.

The District has pledged future statewide sales, services and use tax revenues to repay the \$2,840,000 of bonds issued in August 2013. The bonds were issued for the purpose of refunding the remaining portion of the \$3,120,000 of bonds issued November 1, 2008. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2028. 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 approximately 27 percent of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the notes is \$3,249,862. For the current year, principal of \$2,965,000 and interest of \$70,925 was paid on the revenue bonds and total statewide sales, services and use tax revenues were \$854,034.

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

- a) All proceeds from the statewide sales, services and use tax shall be placed in a Revenue Account.
- b) 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.

Termination Benefits (Early Retirement)

The District offered an early retirement benefit plan to its certified employees for the years ended June 30, 2009, 2010, 2011 and 2014. Employees must have completed an application which was required to be approved by the Board of Education.

For fiscal years 2009, 2010 and 2011, eligible employees must have been at least age fifty-five and employees must have completed fifteen years of continuous service to the District. Voluntary early retirement benefits were only available to the first twelve applicants.

For fiscal year 2014, eligible employees must have been at least age fifty-five and employees must have completed ten years of continuous service to the District. The early retirement benefit for each eligible employee is equal to \$700 per month toward the District's Single Plan 3 health insurance premium for each month of time prior to the retiree becoming eligible for Medicare.

Early retirement benefits paid during the year ended June 30, 2014, totaled \$64,000. A liability has been recorded in the Statement of Net Position representing the District's commitment to fund non-current retirement benefits.

Note 6. Other Postemployment Benefits (OPEB)

Plan Description - The District operates a single-employer health plan which provides medical, prescription drug, and dental benefits for employees, retirees, and their spouses. There are 141 active and 19 retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug benefit, which is a self-funded medical plan, is administered by Northeast Iowa Schools Insurance Trust. 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 of the District (ARC), an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for June 30, 2014, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$	112,293
Interest on net OPEB obligation		11,676
Adjustment to annual required contribution		(40,930)
Annual OPEB cost		<u>83,039</u>
Contributions made		<u>(18,953)</u>
Increase in net OPEB obligation		64,086
Net OPEB obligation - beginning of year		<u>467,033</u>
Net OPEB obligation - end of year	\$	<u><u>531,119</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of the year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the plans actual contributions for the year ended June 30, 2014.

For the year ended June 30, 2014, the District contributed \$18,953 to the medical plan.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of June 30, 2014 are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2012	\$ 37,858	182.26%	\$ (55,172)
2013	547,629	4.64	467,033
2014	83,039	22.82	531,119

Funded Status and Funding Progress - As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2013 through June 30, 2014, the actuarial accrued liability was \$753,087, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$753,087. The covered payroll (annual payroll of active employees covered by the plan) was \$5,899,513, and the ratio of the UAAL to the covered payroll was 12.77%. As of June 30, 2014, 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 presented as Required Supplementary Information in the section following the Notes to the Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques 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.

As of July 1, 2012 actuarial valuation date, the Frozen Entry Age Actuarial Cost method was used. The actuarial assumptions include a 2.5% discount rate based on the District's funding policy, and a 6% per year Health Cost Trend rate.

Mortality rates are from the 94 Group Annuity Mortality Table, applied on a gender-specific basis.

The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

Note 7. Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 5.95% of their annual salary and the District is required to contribute 8.93% of annual covered salary. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2014, 2013, and 2012 were \$556,599, \$537,040, and \$493,978 respectively, equal to the required contributions for each year.

Note 8. Risk Management

New Hampton Community School District is a member in the Northeast Iowa Schools Insurance Trust, an Iowa Code Chapter 28E organization. The Northeast Iowa Schools Insurance Trust (NEIST) is a local government risk-sharing pool whose members include various schools throughout the State of Iowa. NEIST was formed July 1999 for the purpose of managing and funding employee benefits. NEIST provides coverage and protection in the following categories: medical, dental, long-term disability, and life insurance.

Each member's contributions to NEIST funds current operations and provides capital. Annual operating contributions are those amounts necessary to fund, on a GAAP basis, NEIST's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital.

The District's contributions to the risk pool are recorded as expenditures from its General Fund at the time of payment to the risk pool. District contributions to NEIST for the year ended June 30, 2014 were \$1,320,763.

Payments from participating members are the sole source for paying claims and establishing reserves for the NEIST self-funded programs. Stop loss insurance is purchased by NEIST to protect against large claims but the potential exists for claims to exceed the premium payments made by members into the program. In the event that claims exceed premiums and reserves, an assessment may be necessary to pay claims and replenish reserves in the program.

The District does not report a liability for losses in excess of stop loss insurance unless it is deemed probable that such losses have occurred and the amount of such a loss can be reasonably estimated. Accordingly, at June 30, 2014, no liability has been recorded in the District's financial statements. As of June 30, 2014, settled claims have not exceeded the risk pool or reinsurance company coverage.

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

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

Note 9. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$422,810 for the year ended June 30, 2014 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Note 10. Deficit Fund Balance

At June 30, 2014, there was a deficit unassigned balance in the Activity fund of \$24,054.

Note 11. Budget Overexpenditure

Per the Code of Iowa, expenditures may not legally exceed budgeted appropriations at the functional area level. During the year ended June 30, 2014, the District's expenditures in the other expenditures functional area exceeded the amounts budgeted.

Note 12. Construction Commitment

During the year ended June 30, 2014, the District began work on a stadium improvement project with total costs estimated to be \$221,620. As of June 30, 2014, costs of \$84,002 had been incurred on the project.

Note 13. Categorical Funding

The District's ending restricted balances for categorical funding as of the year ended June 30, 2014 are comprised of the following programs:

<u>Programs</u>	<u>Amount</u>
Gifted and Talented	\$ 68,047
Beginning Teacher Mentoring and Induction Program	1,036
Textbook Aid for Nonpublic Students	2,990
Model Core Curriculum	30,728
Professional Development for Model Core Curriculum	13,407
Community Grants	492
State Decategorization Grant	600
Successful Progression for Early Retirement	17,417
Teacher Leadership Grants	4,759
Professional Development System for Statewide Early for Statewide Early Childhood System	298
Total	<u>\$ 139,774</u>

Note 14. Reconciliation of Governmental Fund Balances to Net Position

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

	<u>Net investment in Capital Assets</u>	<u>Management Levy</u>	<u>Unassigned/ Unrestricted</u>
Fund balance (Exhibit C)	\$ -	297,474	612,313
Capital assets, net of accumulated depreciation	10,749,449	-	-
Revenue bond capitalized indebtedness	(2,665,000)	-	-
Termination benefits liability	-	(297,474)	(96,883)
Internal service fund	-	-	27,776
Assigned for general purposes	-	-	7,122
Unassigned for student activities	-	-	(24,054)
Income surtax receivable	-	-	486,043
Net OPEB liability	-	-	(509,715)
Net position (Exhibit A)	<u>\$ 8,084,449</u>	<u>-</u>	<u>502,602</u>

Note 15. Prospective Accounting Change

The Governmental Accounting Standards Board has issued Statement No. 68, Accounting and Financial Reporting for Pensions - an Amendment of GASB No. 27. This statement will be implemented for the fiscal year ending June 30, 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosure required supplementary information. In addition, the Statement of Net Position is expected to include a significant liability for the government's proportionate share of the employee pension plan.

REQUIRED SUPPLEMENTARY INFORMATION

NEW HAMPTON COMMUNITY SCHOOL DISTRICT
 BUDGETARY COMPARISON OF REVENUES, EXPENDITURES/EXPENSES AND
 CHANGES IN BALANCES -
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
 AND PROPRIETARY FUNDS
 REQUIRED SUPPLEMENTARY INFORMATION
 YEAR ENDED JUNE 30, 2014

	Governmental	Proprietary	Total	Budgeted Amounts		Final to Actual Variance
	Funds Actual	Fund Actual		Original	Final	
Revenues:						
Local sources	\$ 6,082,880	294,717	6,377,597	7,436,131	7,436,131	(1,058,534)
Intermediate sources	1,110	-	1,110	500	500	610
State sources	6,039,929	15,449	6,055,378	5,015,213	5,015,213	1,040,165
Federal sources	303,789	237,218	541,007	303,139	303,139	237,868
Total revenues	12,427,708	547,384	12,975,092	12,754,983	12,754,983	220,109
Expenditures/Expenses:						
Instruction	8,167,624	-	8,167,624	8,374,058	8,967,929	800,305
Support services	3,246,091	13,619	3,259,710	3,331,754	3,331,754	72,044
Non-instructional programs	-	508,251	508,251	549,420	549,420	41,169
Other expenditures	3,856,852	-	3,856,852	973,615	3,006,827	(850,025)
Total expenditures/expenses	15,270,567	521,870	15,792,437	13,228,847	15,855,930	63,493
Excess(deficiency) of revenues over(under) expenditures/expenses	(2,842,859)	25,514	(2,817,345)	(473,864)	(3,100,947)	283,602
Other financing sources, net	2,840,000	-	2,840,000	-	-	2,840,000
Excess(deficiency) of revenues and other financing sources over(under) expenditures/expenses	(2,859)	25,514	22,655	(473,864)	(3,100,947)	3,123,602
Balance beginning of year	2,750,768	19,800	2,770,568	2,729,024	2,729,024	41,544
Balance end of year	\$ 2,747,909	45,314	2,793,223	2,255,160	(371,923)	3,165,146

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

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

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis. Encumbrances are not recognized on the GAAP basis budget and appropriations lapse at year end.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functional areas, not by fund or fund type. These four functional areas are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted two budget amendments, increasing budgeted expenditures by a total of \$2,627,083.

During the year ended June 30, 2014, expenditures in the other expenditures functional area exceeded the amounts budgeted.

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

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	-	\$ 486,000	\$ 486,000	-	\$ 5,486,521	8.86%
2011	July 1, 2009	-	486,000	486,000	-	5,752,522	8.45%
2012	July 1, 2009	-	486,000	486,000	-	5,738,671	8.47%
2013	July 1, 2012	-	779,713	779,713	-	5,827,880	13.38%
2014	July 1, 2012	-	753,087	753,087	-	5,899,513	12.77%

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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SUPPLEMENTARY INFORMATION

NEW HAMPTON COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2014

	Special Revenue		
	Student Activity	Manage- ment Levy	Total
Assets			
Cash and pooled investments	\$ 97,522	297,564	395,086
Receivables:			
Property tax			
Delinquent	-	937	937
Succeeding year	-	298,775	298,775
Accounts	54	100	154
Total assets	\$ 97,576	597,376	694,952
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	\$ 2,392	1,127	3,519
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	-	298,775	298,775
Fund balances:			
Restricted for:			
Student activities	119,238	-	119,238
Management levy purposes	-	297,474	297,474
Unassigned	(24,054)	-	(24,054)
Total fund balances	95,184	297,474	392,658
Total liabilities, deferred inflows of resources and fund balances	\$ 97,576	597,376	694,952

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NEW HAMPTON COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2014

	Special Revenue		
	Student Activity	Manage- ment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ -	100,018	100,018
Other	540,145	10,332	550,477
State sources	-	54	54
Total revenues	<u>540,145</u>	<u>110,404</u>	<u>650,549</u>
Expenditures			
Current:			
Instruction:			
Regular	-	143,080	143,080
Other	531,380	-	531,380
Support services:			
Administration	-	7,319	7,319
Operation and maintenance of plant	-	102,695	102,695
Transportation	-	21,600	21,600
Total expenditures	<u>531,380</u>	<u>274,694</u>	<u>806,074</u>
Changes in fund balance	8,765	(164,290)	(155,525)
Fund balances beginning of year	<u>86,419</u>	<u>461,764</u>	<u>548,183</u>
Fund balances end of year	<u>\$ 95,184</u>	<u>297,474</u>	<u>392,658</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NEW HAMPTON COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 CAPITAL PROJECT ACCOUNTS
 JUNE 30, 2014

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Assets			
Cash and pooled investments	\$ 1,062,478	257,921	1,320,399
Receivables:			
Property tax			
Delinquent	-	1,303	1,303
Succeeding year	-	143,325	143,325
Due from other governments	274,340	-	274,340
Total assets	\$ 1,336,818	402,549	1,739,367
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:	\$ -	-	-
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	-	143,325	143,325
Fund balances:			
Restricted for:			
School infrastructure	1,336,818	-	1,336,818
Physical plant and equipment	-	259,224	259,224
Total fund balances	1,336,818	259,224	1,596,042
Total liabilities, deferred inflows of resources and fund balances	\$ 1,336,818	402,549	1,739,367

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NEW HAMPTON COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 CAPITAL PROJECT ACCOUNTS
 YEAR ENDED JUNE 30, 2014

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ -	141,974	141,974
Other	7,142	-	7,142
State sources	854,034	74	854,108
Total revenues	<u>861,176</u>	<u>142,048</u>	<u>1,003,224</u>
Expenditures:			
Instruction:			
Regular	406,815	-	406,815
Support services:			
Administration	150	-	150
Transportation	228,939	-	228,939
Capital outlay	391,004	-	391,004
Total expenditures	<u>1,026,908</u>	<u>-</u>	<u>1,026,908</u>
Excess(Deficiency) of revenues over(under) expenditures	(165,732)	142,048	(23,684)
Other financing uses:			
Transfers out	(202,998)	-	(202,998)
Change in fund balances	(368,730)	142,048	(226,682)
Fund balances beginning of year	<u>1,705,548</u>	<u>117,176</u>	<u>1,822,724</u>
Fund balances end of year	<u>\$ 1,336,818</u>	<u>259,224</u>	<u>1,596,042</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NEW HAMPTON COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2014

Account	Balance Beginning of Year	Revenues	Expendi- tures	Intrafund Transfers	Balance End of Year
Drama	\$ 21	7,685	11,567	3,900	39
Speech	53	100	1,669	1,700	184
H.S. Vocal Music	869	1,256	2,262	140	3
M.S. Vocal Music	618	143	550	(140)	71
Instrumental Music	94	1,553	4,141	2,500	6
Band Trip	-	-	762	800	38
MS Music	287	546	513	-	320
MS Musical	5,268	2,367	924	(4,700)	2,011
Swing Choir	11	-	269	260	2
Cross Country	18	1,245	1,164	(75)	24
HS Cheerleaders	-	1,528	3,685	2,220	63
MS Cheerleaders	2	-	-	-	2
Flags	2	-	-	-	2
Trapshooting	11,469	44,037	32,288	(7,518)	15,700
Athletics	3,402	143,133	160,814	15,405	1,126
Sports Camps	21,765	65,363	57,570	720	30,278
GSA	91	-	-	-	91
National Honor Society	14	5,950	5,920	-	44
Annual	(24,998)	9,540	8,596	-	(24,054)
Chieftain	307	-	-	-	307
Future Educators	7	-	-	-	7
Writers Club	493	75	50	-	518
Science Achievement Club	2,561	-	77	-	2,484
BAC	582	287	546	-	323
FFA	-	41,611	49,129	7,518	-
SADD	2,627	165	406	-	2,386
Student Senate	407	472	830	20	69
Class of 2014	3,413	-	3,223	(190)	-
Class of 2015	1,214	586	1,001	-	799
Class of 2016	-	2,986	1,449	-	1,537
Class of 2017	2,127	132	2,425	170	4
Class of 2018	9,779	73,628	81,917	-	1,490
Class of 2019	7,467	19	-	-	7,486
Class of 2020	-	128	-	-	128
Interact Rotary	121	-	-	-	121
Activity Tickets	5,168	12,136	-	(17,180)	124
Lettermen	4,485	10,120	9,840	-	4,765
Letterette	-	2,060	1,950	-	110
Pom Pon	-	10,676	12,995	2,500	181
Pep Club	10	-	-	-	10
Student Senate Vending	56	41,383	33,790	(7,500)	149
Miscellaneous	106	601	-	(550)	157
M.S. Annual	5,553	2,690	3,200	-	5,043
M.S. Business Achievement Club	-	655	472	-	183
M.S. Student Senate	3,594	73	44	-	3,623
OM/DI Activity	790	3,981	3,679	-	1,092
Early Carde	924	-	-	-	924
Elementary Carnival	11,183	14,833	5,450	-	20,566
Student Assistance	3,800	6,638	7,519	-	2,919
Book Fair	659	-	-	-	659
M.S. Carnival/Scrip	-	29,764	18,694	-	11,070
Total	\$ 86,419	540,145	531,380	-	95,184

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NEW HAMPTON COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
 AGENCY FUND
 YEAR ENDED JUNE 30, 2014

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Assets				
Cash and pooled investments	\$ 8,528	6,798	5,934	9,392
Liabilities				
Due to other groups	\$ 8,528	6,798	5,934	9,392

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Modified Accrual Basis									
	Years Ended June 30,									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Revenues:										
Local sources:										
Local tax	\$ 4,894,362	5,710,561	5,011,532	5,572,743	5,403,867	5,194,179	4,953,087	4,821,855	4,917,484	4,912,351
Tuition	341,325	316,320	368,233	324,598	330,890	270,277	322,300	304,574	265,997	247,581
Other	757,193	816,389	826,026	884,446	781,180	680,436	693,055	626,836	869,245	1,037,269
Intermediate sources	1,110	1,152	1,641	1,983	13,354	14,848	3,358	3,549	550	3,284
State sources	6,039,929	4,921,034	5,078,041	4,756,508	4,229,621	5,137,056	5,074,795	4,484,444	4,239,464	4,123,898
Federal sources	303,789	326,481	585,366	678,724	868,007	418,517	305,630	423,440	260,368	588,581
Total	\$ 12,337,708	12,091,937	11,870,839	12,219,002	11,626,919	11,715,313	11,352,225	10,664,698	10,553,108	10,912,964
Expenditures:										
Instruction:										
Regular	\$ 5,093,452	5,469,341	4,974,046	4,989,596	4,667,810	4,817,849	3,855,343	4,063,778	3,733,483	3,833,556
Special	1,237,022	1,299,281	1,356,977	1,323,826	1,342,425	1,267,225	2,119,604	1,914,412	1,653,993	1,423,451
Other	1,837,150	1,781,138	1,918,414	1,683,406	1,567,141	1,491,006	747,391	663,723	670,400	792,932
Support services:										
Student	210,481	203,666	183,047	210,279	261,650	191,075	207,230	293,211	216,995	175,843
Instructional staff	253,145	283,043	281,297	261,340	259,004	310,387	327,543	309,447	325,272	292,364
Administration	1,205,532	1,212,399	1,139,427	1,067,890	1,063,071	1,020,598	945,006	879,822	834,580	785,261
Operation and maintenance										
of plant	807,412	824,868	726,734	755,004	713,506	726,255	700,117	673,648	698,543	647,956
Transportation	769,521	519,940	563,150	555,358	584,349	580,860	567,357	461,793	436,484	458,782
Capital outlay	391,004	362,319	495,612	431,505	1,946,980	1,753,835	362,875	213,697	106,513	735,832
Long-term debt:										
Principal	2,965,000	130,000	100,000	100,000	-	630,000	605,000	580,000	560,000	535,000
Interest	78,038	132,110	135,510	138,760	222,401	25,600	49,497	72,118	93,957	114,772
Other expenditures:										
AEA flow-through	422,810	410,546	410,210	454,695	455,648	420,686	401,694	372,616	350,551	347,827
Total	\$ 15,270,567	12,628,651	12,284,424	11,971,659	13,083,985	13,235,376	10,888,657	10,498,265	9,680,771	10,143,576

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

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

To the Board of Education of the New Hampton Community School District:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of New Hampton Community School District as of and for the year ended June 30, 2014, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 27, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered New Hampton 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 New Hampton Community School District's internal control. Accordingly, we do not express an opinion on the effectiveness of New Hampton Community School District's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control over financial reporting we consider to be a material weaknesses and deficiencies we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatement 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 I of the accompanying Schedule of Findings as item I-A-14 to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part I of the accompanying Schedule of Findings as items I-B-14 and I-C-14 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether New Hampton Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could

have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2014 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.

New Hampton Community School District's Responses to Findings

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

Purpose of this Report

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

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



NOLTE, CORNMAN & JOHNSON, P.C.

March 27, 2015
Newton, Iowa

NEW HAMPTON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2014

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

I-A-14 Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. One individual has control over each of the following areas for the District:

- 1) Investments - investing, detailed recordkeeping, custody of investments and reconciling earnings.
- 2) Receipts - collecting, recording, depositing, journalizing, posting and reconciling.

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

Response - The District will consider other alternatives and implement them as possible.

Conclusion - Response accepted.

I-B-14 Purchase Orders - We noted during our audit that the District currently uses purchase orders in the purchasing process, however we noted instances of purchase orders dated after the supplies had been ordered or received and we also noted transactions processed without purchase orders.

Recommendation - The advantage of using a purchase order system is that approvals of the items being purchased are noted prior to ordering of the items. In addition, when the items are approved and the purchase order is properly generated, it also reflects on the financial records as an outstanding order, which represents the amount as an obligation against the budget. When monitoring actual expenses, it can be helpful to know the outstanding orders which will be subsequently paid, therefore allowing the person who approves purchase orders the insight to know if there is still available funding to make the purchase.

Although districts are not required to use a purchase order system, the benefits to financial management make the system desirable. The District's current purchase order system should be reviewed and necessary changes made so that all disbursements are approved by the appropriate administrator before ordering of supplies takes place.

Response - The District will work to make sure purchase orders are processed before the items are ordered.

Conclusion - Response accepted.

I-C-14 Deficit Lunch Account Balances - We noted during the audit that the Nutrition Fund is carrying numerous negative student account balances on the books, some of which appear to be excessive in amount.

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

Response - The District will work to collect negative lunch balances.

Conclusion - Response accepted.

OTHER MATTERS:

I-D-14 Board Policies - We noted during our audit that policies in the District's board policy book appear to not have been reviewed in the last five years.

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

Response - The online policies have been updated to reflect the actual dates they were reviewed.

Conclusion - Response accepted.

Part II: Other Findings Related to Statutory Reporting:

II-A-14 Certified Budget - Expenditures for the year ended June 30, 2014 exceeded the amended certified budget amount in the other expenditures functional area.

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

Response - The District will amend the budget as necessary to avoid this issue in the future.

Conclusion - Response accepted.

II-B-14 Questionable Disbursements - During our audit we noted reimbursements made to an employee for baseball camp supplies which were purchased on a personal credit card. These purchases did not appear to go through the District's purchase order and approval process, and therefore did not receive prior approval and were also subject to sales tax. As a tax exempt entity, reimbursements of sales tax does not appear to meet public purpose as defined in an Attorney General's opinion dated April 25, 1979. Among the reimbursements we noted reimbursements for gift cards purchased to be given as awards and as gifts to volunteers. Giving gift cards for these purposes do not appear to meet public purpose as defined in an Attorney General's opinion dated April 25, 1979.

Recommendation - When individuals make purchases and are subsequently reimbursed, it can circumvent the District's purchase order system, subject the District to sales tax and potentially allows for an employee to personally benefit from their employment with the District. The District should review procedures and make every effort to order goods and services directly from vendors upon completion of an approved purchase order.

Response - The District has adopted procedures to make sure this does not happen in the future.

Conclusion - Response accepted.

II-C-14 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted; however, we noted an instance of a reimbursement made to an employee for meals while traveling which lacked detailed receipts. According to board policy 401.12 Employee Travel Compensation, employees must provide the District with a detailed receipt otherwise the expense becomes a personal expense.

Recommendation - The District should review procedures in place and make necessary adjustments to be in compliance with board policy 401.12.

Response - The District has implemented procedures to prevent this from happening in the future.

Conclusion - Response accepted.

II-D-14 Business Transactions - Business transactions between the District and District officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Anita Quirk, Teacher Spouse owns New Hampton Electric	Repairs/Supplies	\$7,982
Terry Phillips, Cook Spouse owns Phillips Refrigeration	Repairs	\$891
Linda Schwickerath, Secretary Spouse owns Office World	Office Supplies	\$135
Karen Messersmith, Paraeducator Spouse owns Messersmith Promotions	Supplies	\$120
Jeanette Laures, Teacher Father-in-law owns Vern Laures	Repairs/Supplies	\$25,468
Tim Denner, Board Member Owns Mohawk Cleaners	Repairs	\$136
Owns Mohawk Electric	Repairs	\$664

In accordance with the Attorney's General's opinion dated November 9, 1976, the above transactions with the spouses of Anita Quirk, Terry Phillips, Linda Schwickerath, Karen Messersmith and the father-in-law of Jeanette Laures do not appear to represent a conflict of interest.

In accordance with Chapter 279.A of the Code of Iowa, the above transactions with Board Member Tim Denner do not appear to represent a conflict of interest.

II-E-14 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

II-F-14 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

II-G-14 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Iowa Department of Education.

- II-H-14 Supplementary Weighting - We noted no variances regarding the supplementary weighting certified to the Iowa Department of Education.
- II-I-14 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- II-J-14 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.
- II-K-14 Categorical Funding - No instance were noted of categorical funding being used to supplant rather than supplement other funds.
- II-L-14 Statewide Sales, Services and Use Tax- No instances of non-compliance with the use of the statewide sales, services, and use tax revenue provisions of the 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, 2014, the District reported the following information regarding the statewide sales, services, and use tax revenue in the District's CAR:

Beginning Balance		\$ 1,705,548
Revenues:		
Sales tax revenue	\$ 854,034	
Other local revenue	7,142	861,176
	<u> </u>	<u>2,566,724</u>
Expenditures/transfers out:		
School infrastructure	\$ 352,506	
Equipment	631,215	
Other	43,187	
Transfers out:		
Debt Service Fund	<u>202,998</u>	<u>1,229,906</u>
Ending Balance		<u><u>\$ 1,336,818</u></u>

For the year ended June 30, 2014, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.

- II-M-14 Financial Condition - We noted an account in the Student Activity Fund that had a deficit balance of \$24,054 at June 30, 2014.

Recommendation - The District should continue to monitor these funds and investigate alternatives to eliminate the deficits. The District should review the controls in place for the Student Activity Fund.

Response - The District will continue to monitor these funds and look for ways to correct the deficit.

Conclusion - Response accepted.

II-N-14 Student Activity Fund - During our audit concerns arose about the propriety of certain receipts, expenditures and accounts within the Student Activity Fund. Inappropriate expenditures would include any expenditure more appropriate to other funds. The Student Activity Fund shall not be used as a clearing account for any other fund. This is not an appropriate fund to use for public tax funds, trust funds, state and federal grants or aids, textbook/library book fines, fees, rents, or sales, textbook/library book purchases, sales of school supplies, curricular activities, or any other revenues or expenditures more appropriately included in another fund. Moneys in this fund shall be used to support only the co-curricular program defined in department of education administrative rules (298A.9). More specific examples of findings are listed below.

Instructional Supplies: During our audit we noted purchases of books from the MS Carnival/Scrip account within the Student Activity Fund. These expenditures appear to be instructional in nature.

Teacher's Lounge Supplies: During our audit we noted purchases of teacher's lounge supplies from the Writers Club account within the Student Activity Fund. These expenditures do not appear to be extracurricular or co-curricular in nature.

Recommendation - Expenses for instructional supplies and teacher's lounge supplies are not extracurricular or co-curricular in nature and therefore would be more appropriately handled in the General Fund.

Response - The District will monitor the Student Activity Fund to ensure expenditures are appropriate.

Conclusion - Response accepted.