

NEW HAMPTON COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2017

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New Hampton Community School District

Officials		
<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
Joe Rosonke	President	2017
Damian Baltes	Vice President	2017
Nathaniel Schwickerath	Board Member	2019
Jay Matthews	Board Member	2019
Timothy Denner	Board Member	2017
School Officials		
Jay Jurrens	Superintendent	2017
Bob Ayers	Business Manager/Board Secretary	2017
Swisher & Cohrt, P.L.C.	Attorney	2017

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

INDEPENDENT AUDITOR'S REPORT

To the Board of Education 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, 2017, and the related Notes to 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, 2017, 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, the Schedule of the District's Proportionate Share of the Net Pension Liability, the Schedule of District Contributions and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 16 and 46 through 51 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, 2016 (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 April 25, 2018 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 solely 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 effectiveness of the District's 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.

April 25, 2018
Newton, Iowa

New Hampton Community School District

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, 2017. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2017 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$10,938,050 in fiscal year 2016 to \$11,816,936 in fiscal year 2017, General Fund expenditures increased from \$10,650,968 in fiscal year 2016 to \$11,242,297 in fiscal year 2017. General Fund revenues outpaces expenditures, thus resulted in an increase in the District's General Fund balance from \$998,284 at June 30, 2016 to \$1,572,923 at June 30, 2017, an increase of 57.56% from the prior year.
- The increase in General Fund revenues was attributable to increases in state source revenues. The increase in expenditures was due primarily to increased expenditures in the instruction functional area.
- The District's total net position increased from \$6,091,403 at June 30, 2016 to \$6,512,761 at June 30, 2017. Total revenues increased from \$13,504,891 in fiscal year 2016 to \$14,224,909 in fiscal year 2017, a 5.46% increase, while total expenses increased from \$13,055,239 in fiscal year 2016 to \$13,821,551 in fiscal year 2017, a 5.87% increase compared to the prior year.

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 custodian for the benefit of those outside of the District.

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

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

Supplementary Information provides detailed information about the nonmajor governmental funds.

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

Figure A-1
New Hampton Community School District Annual Financial Report

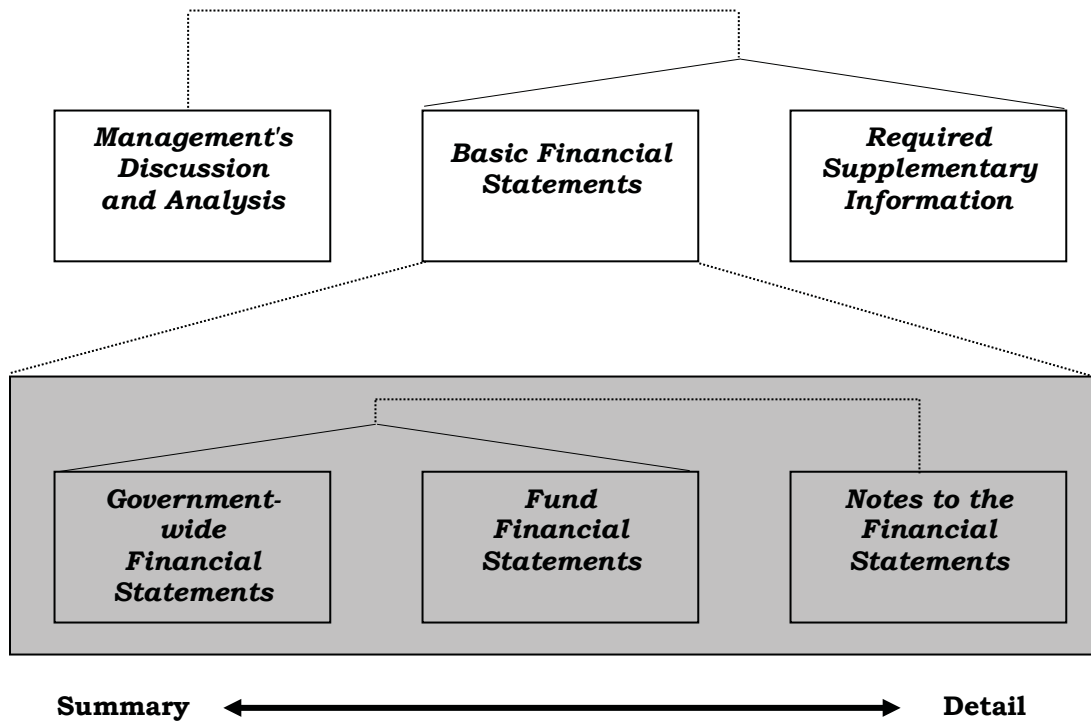


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

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 deferred outflow/inflow information	Consumption/acquisition of net position that is applicable to a future reporting period	Consumption/acquisition of net position that is applicable to a future reporting period	Consumption/acquisition of net position that is applicable to a future reporting period	Consumption/acquisition of net position that is applicable to a future reporting period
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

The two government-wide financial statements report the District's net position and how it has changed. Net position is one way to measure the District's financial health or 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 three kinds of funds:

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

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

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

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's enterprise 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 Agency Funds.

- 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.
- Iowa Big North Agency Fund – Partnership of Charles City, New Hampton, Osage and RRMR School District's to engage students in learning and work with business partners from each community to solve problems.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their untended 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, 2017 compared to June 30, 2016.

Figure A-3 Condensed Statement of Net Position							
	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2017	2016	2017	2016	2017	2016	2016-17
Current and other assets	\$ 19,432,751	8,308,081	107,468	102,811	19,540,219	8,410,892	132.32%
Capital assets	10,704,649	10,145,822	35,880	42,951	10,740,529	10,188,773	5.42%
Total assets	30,137,400	18,453,903	143,348	145,762	30,280,748	18,599,665	62.80%
Deferred inflows of resources	1,530,690	754,705	44,566	21,533	1,575,256	776,238	102.93%
Long-term liabilities	18,647,103	7,694,745	184,427	152,367	18,831,530	7,847,112	139.98%
Other liabilities	563,646	140,733	9,399	5,105	573,045	145,838	292.93%
Total liabilities	19,210,749	7,835,478	193,826	157,472	19,404,575	7,992,950	142.77%
Deferred inflows of resources	5,933,409	5,277,606	5,259	13,944	5,938,668	5,291,550	12.23%
Net position:							
Net investment in capital assets	7,540,070	7,815,822	35,880	42,951	7,575,950	7,858,773	-3.60%
Restricted	1,932,869	1,811,948	-	-	1,932,869	1,811,948	6.67%
Unrestricted	(2,949,007)	(3,532,246)	(47,051)	(47,072)	(2,996,058)	(3,579,318)	16.30%
Total net position	\$ 6,523,932	6,095,524	(11,171)	(4,121)	6,512,761	6,091,403	6.92%

The District's total net position increased by 6.92%, or \$421,358, 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 increased \$120,921, or 6.67% from the prior year. The increase was primarily the result of the increase in the Capital Projects Fund Accounts compared to the prior 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 \$583,260, or 16.30%. This increase in unrestricted net position was primarily a result of the increase in the unassigned fund balance of the General Fund.

Figure A-4 shows the changes in net position for the year ended June 30, 2017 compared to the year ended June 30, 2016.

Figure A-4 Changes of Net Position							
	Governmental Activities		Business Type Activities		Total District		Total Change
	2017	2016	2017	2016	2017	2016	2016-17
Revenues:							
Program revenues:							
Charges for service	\$ 1,104,626	1,069,545	291,774	306,536	1,396,400	1,376,081	1.48%
Operating grants, contributions and restricted interest	1,196,720	1,067,056	268,588	263,961	1,465,308	1,331,017	10.09%
General revenues:							
Property tax	4,722,446	4,646,177	-	-	4,722,446	4,646,177	1.64%
Income surtax	474,625	591,948	-	-	474,625	591,948	-19.82%
Statewide sales, service and use tax	939,627	926,917	-	-	939,627	926,917	1.37%
Unrestricted state grants	5,126,424	4,517,894	-	-	5,126,424	4,517,894	13.47%
Unrestricted investment earnings	16,768	7,402	187	173	16,955	7,575	123.83%
Other	97,881	104,609	3,243	2,673	101,124	107,282	-5.74%
Total revenues	13,679,117	12,931,548	563,792	573,343	14,242,909	13,504,891	5.46%
Program expenses:							
Instruction	8,352,881	8,011,926	-	-	8,352,881	8,011,926	4.26%
Support services	3,960,584	3,589,546	226	9,142	3,960,810	3,598,688	10.06%
Non-instructional programs	498	-	570,616	541,469	571,114	541,469	5.47%
Other expenses	936,746	903,156	-	-	936,746	903,156	3.72%
Total expenses	13,250,709	12,504,628	570,842	550,611	13,821,551	13,055,239	5.87%
Excess(Deficiency) of revenues over(under) expenses	428,408	426,920	(7,050)	22,732	421,358	449,652	-6.29%
Transfers	-	(17,200)	-	17,200	-	-	0.00%
Change in net position	428,408	409,720	(7,050)	39,932	421,358	449,652	-6.29%
Net position beginning of year	6,095,524	5,685,804	(4,121)	(44,053)	6,091,403	5,641,751	7.97%
Net position end of year	\$ 6,523,932	6,095,524	(11,171)	(4,121)	6,512,761	6,091,403	6.92%

In fiscal year 2017, local property tax, statewide sales, service and use tax and unrestricted state grants accounted for 78.87% of the revenue from governmental activities while charges for

services and operating grants and contributions account for 99.39% of the revenue from business type activities.

The District's total revenues were approximately \$14.24 million of which approximately \$13.68 million was for governmental activities and approximately \$0.56 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced an increase of 5.46% in revenues and a 5.87% increase in expenses.

Governmental Activities

Revenues for governmental activities were \$13,679,117 and expenses were \$13,250,709 for the year ended June 30, 2017.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses for the year ended June 30, 2017 compared to those expenses for the year ended June 30, 2016.

Figure A-5						
Total and Net Cost of Governmental Activities						
	Total Cost of Services			Net Cost of Services		
	2017	2016	Change 2016-17	2017	2016	Change 2016-17
Instruction	\$ 8,352,881	8,011,926	4.26%	6,519,934	6,356,237	2.58%
Support services	3,960,584	3,589,546	10.34%	3,923,601	3,533,772	11.03%
Non-Instructional programs	498	0	100.00%	498	0	100.00%
Other expenses	936,746	903,156	3.72%	505,330	478,018	5.71%
Totals	\$ 13,250,709	12,504,628	5.97%	10,949,363	10,368,027	5.61%

For the year ended June 30, 2017;

- The cost financed by users of the District's programs was \$1,104,626.
- Federal and state governments along with local sources subsidized certain programs with grants and contributions totaling \$1,196,720.
- The net cost of governmental activities was financed with \$4,722,446 in property tax, \$474,625 in income surtax, \$939,627 in statewide sales, services and use tax, \$5,126,424 in unrestricted state grants, \$16,768 in interest income and \$97,881 in other general revenues.

Business Type Activities

Revenues of the District's business type activities were \$563,792 and expenses were \$570,842. 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 and other general revenues.

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 \$12,637,153, above last year's ending fund balances of \$2,882,601. The primary reason for the

increase in combined fund balances in fiscal year 2017 is due to the issuance of \$10,000,000 in general obligation bonds during the year which will be used to finance additions to District buildings.

Governmental Fund Highlights

- The District's increase in the General Fund financial position is the product of many factors. The difference between fiscal year 2017 revenues of \$11,816,936 and expenses of \$11,242,297 resulted in a net increase in fund balance of \$574,639. As a result, the District's General Fund balance increased from \$998,284 at June 30, 2016 to \$1,572,923 at June 30, 2017. This represents a 57.56% increase from the prior year.
- The Capital Projects Fund balance increased from \$1,428,128 at June 30, 2016 to \$10,578,442 at June 30, 2017, an increase of 640.72% from the prior year. This increase can be attributed in to the issuance of \$10,000,000 in general obligation bonds during the year. These proceeds will be used to finance construction costs. At June 30, 2017, \$8,995,421 of these proceeds were unspent.
- The Debt Service Fund balance was unchanged from the prior year. The District will be levying a debt service property tax levy to pay for the general obligation bonds issued in 2017.

Proprietary Fund Highlights

The School Nutrition Fund net position decreased from a deficit \$4,121 at June 30, 2016 to a deficit \$11,171 at June 30, 2017, representing a decrease of 171.07%.

BUDGETARY HIGHLIGHTS

Over the course of the year, New Hampton School District amended its budget one time to reflect additional expenditures associated primarily with the Middle school and Vocational Education additions.

The District's revenues were \$44,108 more than budgeted revenues, a variance of 0.31%. The most significant variance resulted from the District receiving more from state sources than originally anticipated.

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

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2017, the District had invested \$10,740,529, 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 \$842,999.

The original cost of the District's capital assets was approximately \$23.08 million. Governmental funds account for approximately \$22.93 million with the remainder of approximately \$0.15 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 reported at June 30, 2016, compared to \$977,756 reported at June 30, 2017. This increase in construction in progress is due to costs associated with the Middle School and Vocational Education addition project that was started in fiscal year 2017.

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,
	2017	2016	2017	2016	2017	2016	2016-17
Land	\$ 381,700	381,700	-	-	381,700	381,700	0.00%
Construction in progress	977,756	-	-	-	977,756	-	100.00%
Buildings	7,776,985	7,931,117	-	-	7,776,985	7,931,117	-1.94%
Land improvements	546,749	595,718	-	-	546,749	595,718	-8.22%
Machinery and equipment	1,021,459	1,237,287	35,880	42,951	1,057,339	1,280,238	-17.41%
Total	\$ 10,704,649	10,145,822	35,880	42,951	10,740,529	10,188,773	5.42%

Long-Term Debt

At June 30, 2017, the District had \$12,160,000 in revenue bonds, and General Obligation bonds outstanding. This represents an increase of 421.89% 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 of \$2,160,000 at June 30, 2017 payable from the Capital Projects: Statewide Sales, Services and Use Tax Fund.

The District had total outstanding general obligation bonds of \$10,000,000 at June 30, 2017, payable from the Debt Service Fund.

Figure A-7 Outstanding Long-Term Obligations			
	Total District		Total Change
	June 30,		June 30,
	2017	2016	2016-17
Revenue bonds	\$ 2,160,000	2,330,000	-7.30%
General Obligation bonds	10,000,000	-	100.00%
Total	\$ 12,160,000	2,330,000	421.89%

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 Iowa school funding formula is highly dependent upon student enrollment. Current and projected declines in enrollment will continue to negatively impact the District's revenues while costs are expected to increase.

-
- The State of Iowa has set the supplemental state aid for fiscal year 2017 at 1.25%, but has not set the supplemental state aid for fiscal year 2018 and beyond. The District's inability to predict future revenues will continue to have a significant impact on future budget discussions.

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, Business Manager/Board Secretary, New Hampton Community School District, 710 West Main Street, New Hampton, Iowa, 50659.

BASIC FINANCIAL STATEMENTS

NEW HAMPTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2017

	Governmental Activities	Business Type Activities	Total
Assets			
Cash and pooled investments	\$ 12,753,379	79,549	12,832,928
Receivables:			
Property tax:			
Delinquent	41,879	-	41,879
Succeeding year	5,747,800	-	5,747,800
Income surtax	471,636	-	471,636
Accounts	3,434	-	3,434
Due from other governments	414,623	-	414,623
Inventories	-	27,919	27,919
Capital assets not being depreciated:			
Land and construction in progress	1,359,456	-	1,359,456
Capital assets, net of accumulated depreciation			
Buildings and land improvements and machinery and equipment	9,345,193	35,880	9,381,073
Total assets	30,137,400	143,348	30,280,748
Deferred Outflows of Resources			
Pension related deferred outflows	1,530,690	44,566	1,575,256
Liabilities			
Accounts payable	538,563	848	539,411
Salaries and benefits payable	2,620	-	2,620
Accrued interest payable	22,463	-	22,463
Unearned revenue	-	8,551	8,551
Long-term liabilities:			
Portion due within one year:			
Revenue bonds payable	175,000	-	175,000
General Obligation bond payable	495,000	-	495,000
Compensated absences	8,463	-	8,463
Termination benefits payable	58,540	-	58,540
Portion due after one year:			
Revenue bonds payable	1,985,000	-	1,985,000
General Obligation bond payable	9,505,000	-	9,505,000
Termination benefits payable	225,787	-	225,787
Net pension liability	5,555,419	157,113	5,712,532
Net OPEB liability	638,894	27,314	666,208
Total liabilities	19,210,749	193,826	19,404,575
Deferred Inflows of Resources			
Unavailable property tax revenue	5,747,800	-	5,747,800
Pension related deferred inflows	185,609	5,259	190,868
Total deferred inflows of resources	5,933,409	5,259	5,938,668
Net Position			
Net investment in capital assets	7,540,070	35,880	7,575,950
Restricted for:			
Categorical funding	126,916	-	126,916
Student activities	120,247	-	120,247
Management levy purposes	102,685	-	102,685
School infrastructure	1,280,863	-	1,280,863
Physical plant and equipment	302,158	-	302,158
Unrestricted	(2,949,007)	(47,051)	(2,996,058)
Total net position	\$ 6,523,932	(11,171)	6,512,761

SEE NOTES TO FINANCIAL STATEMENTS.

NEW HAMPTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2017

	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities
Functions/Programs:					
Governmental activities:					
Instruction:					
Regular	\$ 4,949,353	519,963	222,628	(4,206,762)	-
Special	1,513,403	49,857	136,811	(1,326,735)	-
Other	1,890,125	534,806	368,882	(986,437)	-
	8,352,881	1,104,626	728,321	(6,519,934)	-
Support services:					
Student	181,319	-	-	(181,319)	-
Instructional staff	696,504	-	1,990	(694,514)	-
Administration	1,341,022	-	-	(1,341,022)	-
Operation and maintenance of plant	1,129,600	-	-	(1,129,600)	-
Transportation	612,139	-	34,993	(577,146)	-
	3,960,584	-	36,983	(3,923,601)	-
Non-instructional programs:					
Food service operations	498	-	-	(498)	-
Long-term debt interest	82,923	-	-	(82,923)	-
Other expenditures:					
AEA flowthrough	431,416	-	431,416	-	-
Depreciation(unallocated)*	422,407	-	-	(422,407)	-
	853,823	-	431,416	(422,407)	-
Total governmental activities	13,250,709	1,104,626	1,196,720	(10,949,363)	-
Business type activities:					
Support services:					
Administration	226	-	-	-	(226)
Non-instructional programs:					
Food service operations	570,616	291,774	268,588	-	(10,254)
Total business type activities	570,842	291,774	268,588	-	(10,480)
Total	\$ 13,821,551	1,396,400	1,465,308	(10,949,363)	(10,480)
General Revenues:					
Property tax levied for:					
General purposes				\$ 4,571,369	-
Capital outlay				151,077	-
Income surtax				474,625	-
Statewide sales, services and use tax				939,627	-
Unrestricted state grants				5,126,424	-
Unrestricted investment earnings				16,768	187
Other				97,881	3,243
Total general revenues				11,377,771	3,430
Changes in net position				428,408	(7,050)
Net position beginning of year				6,095,524	(4,121)
Net position end of year				\$ 6,523,932	(11,171)

* 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, 2017

	General	Capital Projects	Debt Service	Nonmajor	Total
Assets					
Cash and pooled investments	\$ 1,320,697	10,911,066	-	486,637	12,718,400
Receivables:					
Property tax					
Delinquent	37,872	1,369	-	2,638	41,879
Succeeding year	4,514,587	157,855	765,357	310,001	5,747,800
Income surtax	471,636	-	-	-	471,636
Accounts	3,001	-	-	433	3,434
Due from other governments	336,453	78,170	-	-	414,623
Total assets	\$ 6,684,246	11,148,460	765,357	799,709	19,397,772
Liabilities, Deferred Inflows of Resources and Fund Balances					
Liabilities:					
Accounts payable	\$ 122,480	412,163	-	3,920	538,563
Salaries and benefits payable	2,620	-	-	-	2,620
Total liabilities	125,100	412,163	-	3,920	541,183
Deferred inflows of resources:					
Unavailable revenues:					
Succeeding year property tax	4,514,587	157,855	765,357	310,001	5,747,800
Income surtax	471,636	-	-	-	471,636
Total deferred inflows of resources	4,986,223	157,855	765,357	310,001	6,219,436
Fund balances:					
Restricted for:					
Categorical funding	126,916	-	-	-	126,916
Student activities	-	-	-	120,247	120,247
Management levy purposes	-	-	-	387,012	387,012
School infrastructure	-	10,276,284	-	-	10,276,284
Physical plant and equipment	-	302,158	-	-	302,158
Unassigned:					
General	1,446,007	-	-	-	1,446,007
Student activities	-	-	-	(21,471)	(21,471)
Total fund balances	1,572,923	10,578,442	-	485,788	12,637,153
Total liabilities, deferred inflows of resources and fund balances	\$ 6,684,246	11,148,460	765,357	799,709	19,397,772

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, 2017

Total fund balances of governmental funds(page 20)	\$ 12,637,153
<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.	10,704,649
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.	471,636
Blending of the Internal Service Funds to be reflected on an entity-wide basis.	34,979
Accrued interest payable on long-term liabilities is not due and payable in the current year and, therefore, is not reported as a liability in the governmental funds.	(22,463)
Pension related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental funds, as follows:	
Deferred outflows of resources	\$ 1,530,690
Deferred inflows of resources	<u>(185,609)</u>
	1,345,081
Long-term liabilities, including bonds payable, termination benefits, compensated absences, net pension liability, 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>(18,647,103)</u>
Net position of governmental activities(page 18)	<u><u>\$ 6,523,932</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, 2017

	General	Capital Projects	Debt Service	Nonmajor	Total
Revenues:					
Local sources:					
Local tax	\$ 4,770,310	151,077	-	297,583	5,218,970
Tuition	606,375	-	-	-	606,375
Other	301,739	24,232	-	458,507	784,478
State sources	5,790,854	944,138	-	8,543	6,743,535
Federal sources	347,658	-	-	-	347,658
Total revenues	11,816,936	1,119,447	-	764,633	13,701,016
Expenditures:					
Current:					
Instruction:					
Regular	4,501,005	143,726	-	190,470	4,835,201
Special	1,555,584	-	-	-	1,555,584
Other	1,452,997	4,050	-	421,959	1,879,006
	7,509,586	147,776	-	612,429	8,269,791
Support services:					
Student	168,771	7,733	-	-	176,504
Instructional staff	646,185	21,522	-	-	667,707
Administration	1,264,964	37,295	-	8,481	1,310,740
Operation and maintenance of plant	761,656	170,722	-	89,431	1,021,809
Transportation	459,719	67,574	-	24,693	551,986
	3,301,295	304,846	-	122,605	3,728,746
Capital outlay	-	1,286,007	-	-	1,286,007
Long-term debt:					
Principal	-	-	170,000	-	170,000
Interest and fiscal charges	-	-	60,460	-	60,460
	-	-	230,460	-	230,460
Other expenditures:					
AEA flowthrough	431,416	-	-	-	431,416
Total expenditures	11,242,297	1,738,629	230,460	735,034	13,946,420
Excess(Deficiency) of revenues over(under) expenditures	574,639	(619,182)	(230,460)	29,599	(245,404)
Other financing sources(uses):					
Transfer in	-	-	230,460	-	230,460
Transfer out	-	(230,460)	-	-	(230,460)
General obligation bond proceeds	-	10,000,000	-	-	10,000,000
Premium on bond issuance	-	138,355	-	-	138,355
Discount on bond issuance	-	(138,399)	-	-	(138,399)
Total other financing sources(uses)	-	9,769,496	230,460	-	9,999,956
Change in fund balances	574,639	9,150,314	-	29,599	9,754,552
Fund balances beginning of year	998,284	1,428,128	-	456,189	2,882,601
Fund balances end of year	\$ 1,572,923	10,578,442	-	485,788	12,637,153

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, 2017

Change in fund balances - total governmental funds(page 22) \$ 9,754,552

*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	\$ 1,394,755	
Depreciation expense	<u>(835,928)</u>	558,827

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. (21,899)

Proceeds of issuing long-term 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 liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Current year issuances exceeded repayments, as follows:

Repaid	170,000	
Issued	<u>(10,000,000)</u>	(9,830,000)

Net change in Internal Service Fund charged back against expenditures of the current year period in the governmental funds. 2,148

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. (22,463)

The current year District IPERS contributions are reported as expenditures in the governmental funds, but are reported as deferred outflows of resources in the Statement of Net Position. 606,481

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

Termination benefits	(8,460)	
Compensated absences	8,440	
Pension expense	(615,301)	
Other postemployment benefits	<u>(3,917)</u>	<u>(619,238)</u>

Change in net position of governmental activities(page 19) \$ 428,408

SEE NOTES TO FINANCIAL STATEMENTS.

NEW HAMPTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2017

	Business Type Activities: Enterprise Fund School Nutrition	Governmental Activities: Internal Service Fund
Assets		
Current assets:		
Cash and pooled investments	\$ 79,549	34,979
Inventories	27,919	-
Total current assets	107,468	34,979
Noncurrent assets:		
Capital assets, net of accumulated depreciation	35,880	-
Total assets	143,348	34,979
Deferred Outflows of Resources		
Pension related deferred outflows	44,566	-
Liabilities		
Current liabilities:		
Accounts payable	848	-
Unearned revenue	8,551	-
Total current liabilities	9,399	-
Noncurrent liabilities:		
Net pension liability	157,113	-
Net OPEB liability	27,314	-
Total noncurrent liabilities	184,427	-
Total liabilities	193,826	-
Deferred Inflows of Resources		
Pension related deferred inflows	5,259	-
Net Position		
Net investment in capital assets	35,880	-
Unrestricted	(47,051)	34,979
Total net position	\$ (11,171)	34,979

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, 2017

	Business Type Activities: <u>Enterprise Fund</u> School Nutrition	Governmental Activities: Internal Service Fund
Operating revenues:		
Local sources:		
Charges for service	\$ 291,774	-
Miscellaneous	3,243	72,583
Total operating revenues	<u>295,017</u>	<u>72,583</u>
Operating expenses:		
Support services:		
Administration:		
Benefits	<u>226</u>	<u>70,480</u>
Non-instructional programs:		
Food service operations:		
Salaries	203,657	-
Benefits	80,960	-
Services	6,154	-
Supplies	272,774	-
Depreciation	<u>7,071</u>	<u>-</u>
	<u>570,616</u>	<u>-</u>
Total operating expenses	<u>570,842</u>	<u>70,480</u>
Operating income(loss)	<u>(275,825)</u>	<u>2,103</u>
Non-operating revenues		
State sources	3,679	-
Federal sources	264,909	-
Interest income	<u>187</u>	<u>45</u>
Total non-operating revenues	<u>268,775</u>	<u>45</u>
Change in net position	(7,050)	2,148
Net position beginning of year	<u>(4,121)</u>	<u>32,831</u>
Net position end of year	<u>\$ (11,171)</u>	<u>34,979</u>

SEE NOTES TO FINANCIAL STATEMENTS.

NEW HAMPTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2017

	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	\$ 295,220	-
Cash received from miscellaneous sources	3,243	72,583
Cash payments to employees for services	(284,501)	(70,480)
Cash payments to suppliers for goods or services	(242,309)	-
Net cash provided by (used in) operating activities	<u>(228,347)</u>	<u>2,103</u>
Cash flows from non-capital financing activities:		
State grants received	3,679	-
Federal grants received	220,508	-
Net cash provided by non-capital financing activities	<u>224,187</u>	<u>-</u>
Cash flows from investing activities:		
Interest on investments	<u>187</u>	<u>45</u>
Net increase(decrease) in cash and pooled investments	(3,973)	2,148
Cash and pooled investments beginning of year	<u>83,522</u>	<u>32,831</u>
Cash and pooled investments end of year	<u>\$ 79,549</u>	<u>34,979</u>
Reconciliation of operating income(loss) to net cash provided by(used in) operating activities:		
Operating income(loss)	\$ (275,825)	2,103
Adjustments to reconcile operating income(loss) to net cash provided by(used in) operating activities:		
Commodities consumed	44,401	-
Depreciation	7,071	-
Increase in inventories	(8,630)	-
Increase in accounts payable	848	-
Increase in unearned revenue	3,446	-
Increase in net pension liability	32,100	-
Increase in deferred outflows of resources	(23,033)	-
Decrease in deferred inflows of resources	(8,685)	-
Decrease in other postemployment benefits	(40)	-
Net cash provided by(used in) operating activities	<u>\$ (228,347)</u>	<u>2,103</u>

Non-cash investing, capital and related financing activities:

During the year ended June 30, 2017, the District received Federal commodities valued at \$44,401.

SEE NOTES TO FINANCIAL STATEMENTS.

NEW HAMPTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
JUNE 30, 2017

	<u>Agency</u>
Assets	
Cash and pooled investments	\$ 9,552
Accounts receivable	<u>3,400</u>
Total Assets	<u><u>\$ 12,952</u></u>
 Liabilities	
Accounts payable	\$ 19
Due to other groups	<u>12,933</u>
Total liabilities	<u><u>\$ 12,952</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

NEW HAMPTON COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Note 1. Summary of Significant Accounting Policies

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 career and technical 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 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 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 balances.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise 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, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Equity

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

Cash, Pooled Investments and Cash Equivalents - The cash 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 amortized cost.

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

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

Property tax receivable is recognized in these funds on the levy or lien date, which is the date 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, 2015 assessed property valuations; is for the tax accrual period July 1, 2016 through June 30, 2017 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2016.

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, acquired after July 1, 1980 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

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

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.

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.

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2017. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

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

Deferred Inflows of Resources - Deferred inflows of resources represent an acquisition of net position that applies to future period(s) and will not be recognized as an inflow of resources (revenue) until that time. Although certain revenues are measurable, they are not available. Available means collected within the current 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 and the unamortized portion of the net difference between projected and actual earnings on pension plan investments.

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

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

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

Unassigned - All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

Note 2. Cash and Pooled Investments

The District's deposits in banks at June 30, 2017 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, 2017.

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

Note 3. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2017 is as follows:

Transfer to	Transfer from	Amount
	Capital Projects:	
	Statewide Sales,	
Debt Service	Services, and Use Tax	<u>\$ 230,460</u>

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, 2017 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	-	977,756	-	977,756
Total capital assets not being depreciated	381,700	977,756	-	1,359,456
Capital assets being depreciated:				
Buildings	14,286,611	216,766	-	14,503,377
Land improvements	1,235,994	2,540	-	1,238,534
Machinery and equipment	5,626,960	197,693	-	5,824,653
Total capital assets being depreciated	21,149,565	416,999	-	21,566,564
Less accumulated depreciation for:				
Buildings	6,355,494	370,898	-	6,726,392
Land improvements	640,276	51,509	-	691,785
Machinery and equipment	4,389,673	413,521	-	4,803,194
Total accumulated depreciation	11,385,443	835,928	-	12,221,371
Total capital assets being depreciated, net	9,764,122	(418,929)	-	9,345,193
Governmental activities capital assets, net	<u>\$ 10,145,822</u>	<u>558,827</u>	<u>-</u>	<u>10,704,649</u>
Business Type Activities:				
Machinery and equipment	\$ 147,363	-	-	147,363
Less accumulated depreciation	104,412	7,071	-	111,483
Business type activities capital assets, net	<u>\$ 42,951</u>	<u>(7,071)</u>	<u>-</u>	<u>35,880</u>

Depreciation expense was charged by the District as follows:

Governmental Activities:

Instruction:

Regular	\$ 282,763
Special	6,785
Other	3,818

Support services:

Administration	9,841
Operation and maintenance of plant	15,369
Transportation	94,945
	<u>413,521</u>

Unallocated depreciation	<u>422,407</u>
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Total governmental activities depreciation expense	<u><u>\$ 835,928</u></u>
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Business Type Activities:

Food service operations	<u><u>\$ 7,071</u></u>
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Note 5. Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2017 are summarized as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Governmental Activities:					
Revenue bonds	\$ 2,330,000	-	170,000	2,160,000	175,000
General obligation bonds	-	10,000,000	-	10,000,000	495,000
Compensated absences	16,903	8,463	16,903	8,463	8,463
Termination benefits	275,867	60,000	51,540	284,327	58,540
Net pension liability	4,436,998	1,118,421	-	5,555,419	-
Net OPEB liability	634,977	69,841	65,924	638,894	-
Total	<u>\$ 7,694,745</u>	<u>11,256,725</u>	<u>304,367</u>	<u>18,647,103</u>	<u>737,003</u>
Business Type Activities:					
Net pension liability	\$ 125,013	32,100	-	157,113	-
Net OPEB liability	27,354	2,778	2,818	27,314	-
Total	<u>\$ 152,367</u>	<u>34,878</u>	<u>2,818</u>	<u>184,427</u>	<u>-</u>

Revenue Bonds Payable

Details of the District's June 30, 2017 revenue bonded indebtedness are as follows:

Year Ending June 30,	Interest Rate	Bond Issue August 8, 2013		
		Principal	Interest	Total
2018	1.70%	\$ 175,000	58,080	233,080
2019	1.90	175,000	55,105	230,105
2020	2.20	175,000	51,780	226,780
2021	2.40	185,000	47,930	232,930
2022	2.60	190,000	43,490	233,490
2023-2027	2.80-3.20	1,030,000	134,700	1,164,700
2028	3.30	230,000	7,590	237,590
Total		<u>\$ 2,160,000</u>	<u>398,675</u>	<u>2,558,675</u>

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 25 percent of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the notes is \$2,558,675. For the current year, principal of \$170,000 and interest of \$60,460 was paid on the revenue bonds and total statewide sales, services and use tax revenues were \$939,627.

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.

General Obligation Bonds

Details of the District's June 30, 2017 general obligation indebtedness are as follows:

Year Ending June 30,	Interest Rate	Bond Issue June 1, 2017		
		Principal	Interest	Total
2018	2.00%	\$ 495,000	269,551	764,551
2019	2.00	370,000	259,651	629,651
2020	2.00	395,000	252,251	647,251
2021	2.00	405,000	244,351	649,351
2022	2.00	420,000	236,251	656,251
2023-2027	2.00-2.50	2,275,000	1,046,231	3,321,231
2028-2032	3.00	2,625,000	729,319	3,354,319
2033-2037	3.00-3.40	3,015,000	304,920	3,319,920
Total		<u>\$ 10,000,000</u>	<u>3,342,526</u>	<u>13,342,526</u>

Termination Benefits

The District offered an early retirement benefit plan to its certified employees for the years ended June 30, 2011, 2014, and 2017. Employees must have completed an application which was required to be approved by the Board of Education.

For fiscal years 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, health premiums at \$500 per month.

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 \$500 per month toward the District's single health insurance premium for each month of time prior to the retiree becoming eligible for Medicare.

For fiscal year 2017, eligible employees must have been at least age fifty-five and employees must have completed fifteen years of continuous service to the District. The early retirement benefit for each eligible employee is equal to \$500 per month toward the District's single health insurance premium for each month for five years or to the month prior of the retiree becoming eligible for Medicare.

Early retirement benefits paid during the year ended June 30, 2017, totaled \$51,540. A liability has been recorded in the Statement of Net Position representing the District's commitment to fund non-current retirement benefits. At June 30, 2017, the District had outstanding obligations to nine retirees totaling \$284,327.

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 138 active and 12 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, 2017, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 137,858
Interest on net OPEB obligation	16,558
Adjustment to annual required contribution	(81,797)
Annual OPEB cost	72,619
Contributions made	(68,742)
Increase in net OPEB obligation	3,877
Net OPEB obligation - beginning of year	662,331
Net OPEB obligation - end of year	<u>\$ 666,208</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, 2017.

For the year ended June 30, 2017, the District contributed \$68,742 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, 2017 are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2015	\$ 83,215	20.49	\$ 597,280
2016	82,784	21.42	662,331
2017	72,619	94.66	666,208

Funded Status and Funding Progress - As of July 1, 2016, the most recent actuarial valuation date for the period July 1, 2016 through June 30, 2017, the actuarial accrued liability was \$778,250, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$778,250. The covered payroll (annual payroll of active employees covered by the plan) was \$6,588,480, and the ratio of the UAAL to the covered payroll was 11.81%. As of June 30, 2017, 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, 2016, 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 RP2000 Group Annuity Mortality Table projected to 2015, 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 Plan

Plan Description - IPERS membership is mandatory for employees of the District, except for those covered by another retirement system. Employees of the District are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive P.O. Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general information purposes only. Refer to the plan documents for more information.

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

- A multiplier based on years of service.
- The member's highest five-year average salary, except members with service before June 30, 2012 will use the highest three-year average salary as of that date if it is greater than the highest five-year average salary.

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25% for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50% for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits - A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions - Contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. State statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2017, pursuant to the required rate, Regular members contributed 5.95% of covered payroll and the District contributed 8.93% of covered payroll, for a total rate of 14.88%.

The District's contributions to IPERS for the year ended June 30, 2017 were \$623,759.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2017, the District reported a liability of \$5,712,532 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2016, the District's proportion was 0.090771%, which was a decrease of 0.001568% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the District recognized pension expense of \$632,961. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 50,487	68,177
Changes of assumptions	87,155	-
Net difference between projected and actual earnings on IPERS' investments	813,855	-
Changes in proportion and differences between District contributions and the District's proportionate share of contributions	-	122,691
District contributions subsequent to the measurement date	623,759	-
Total	<u>\$ 1,575,256</u>	<u>190,868</u>

\$623,759 reported as deferred outflows of resources related to pensions resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Amount
2018	\$ 65,509
2019	65,509
2020	403,298
2021	232,193
2022	(5,880)
Total	<u>\$ 760,629</u>

There were no non-employer contributing entities at IPERS.

Actuarial Assumptions - The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of inflation (effective June 30, 2014)	3.00% per annum.
Rates of salary increase (effective June 30, 2010)	4.00 to 17.00% average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 1996)	7.50% compounded annually, net of investment expense, including inflation
Wage growth (effective June 30, 1990)	4.00% per annum, based on 3.00% inflation and 1.00% real wage inflation.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

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

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

target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
Core plus fixed income	28%	1.90%
Domestic equity	24	5.85
International equity	16	6.32
Private equity/debt	11	10.31
Real estate	8	3.87
Credit opportunities	5	4.48
U.S. TIPS	5	1.36
Other real assets	2	6.42
Cash	1	(0.26)
Total	100%	

Discount Rate - The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the District will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments to current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.5%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate 1% lower (6.5%) or 1% higher (8.5%) than the current rate.

	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
District's proportionate share of the net pension liability	\$ 9,242,103	5,712,532	2,733,527

IPERS' Fiduciary Net Position - Detailed information about IPERS' fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

Payables to IPERS - At June 30, 2017, the District reported payables to IPERS of \$234 for legally required District contributions and \$156 for legally required employee contributions withheld from employee wages which had not yet been remitted to IPERS.

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, 2017 were \$1,337,485.

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, 2017, no liability has been recorded in the District's financial statements. As of June 30, 2017, 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 four 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 \$431,416 for the year ended June 30, 2017 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Note 10. Deficit Fund Balance/Net Position

At June 30, 2017, there was a deficit unassigned balance in the Activity fund of \$21,471 due to the deficit annual account.

Note 11. Categorical Funding

The District's ending restricted balances for categorical funding at June 30, 2017 were comprised of the following programs:

Programs	Amount
Gifted and Talented	\$ 87,871
Beginning Teacher Mentoring and Induction	5
Teacher Salary Supplement	19,652
Professional Development for Model Core Curriculum	9,001
Professional Development	6,786
Community Grants	492
Governor's Advisory Council STEM Scale-Up Programs	301
Textbook Aid for Nonpublic Students	1,564
Professional Development System for Statewide Early Childhood System	1,244
Total	<u>\$ 126,916</u>

Note 12. Reconciliation of Governmental Fund Balances to Net Position

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

	Net investment in Capital Assets	Management Levy	School Infrastructure	Unassigned/ Unrestricted
Fund balance (Exhibit C)	\$ -	387,012	10,276,284	1,446,007
Capital assets, net of accumulated depreciation	10,704,649	-	-	-
Revenue bond capitalized indebtedness	(2,160,000)	-	-	-
General Obligation bond capitalized indebtedness	(1,004,579)	-	-	-
Unspent general obligation bond proceeds	-	-	(8,995,421)	-
Termination benefits liability	-	(284,327)	-	-
Accrued interest payable	-	-	-	(22,463)
Internal service fund	-	-	-	34,979
Unassigned for student activities	-	-	-	(21,471)
Income surtax receivable	-	-	-	471,636
Pension related deferred outflows	-	-	-	1,530,690
Net pension liability	-	-	-	(5,555,419)
Pension related deferred inflows	-	-	-	(185,609)
Compensated absences	-	-	-	(8,463)
Net OPEB liability	-	-	-	(638,894)
Net position (Exhibit A)	<u>\$ 7,540,070</u>	<u>102,685</u>	<u>1,280,863</u>	<u>(2,949,007)</u>

Note 13. New Accounting Pronouncement

The District adopted the tax abatement disclosure guidance set forth in Governmental Accounting Standards Board Statement No. 77, Tax Abatement Disclosures. The Statement sets forth guidance for the disclosure of information about the nature and magnitude of tax abatements which will make these transactions more transparent to financial statement users. Adoption of the guidance did not have an impact on amounts reported in the financial statements. The Notes to Financial Statements include information about tax abatements of other entities which impact the District.

Note 14. Tax Abatements

Governmental Accounting Standards Board Statement No. 77 defines tax abatements as a reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax revenues to which they are otherwise entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments.

Tax Abatements of Other Entities

Property tax revenues of the District were reduced by the following amounts for the year ended June 30, 2017 under agreements entered into by the following entities:

Entity	Tax Abatement Program	Amount of Tax Abated
City of New Hampton	Urban Renewal	\$ 140,407

The State of Iowa reimburses the District an amount equivalent to the increment of valuation on which property tax is divided times \$5.40 per \$1,000 of taxable valuation. For the year ended June 30, 2017, this reimbursement amounted to \$74,903.

Note 15. Prospective Accounting Change

The Governmental Accounting Standards Board has issued Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. This statement will be implemented for the fiscal year ending June 30, 2018. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with postemployment benefits other than pensions, including additional note disclosures and required supplementary information. In addition, the Statement of Net Position is expected to include a significant liability for the government's other postemployment benefits.

Note 16. Construction Commitments

As of June 30, 2017, the District had entered into contracts of \$1,863,114 for construction of a new Middle School and Vocational Aid Technology building addition. As of June 30, 2017, \$977,756 had been incurred against these contracts. The remaining balance will be paid out as work on the project progresses.

New Hampton Community School District

REQUIRED SUPPLEMENTARY INFORMATION

NEW HAMPTON COMMUNITY SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENDITURES/EXPENSES AND
CHANGES IN BALANCES -
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
AND PROPRIETARY FUND
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2017

	Governmental Funds Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance
				Original	Final	
Revenues:						
Local sources	\$ 6,609,823	295,204	6,905,027	6,805,773	6,805,773	99,254
Intermediate sources	-	-	-	1,500	1,500	(1,500)
State sources	6,743,535	3,679	6,747,214	6,634,151	6,634,151	113,063
Federal sources	347,658	264,909	612,567	779,276	779,276	(166,709)
Total revenues	13,701,016	563,792	14,264,808	14,220,700	14,220,700	44,108
Expenditures/Expenses:						
Instruction	8,269,791	-	8,269,791	8,569,000	8,662,950	393,159
Support services	3,728,746	226	3,728,972	4,351,646	4,351,646	622,674
Non-instructional programs	-	570,616	570,616	625,000	681,571	110,955
Other expenditures	1,947,883	-	1,947,883	1,170,693	5,000,000	3,052,117
Total expenditures/expenses	13,946,420	570,842	14,517,262	14,716,339	18,696,167	4,178,905
Excess(deficiency) of revenues over(under) expenditures/expenses	(245,404)	(7,050)	(252,454)	(495,639)	(4,475,467)	4,223,013
Other financing sources, net	9,999,956	-	9,999,956	(232,245)	(232,245)	10,232,201
Excess(deficiency) of revenues and other financing sources over(under) expenditures/expenses	9,754,552	(7,050)	9,747,502	(727,884)	(4,707,712)	14,455,214
Balances beginning of year	2,882,601	(4,121)	2,878,480	2,592,077	2,592,077	286,403
Balances end of year	\$ 12,637,153	(11,171)	12,625,982	1,864,193	(2,115,635)	14,741,617

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NEW HAMPTON COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2017

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.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year ended June 30, 2017, the District adopted one budget amendment increasing expenditures by \$3,979,828.

NEW HAMPTON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
FOR THE LAST THREE YEARS*
(IN THOUSANDS)
REQUIRED SUPPLEMENTARY INFORMATION

	2017	2016	2015
District's proportion of the net pension liability	0.090771%	0.092339%	0.095281%
District's proportionate share of the net pension liability	\$ 5,713	4,562	3,779
District's covered-employee payroll	\$ 6,514	6,326	6,237
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	87.70%	72.12%	60.59%
IPERS' net position as a percentage of the total pension liability	81.82%	85.19%	87.61%

* In accordance with GASB Statement No. 68, the amounts presented for each fiscal year were determined as of June 30 of the preceding year.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NEW HAMPTON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS
IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
FOR THE LAST TEN YEARS
(IN THOUSANDS)
REQUIRED SUPPLEMENTARY INFORMATION

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Statutorily required contribution	\$ 624	582	565	557	537	494	426	409	338	354
Contributions in relation to the statutorily required contribution	\$ (624)	(582)	(565)	(557)	(537)	(494)	(426)	(409)	(338)	(354)
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-
District's covered-employee payroll	\$ 6,985	6,514	6,326	6,237	6,194	6,121	6,129	6,150	5,323	5,851
Contributions as a percentage of covered-employee payroll	8.93%	8.93%	8.93%	8.93%	8.67%	8.07%	6.95%	6.65%	6.35%	6.05%

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NEW HAMPTON COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PENSION LIABILITY
YEAR ENDED JUNE 30, 2017

Changes of benefit terms:

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

Legislative action in 2008 transferred four groups - emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers - from Regular membership to the protection occupation group for future service only.

Changes of assumptions:

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

- Decreased the inflation assumption from 3.25% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL (unfunded actuarial liability) beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

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%
2015	July 1, 2014	-	716,886	716,886	-	5,970,322	12.01%
2016	July 1, 2014	-	680,597	680,597	-	6,148,664	11.07%
2017	July 1, 2016	-	778,250	778,250	-	6,588,480	11.81%

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.

New Hampton Community School District

SUPPLEMENTARY INFORMATION

NEW HAMPTON COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2017

	Special Revenue		
	Student Activity	Manage- ment Levy	Total
Assets			
Cash and pooled investments	\$ 101,366	385,271	486,637
Receivables:			
Property tax			
Delinquent	-	2,638	2,638
Succeeding year	-	310,001	310,001
Accounts	433	-	433
Total assets	\$ 101,799	697,910	799,709
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	\$ 3,023	897	3,920
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	-	310,001	310,001
Fund balances:			
Restricted for:			
Student activities	120,247	-	120,247
Management levy purposes	-	387,012	387,012
Unassigned	(21,471)	-	(21,471)
Total fund balances	98,776	387,012	485,788
Total liabilities, deferred inflows of resources and fund balances	\$ 101,799	697,910	799,709

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, 2017

	Special Revenue		
	Student Activity	Manage- ment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ -	297,583	297,583
Other	430,949	27,558	458,507
State sources	-	8,543	8,543
Total revenues	430,949	333,684	764,633
Expenditures			
Current:			
Instruction:			
Regular	-	190,470	190,470
Other	421,959	-	421,959
Support services:			
Administration	-	8,481	8,481
Operation and maintenance of plant	-	89,431	89,431
Transportation	-	24,693	24,693
Total expenditures	421,959	313,075	735,034
Changes in fund balances	8,990	20,609	29,599
Fund balances beginning of year	89,786	366,403	456,189
Fund balances end of year	\$ 98,776	387,012	485,788

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NEW HAMPTON COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 CAPITAL PROJECTS FUND ACCOUNTS
 JUNE 30, 2017

	Capital Projects			
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	GO Bond Construction	Total
Assets				
Cash and pooled investments	\$ 1,202,693	300,789	9,407,584	10,911,066
Receivables:				
Property tax				
Delinquent	-	1,369	-	1,369
Succeeding year	-	157,855	-	157,855
Due from other governments	78,170	-	-	78,170
Total assets	\$ 1,280,863	460,013	9,407,584	11,148,460
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts Payable	\$ -	-	412,163	412,163
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	-	157,855	-	157,855
Fund balances:				
Restricted for:				
School infrastructure	1,280,863	-	8,995,421	10,276,284
Physical plant and equipment	-	302,158	-	302,158
Total fund balances	1,280,863	302,158	8,995,421	10,578,442
Total liabilities, deferred inflows of resources and fund balances	\$ 1,280,863	460,013	9,407,584	11,148,460

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NEW HAMPTON COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 CAPITAL PROJECTS FUND ACCOUNTS
 YEAR ENDED JUNE 30, 2017

	Capital Projects			
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	GO Bond Construction	Total
Revenues:				
Local sources:				
Local tax	\$ -	151,077	-	151,077
Other	2,477	21,755	-	24,232
State sources	939,627	4,511	-	944,138
Total revenues	942,104	177,343	-	1,119,447
Expenditures:				
Instruction:				
Regular	143,726	-	-	143,726
Other	-	4,050	-	4,050
Support services:				
Student	-	7,733	-	7,733
Instructional staff	6,694	14,828	-	21,522
Administration	8,181	5,835	23,279	37,295
Operation and maintenance of plan	170,722	-	-	170,722
Transportation	34,580	32,994	-	67,574
Capital outlay	301,416	3,335	981,256	1,286,007
Total expenditures	665,319	68,775	1,004,535	1,738,629
Excess(Deficiency) of revenues over(under) expenditures	276,785	108,568	(1,004,535)	(619,182)
Other financing sources(uses):				
General obligation bond proceeds	-	-	10,000,000	10,000,000
Premium on bond issuance	-	-	138,355	138,355
Discount on bond issuance	-	-	(138,399)	(138,399)
Transfers out	(230,460)	-	-	(230,460)
Total other financing source(uses)	(230,460)	-	9,999,956	9,769,496
Change in fund balances	46,325	108,568	8,995,421	9,150,314
Fund balances beginning of year	1,234,538	193,590	-	1,428,128
Fund balances end of year	\$ 1,280,863	302,158	8,995,421	10,578,442

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, 2017

Account	Balance Beginning of Year	Revenues	Expendi- tures	Intrafund Transfers	Balance End of Year
Drama	\$ -	943	1,620	677	-
Speech	-	810	1,441	631	-
H.S. Vocal Music	-	3,397	4,087	690	-
M.S. Vocal Music	57	-	-	-	57
Instrumental Music	1,239	1,380	1,535	(591)	493
Band Trip	33	-	-	-	33
MS Music	387	702	358	-	731
MS Musical	1,287	2,078	1,255	-	2,110
Swing Choir	48	3,184	2,799	-	433
Cross Country	-	-	19	19	-
HS Cheerleaders	-	2,194	599	(1,595)	-
MS Cheerleaders	202	-	-	-	202
Flags	2	7,950	-	-	7,952
Trapshooting	23,190	52,767	55,484	-	20,473
Athletics	6,651	121,292	121,773	1,926	8,096
Sports Camps	12,522	72,936	66,185	599	19,872
GSA	91	-	-	-	91
National Honor Society	544	7,219	7,230	-	533
Annual	(21,546)	9,649	9,574	-	(21,471)
Chieftain	37	-	-	-	37
Future Educators	7	-	-	-	7
Art Club	267	45	202	-	110
AFS Club	-	2,620	1,675	-	945
Science Achievement Club	332	-	-	-	332
BAC	458	-	207	180	431
FFA	-	53,324	51,546	-	1,778
SADD	1,413	-	-	1,000	2,413
Student Senate	-	6,041	4,251	(180)	1,610
Class of 2016	1,441	-	1,441	-	-
Class of 2017	10	468	361	-	117
Class of 2018	2,815	2,369	486	-	4,698
Class of 2019	7,695	1,146	561	-	8,280
Class of 2020	1,028	149	-	-	1,177
Class of 2021	400	-	163	-	237
Activity Tickets	-	12,489	-	(10,626)	1,863
Lettermen	6,326	10,723	9,886	-	7,163
Letterette	619	3,418	2,506	-	1,531
Dance Team	6,441	23,339	25,762	-	4,018
Pep Club	10	-	-	-	10
Student Senate Vending	184	26,662	15,660	(1,599)	9,587
Miscellaneous	413	260	-	-	673
M.S. Annual	3,589	-	-	2,081	5,670
M.S. Business Achievement Club	609	833	659	-	783
M.S. SADD	267	-	-	-	267
M.S. Student Senate	3,528	-	-	-	3,528
OM/DI Activity	99	-	-	-	99
Elementary Carnival	18,510	-	25,298	6,788	-
Student Assistance	1,588	562	560	-	1,590
Book Fair	217	-	-	-	217
M.S. Carnival/Scrip	6,776	-	6,776	-	-
Total	\$ 89,786	430,949	421,959	-	98,776

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NEW HAMPTON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
YEAR ENDED JUNE 30, 2017

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
<u>NEIC</u>				
ASSETS				
Cash and pooled investments	\$ 6,041	7,565	6,231	7,375
LIABILITIES				
Due to other groups	\$ 6,041	7,565	6,231	7,375
<u>IOWA BIG NORTH</u>				
ASSETS				
Cash and pooled investments	\$ -	12,165	9,988	2,177
Accounts receivable	-	3,400	-	3,400
TOTAL ASSETS	\$ -	15,565	9,988	5,577
LIABILITIES				
Accounts payable	\$ -	19	-	19
Due to other groups	-	15,546	9,988	5,558
TOTAL LIABILITIES	\$ -	15,565	9,988	5,577
<u>Total</u>				
Assets				
Cash and pooled investments	\$ 6,041	19,730	16,219	9,552
Accounts receivable	-	3,400	-	3,400
Total assets	\$ 6,041	23,130	16,219	12,952
Liabilities				
Accounts payable	\$ -	19	-	19
Due to other groups	6,041	23,111	16,219	12,933
Total liabilities	\$ 6,041	23,130	16,219	12,952

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,									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Revenues:										
Local sources:										
Local tax	\$ 5,218,970	5,207,208	4,984,762	4,894,362	5,710,561	5,011,532	5,572,743	5,403,867	5,194,179	4,953,087
Tuition	606,375	402,188	357,263	341,325	316,320	368,233	324,598	330,890	270,277	322,300
Other	784,478	826,028	827,996	757,193	816,389	826,026	884,446	781,180	680,436	693,055
Intermediate sources	-	122	7,883	1,110	1,152	1,641	1,983	13,354	14,848	3,358
State sources	6,743,535	6,121,949	6,211,976	6,039,929	4,921,034	5,078,041	4,756,508	4,229,621	5,137,056	5,074,795
Federal sources	347,658	343,136	263,080	303,789	326,481	585,366	678,724	868,007	418,517	305,630
Total	\$ 13,701,016	12,900,631	12,652,960	12,337,708	12,091,937	11,870,839	12,219,002	11,626,919	11,715,313	11,352,225
Expenditures:										
Instruction:										
Regular	\$ 4,835,201	4,631,629	4,740,312	5,093,452	5,469,341	4,974,046	4,989,596	4,667,810	4,817,849	3,855,343
Special	1,555,584	1,513,996	1,445,875	1,237,022	1,299,281	1,356,977	1,323,826	1,342,425	1,267,225	2,119,604
Other	1,879,006	1,900,490	2,030,558	1,837,150	1,781,138	1,918,414	1,683,406	1,567,141	1,491,006	747,391
Support services:										
Student	176,504	210,792	191,316	210,481	203,666	183,047	210,279	261,650	191,075	207,230
Instructional staff	667,707	347,110	355,608	253,145	283,043	281,297	261,340	259,004	310,387	327,543
Administration	1,310,740	1,276,326	1,201,497	1,205,532	1,212,399	1,139,427	1,067,890	1,063,071	1,020,598	945,006
Operation and maintenance of plant	1,021,809	1,300,852	968,873	807,412	824,868	726,734	755,004	713,506	726,255	700,117
Transportation	551,986	710,714	526,579	769,521	519,940	563,150	555,358	584,349	580,860	567,357
Non-instructional programs	-	-	16,307	-	-	-	-	-	-	-
Capital outlay	1,286,007	332,184	409,146	391,004	362,319	495,612	431,505	1,946,980	1,753,835	362,875
Long-term debt:										
Principal	170,000	170,000	165,000	2,965,000	130,000	100,000	100,000	-	630,000	605,000
Interest and fiscal charges	60,460	62,245	63,483	78,038	132,110	135,510	138,760	222,401	25,600	49,497
Other expenditures:										
AEA flow-through	431,416	425,138	426,067	422,810	410,546	410,210	454,695	455,648	420,686	401,694
Total	\$ 13,946,420	12,881,476	12,540,621	15,270,567	12,628,651	12,284,424	11,971,659	13,083,985	13,235,376	10,888,657

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

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

To the Board of Education of 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 Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of New Hampton Community School District as of and for the year ended June 30, 2017, and the related Notes to Financial Statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated April 25, 2018.

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

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 deficiency described in Part I of the accompanying Schedule of Findings as item I-A-17 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.

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, 2017 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.

April 25, 2018
Newton, Iowa

NEW HAMPTON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2017

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

I-A-17 Segregation of Duties

Criteria - Management is responsible for establishing and maintaining internal control. A good system of internal control provides for adequate segregation of duties so no one individual handles a transaction from its inception to completion. In order to maintain proper internal control, duties should be segregated so the authorization, custody and recording of transactions are not under the control of the same employees. This segregation of duties helps prevent losses from employee error or dishonesty and maximizes the accuracy of the District's financial statements.

Condition - We noted one individual has control over one or more of the following areas for the District:

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

Cause - The District has a limited number of employees and procedures have not been designed to adequately segregate duties or provide compensating controls through addition oversight of transactions and processes.

Effect - Inadequate segregation of duties could adversely affect the District's ability to prevent or detect and correct misstatements, error, or misappropriations on a timely basis by employees in the normal course of performing their assigned functions

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 develop a plan to correct the deficiencies in our segregation of duties.

Conclusion - Response accepted.

Part II: Other Findings Related to Statutory Reporting:

II-A-17 Certified Budget - Expenditures for the year ended June 30, 2017 did not exceed the amended certified budgeted amounts.

II-B-17 Questionable Disbursements - No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

II-C-17 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

II-D-17 Business Transactions - Business transactions between the District and District officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
April Schmitt, Teacher Owns Auntie April's Baked Goods	Supplies	\$166
Terry Phillips, Cook Spouse owns Phillips Refrigeration	Repairs	\$1,672
Chad Pemble, Teacher Spouse owns Screen Print To Go	Supplies	\$48,772
Karen McGrath, Secretary Spouse owns Big Ed's Firehouse	Services	\$850
Jeanette Laures, Teacher Father-in-law owns Vern Laures Chevy	Repairs/Supplies	\$26,318
Tim Denner, Board Member Owns Mohawk Cleaners	Repairs	\$141
Owns Mohawk Electric	Repairs	\$93
Dixie Zein, Paraeducator Owns Crystal Ball Roller Rink Zien Inc.	Services	\$1,499
	Rental	\$184

In accordance with the Attorney's General's opinion dated November 9, 1976, the above transactions with the relatives of District employees do not appear to represent a conflict of interest.

In accordance with Chapter 279.7A of the Code of Iowa, the above transactions with Board Member Tim Denner do not appear to represent a conflict of interest.

In accordance with the Attorney General's opinion dated July 2, 1990, the above transactions with District employees do not appear to represent a conflict of interest.

II-E-17 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.

II-F-17 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

II-G-17 Certified Enrollment - No variances regarding the enrollment data certified to the Iowa Department of Education were noted.

II-H-17 Supplementary Weighting - We noted that the supplementary weighting data certified to the Iowa Department of Education was overstated by 0.838 for the 2016-17 count.

Recommendation - The District should contact the Iowa Department of Education and

the Iowa Department of Management to resolve this matter.

Response - The District's auditors will contact the Iowa Department of Education and Department of Management to resolve this matter.

Conclusion - Response accepted.

II-I-17 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-17 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely, however, we noted significant deficiencies in the amount reported. The District's Certified Annual Report did not include amounts recorded in the Agency Funds or the Internal Service Fund.

Recommendation - The District should ensure the funds and amounts certified on the Certified Annual Report to the Department of Education are a complete and accurate listing of all funds included in the District's financial statements. The District should take the necessary steps to include the Agency Funds and the Internal Service Fund on the District's next Certified Annual Report.

Response - The District has put procedures into place to ensure that funds 72, 91 and 92 are included in the Certified Annual Report.

Conclusion - Response accepted.

II-K-17 Categorical Funding - No instance were noted of categorical funding being used to supplant rather than supplement other funds.

II-L-17 Statewide Sales, Services and Use Tax- No instances of non-compliance with the allowable uses of the statewide sales, services, and use tax revenue provided in Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2017, the District reported the following information regarding the statewide sales, services, and use tax revenue in the District's CAR:

Beginning Balance		\$ 1,234,538
Revenues:		
Sales tax revenue	\$ 939,627	
Other local revenue	2,477	942,104
		<u>2,176,642</u>
Expenditures/transfers out:		
School infrastructure	\$ 132,525	
Building	106,100	
Equipment	355,760	
Other	70,934	
Transfers out:		
Debt Service Fund	230,460	895,779
		<u>895,779</u>
Ending Balance		<u><u>\$ 1,280,863</u></u>

For the year ended June 30, 2017, 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-17 Financial Condition - We noted an account in the Student Activity Fund that had a deficit balance of \$21,471 at June 30, 2017.

Recommendation - The District should continue to monitor this account and investigate alternatives to eliminate the deficit. The District should review controls in place for the Student Activity Fund.

Response - The Board of Education will approve a resolution to use the interest generated in the activities fund to reduce the deficit in the year book account.

Conclusion - Response accepted.

- II-N-17 Student Activity Fund - During our audit issues arose about the properness of certain accounts within the Student Activity Fund. In accordance with Chapter 298A.8 of the Code of Iowa and Iowa Administrative Rule 281-12.6(1), moneys in the Student Activity Fund should be used to support only the extracurricular and co-curricular activities offered as part of the District's educational program. More specific examples of these questioned accounts and recommendations are as follows:

Miscellaneous (Interest) Account: We noted during our audit that the District has a Miscellaneous account within the Student Activity Fund, which appears to be used to record interest revenue.

Recommendation - The District should review this account and interest earned during the year should be reallocated to other accounts within the Student Activity Fund on an annual basis.

Response - The Board of Education will approve a resolution to use the interest generated in the activities fund to reduce the deficit in the year book account.

Conclusion - Response accepted.

- II-O-17 District Concession Stands – We noted the District currently allows an outside Booster Club to run concessions at District event. However, we noted the District is not currently charging these outside Boosters Clubs any rental fees for use of the District property.

The Iowa Department of Education in conjunction with the State Auditor's Office and The IHSSA and IGHS AU released a Student Activity Fund Question and Answer in March 2016 which addresses this situation. This document stated in part that it is allowable for an outside organization to run the concession stand at District events provided it is done certain ways, as follow:

One option would be to hire or contract with the organization to operate the stands for the District. In this type of situation, the expenditures for and revenue generated from the concession stand would be the District's and accounted for in the Student Activity Fund; there would be no donation back from the organization.

Another option would be to set up a rental agreement to allow the organization to use the District's concession stand. For this option, purchase of the concession stand supplies would be the responsibility of the organization and could not be purchased through the District. Revenue generated would also be kept by the organization. However, the organization would pay the District for use of the District facilities per terms of the rental agreement which would be receipted into the General Fund.

Recommendation - We recommend the District review its concession stand procedures and make the necessary adjustments to comply with the guidance set forth by the Iowa Department of Education.

Response - The District will implement a rental agreement with the booster clubs for concession stand rental.

Conclusion - Response accepted.

II-P-17 Technology Fee - We noted the District currently charges a technology fee to students.

This fee is currently used to cover a portion of repair costs with the District paying the remaining balances owed. This appears to be an unallowable fee per the Iowa Department of Education. According to the Frequently Asked Questions Regarding the Physical Plant and Equipment Levy Fund put out by the Iowa Department of Education in July 2016, a technology fee is allowable as a textbook rental fee and would follow the same requirements. Fees must be based on actual costs. If a technology fee is charged to students, the district is saying that the technology is a textbook substitute; in which case the technology can only be purchased from the General Fund and not from Capital Projects. If a technology fee is charged, the waiver provisions must be honored.

The District is allowed to charge a refundable technology deposit to students. If a deposit is charged to students, it must be a reasonable amount. The district should deposit the check but hold the deposits and not use the deposits to pay any expenditure, such as repair or maintenance costs. The amount of the deposit would be returned to the student when the computer/technology is returned to the district; however, the district may reduce the amount of the deposit that it returns to the student by the actual costs of damage inflicted by the student while the computer/technology was in his/her possession (or should have been in his/her possession). Refundable deposits are not subject to the free/reduced waiver provisions.

The district should also have or adopt a policy, approved by its board, on appropriate use, responsibilities, deposits, fees/fines, damage, and theft of computers/technology used by District students.

Recommendation - We recommend the District review technology fees currently being charged to students and make the necessary adjustments to comply with the guidance set forth by the Iowa Department of Education.

Response - The District will review its fees and adjust to make sure we are in compliance with the DE guidance.

Conclusion - Response accepted.

II-Q-17 Disposition of Property - We noted during our audit that the District sold old computers and technology equipment to a teacher during the year. However, we noted the sale was not published in a newspaper for two consecutive weeks as required by Chapter 297.22 of the Code of Iowa.

Recommendation - The District should review its procedures for disposing of computers and other equipment to ensure compliance with the Code of Iowa.

Response - Any disposal of district property will be published for two consecutive weeks.

Conclusion - Response accepted.