

NEW HAMPTON COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2018

Table of Contents

		<u>Page</u>
Officials		3
Independent Auditor's Report		4-6
Management's Discussion and Analysis		7-15
Basic Financial Statements:	<u>Exhibit</u>	
<i>Government-wide Financial Statements:</i>		
Statement of Net Position	A	18
Statement of Activities	B	19
<i>Governmental Fund Financial Statements:</i>		
Balance Sheet	C	20
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position	D	21
Statement of Revenues, Expenditures and Changes in Fund Balances	E	22
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	F	23
<i>Proprietary Fund Financial Statements:</i>		
Statement of Net Position	G	24
Statement of Revenues, Expenses and Changes in Fund Net Position	H	25
Statement of Cash Flows	I	26
<i>Fiduciary Fund Financial Statements:</i>		
Statement of Fiduciary Net Position	J	27
Notes to Financial Statements		28-43
Required Supplementary Information:		
Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances - Budget and Actual - All Governmental Funds and Proprietary Fund		46
Notes to Required Supplementary Information - Budgetary Reporting		47
Schedule of the District's Proportionate Share of the Net Pension Liability		48
Schedule of District Contributions		49
Notes to Required Supplementary Information - Pension Liability		50
Schedule of Changes in the District's Total OPEB Liability, Related Ratios and Notes		51
Supplementary Information:	<u>Schedule</u>	
<i>Nonmajor Governmental Funds:</i>		
Combining Balance Sheet	1	54
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	2	55
<i>Capital Projects Fund Accounts:</i>		
Combining Balance Sheet	3	56
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	4	57
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	5	58
Schedule of Changes in Fiduciary Assets and Liabilities - Agency Fund	6	59
Schedule of Revenues by Source and Expenditures by Function - All Governmental Funds	7	60
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>		61-62
Schedule of Findings		63-66

New Hampton Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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Board of Education

(Before September 2017 Elections)

Joe Rosonke	President	2017
Damian Baltes	Vice President	2017
Nathaniel Schwickerath	Board Member	2019
Jay Matthews	Board Member	2019
Timothy Denner	Board Member	2017

(After September 2017 Elections)

Joe Rosonke	President	2021
Damian Baltes	Vice President	2021
Nathaniel Schwickerath	Board Member	2019
Jay Matthews	Board Member	2019
Timothy Denner	Board Member	2021

School Officials

Jay Jurrens	Superintendent	2018
Bob Ayers	Business Manager/Board Secretary	2018
Swisher & Cohrt, P.L.C.	Attorney	2018

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

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of 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, 2018, 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, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Emphasis of a Matter

As discussed in Note 14 to the financial statements, New Hampton Community School District adopted new accounting guidance related to Governmental Accounting Standard Board (GASB) Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the District's Proportionate Share of the Net Pension Liability, the Schedule of District Contributions and the Schedule of Changes in the District's Total OPEB Liability, Related Ratios and Notes on pages 7 through 15 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, 2017 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 7, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 26, 2019 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.

March 26, 2019
Newton, Iowa

MANAGEMENT'S DISCUSSION AND ANALYSIS

New Hampton Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2018. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2018 FINANCIAL HIGHLIGHTS

- The District implemented Governmental Accounting Standards Board Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, during fiscal year 2018. The beginning net position for governmental activities and business type activities were restated by \$126,315 and \$3,657, respectively, to retroactively report the decrease in the OPEB liability as of July 1, 2017. OPEB expense for fiscal year 2017 and deferred outflows of resources at June 30, 2017 were not restated because the information needed to restate those amounts was not available.
- General Fund revenues increased from \$11,816,936 in fiscal year 2017 to \$11,829,427 in fiscal year 2018. General Fund expenditures increased from \$11,242,297 in fiscal year 2017 to \$11,315,381 in fiscal year 2018. General Fund revenues outpaced expenditures, thus resulting in an increase in the District's General Fund balance from \$1,572,923 at June 30, 2017 to \$2,086,969 at June 30, 2018, an increase of 32.68% from the prior year.
- The increase in General Fund revenues was attributable to increases in local 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 \$6,382,759 restated at July 1, 2017 to \$6,827,760 at June 30, 2018. Total revenues increased from \$14,242,909 in fiscal year 2017 to \$15,145,809 in fiscal year 2018, a 6.34% increase, while total expenses increased from \$13,821,551 in fiscal year 2017 to \$14,700,838 in fiscal year 2018, a 6.36% 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 Changes in the District's Total Liability, Related Ratios and Notes.

Supplementary Information provides detailed information about the nonmajor governmental funds.

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

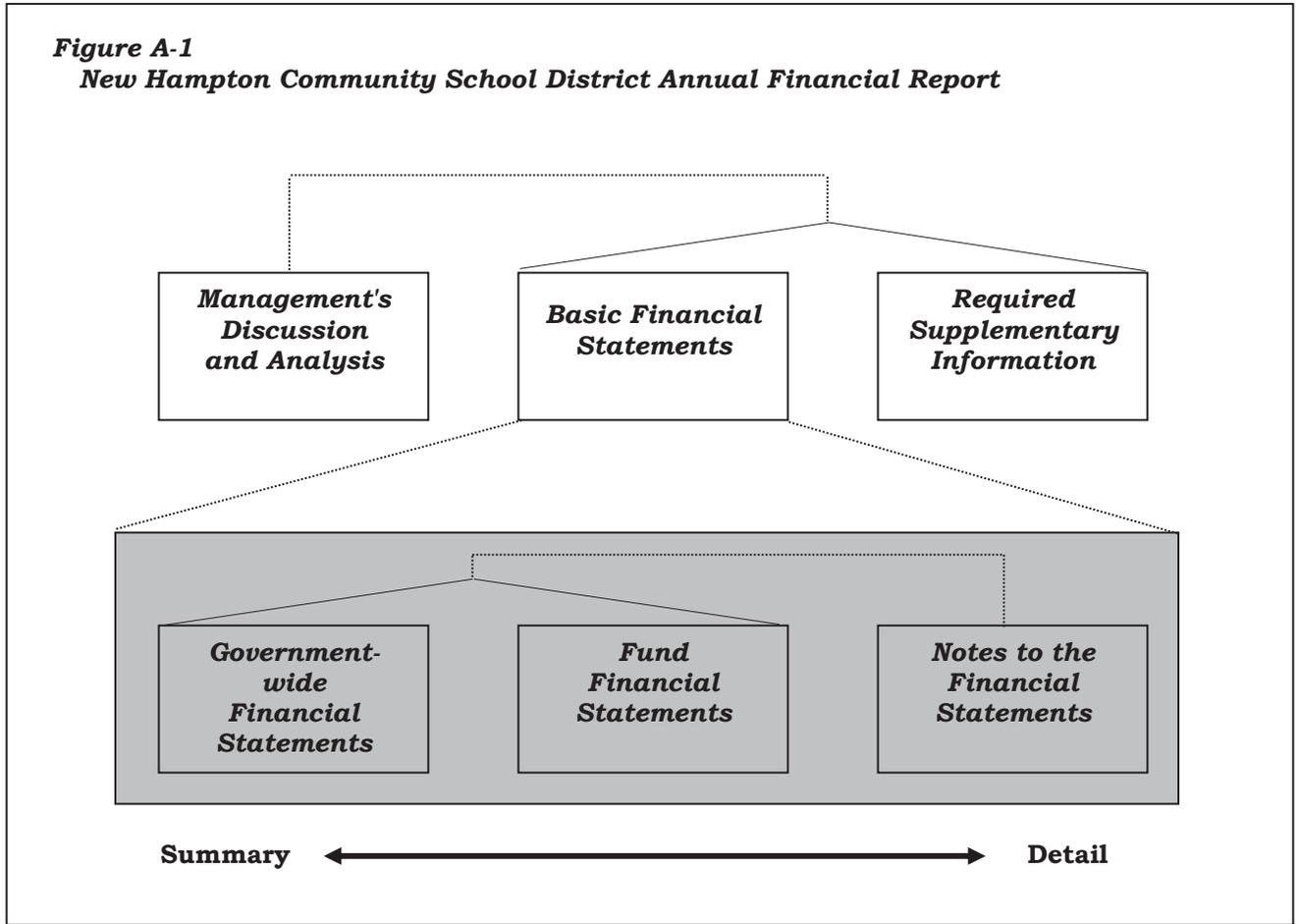


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

Figure A-2 Major Features of the Government-Wide and Fund Financial Statements				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services and adult education	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> • Statement of net position • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net position • Statement of revenues, expenses and changes in fund net position • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/ liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of 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, the Special Revenue Funds, the Debt Service Fund and the 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 RRM 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 intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for the fiduciary funds include a Statement of Fiduciary Net Position.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's total net position at June 30, 2018 compared to June 30, 2017.

	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		2017		2017		2017-18
	2018	(Not Restated)	2018	(Not Restated)	2018	(Not Restated)	2017-18
Current and other assets	\$ 26,981,127	19,432,751	155,303	107,468	27,136,430	19,540,219	38.87%
Capital assets	14,159,553	10,704,649	28,809	35,880	14,188,362	10,740,529	32.10%
Total assets	41,140,680	30,137,400	184,112	143,348	41,324,792	30,280,748	36.47%
Deferred inflows of resources	1,801,907	1,530,690	50,992	44,566	1,852,899	1,575,256	17.63%
Long-term liabilities	28,127,576	18,647,103	205,391	184,427	28,332,967	18,831,530	50.45%
Other liabilities	1,958,745	563,646	31,245	9,399	1,989,990	573,045	247.27%
Total liabilities	30,086,321	19,210,749	236,636	193,826	30,322,957	19,404,575	56.27%
Deferred inflows of resources	6,020,270	5,933,409	6,704	5,259	6,026,974	5,938,668	1.49%
Net position:							
Net investment in capital assets	7,684,645	7,540,070	28,809	35,880	7,713,454	7,575,950	1.82%
Restricted	2,075,754	1,932,869	-	-	2,075,754	1,932,869	7.39%
Unrestricted	(2,924,403)	(2,949,007)	(37,045)	(47,051)	(2,961,448)	(2,996,058)	1.16%
Total net position	\$ 6,835,996	6,523,932	(8,236)	(11,171)	6,827,760	6,512,761	4.84%

Prior to the restatement, the District's total net position increased by 4.84%, or \$314,999, 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 \$142,885, or 7.39% 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 \$34,610, or 1.16%. This increase in unrestricted net position was primarily a result of the increase in the unassigned fund balance if the General Fund.

Figure A-4 shows the changes in net position for the year ended June 30, 2018 compared to the year ended June 30, 2017.

Figure A-4							
Changes of Net Position							
	Governmental Activities		Business Type Activities		Total District		Total Change
	2018	2017 (Not Restated)	2018	2017 (Not Restated)	2018	2017 (Not Restated)	2017-18
Revenues:							
Program revenues:							
Charges for service	\$ 1,058,913	1,104,626	279,104	291,774	1,338,017	1,396,400	-4.18%
Operating grants, contributions and restricted interest	1,208,671	1,196,720	259,174	268,588	1,467,845	1,465,308	0.17%
General revenues:							
Property tax	5,737,281	4,722,446	-	-	5,737,281	4,722,446	21.49%
Income surtax	519,004	474,625	-	-	519,004	474,625	9.35%
Statewide sales, service and use tax	897,078	939,627	-	-	897,078	939,627	-4.53%
Unrestricted state grants	4,998,906	5,126,424	-	-	4,998,906	5,126,424	-2.49%
Unrestricted investment earnings	113,351	16,768	287	187	113,638	16,955	570.23%
Other	70,794	97,881	3,246	3,243	74,040	101,124	-26.78%
Total revenues	14,603,998	13,679,117	541,811	563,792	15,145,809	14,242,909	6.34%
Program expenses:							
Instruction	8,675,155	8,352,881	-	-	8,675,155	8,352,881	3.86%
Support services	4,284,457	3,960,584	-	226	4,284,457	3,960,810	8.17%
Non-instructional programs	-	498	535,219	570,616	535,219	571,114	-6.29%
Other expenses	1,206,007	936,746	-	-	1,206,007	936,746	28.74%
Total expenses	14,165,619	13,250,709	535,219	570,842	14,700,838	13,821,551	6.36%
Change in net position	438,379	428,408	6,592	(7,050)	444,971	421,358	5.60%
Net position beginning of year, as restated	6,397,617	6,095,524	(14,828)	(4,121)	6,382,789	6,091,403	4.78%
Net position end of year	\$ 6,835,996	6,523,932	(8,236)	(11,171)	6,827,760	6,512,761	4.84%

In fiscal year 2018, local property tax, statewide sales, service and use tax and unrestricted state grants accounted for 79.66% of the revenue from governmental activities while charges for services and operating grants and contributions account for 99.35% of the revenue from business type activities.

The District's total revenues were approximately \$15.15 million of which approximately \$14.61 million was for governmental activities and approximately \$0.54 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced an increase of 6.34% in revenues and a 6.36% increase in expenses.

Governmental Activities

Revenues for governmental activities were \$14,603,998 and expenses were \$14,165,619 for the year ended June 30, 2018.

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, 2018 compared to those expenses for the year ended June 30, 2017.

	Total Cost of Services			Net Cost of Services		
	2018	2017 (Not restated)	Change 2017-18	2018	2017 (Not restated)	Change 2017-18
Instruction	\$ 8,675,155	8,352,881	3.86%	6,886,755	6,519,934	5.63%
Support services	4,284,457	3,960,584	8.18%	4,246,713	3,923,601	8.24%
Non-Instructional programs	-	498	-100.00%	-	498	-100.00%
Other expenses	1,206,007	936,746	28.74%	764,567	505,330	51.30%
Totals	\$ 14,165,619	13,250,709	6.90%	11,898,035	10,949,363	8.66%

For the year ended June 30, 2018:

- The cost financed by users of the District's programs was \$1,058,913.
- Federal and state governments along with local sources subsidized certain programs with grants and contributions totaling \$1,208,671.
- The net cost of governmental activities was financed with \$5,737,281 in property tax, \$519,004 in income surtax, \$897,078 in statewide sales, services and use tax, \$4,998,906 in unrestricted state grants, \$113,351 in interest income and \$70,794 in other general revenues.

Business Type Activities

Revenues of the District's business type activities were \$541,811 and expenses were \$535,219. 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 \$18,735,194, above last year's ending fund balances of \$12,637,153. The primary reason for the increase in combined fund balances in fiscal year 2018 is due to the issuance of \$9,415,000 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 2018 revenues of \$11,829,427 and expenses of \$11,315,381 resulted in a net increase in fund balance of \$514,046. As a result, the District's General Fund balance increased from \$1,572,923 at June 30, 2017 to \$2,086,969 at June 30, 2018. This represents a 32.68% increase from the prior year.
- The Capital Projects Fund balance increased from \$10,578,442 at June 30, 2017 to \$16,119,893 at June 30, 2018, an increase of 52.38% from the prior year. This increase can be attributed to the issuance of \$9,415,000 in general obligation bonds during the year. These proceeds will be used to finance construction costs. At June 30, 2018, \$14,430,092 of these proceeds were unspent.

- The Debt Service Fund balance was \$11,287 at June 30, 2018 as compared to \$0 from prior year.

Proprietary Fund Highlights

The School Nutrition Fund net position increased from a deficit \$14,828 restated at July 1, 2017 to a deficit \$8,236 at June 30, 2018, representing an increase of 44.46%.

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 \$518,082 less than budgeted revenues, a variance of 3.31%. The most significant variance resulted from the District receiving less 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, 2018, the District had invested \$14,188,362, 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 \$768,002.

The original cost of the District's capital assets was approximately \$27.29 million. Governmental funds account for approximately \$27.14 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 \$977,756 reported at June 30, 2017, compared to \$4,821,877 reported at June 30, 2018. This increase in construction in progress is due to continued costs associated with the Middle School and Vocational Education addition project that was started in fiscal year 2017.

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2018	2017	2018	2017	2018	2017	2016-17
Land	\$ 463,720	381,700	-	-	463,720	381,700	21.49%
Construction in progress	4,821,877	977,756	-	-	4,821,877	977,756	393.16%
Buildings	7,438,062	7,776,985	-	-	7,438,062	7,776,985	-4.36%
Land improvements	506,046	546,749	-	-	506,046	546,749	-7.44%
Machinery and equipment	929,848	1,021,459	28,809	35,880	958,657	1,057,339	-9.33%
Total	\$ 14,159,553	10,704,649	28,809	35,880	14,188,362	10,740,529	32.10%

Long-Term Debt

At June 30, 2018, the District had \$20,905,000 in revenue bonds, and general obligation bonds outstanding. This represents an increase of 71.92% 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 \$1,985,000 at June 30, 2018 payable from the Capital Projects: Statewide Sales, Services and Use Tax Fund.

The District had total outstanding general obligation bonds of \$18,920,000 at June 30, 2018, payable from the Debt Service Fund.

	Figure A-7		
	Outstanding Long-Term Obligations		
	Total	Total	Total
	District	Change	Change
	June 30,	June 30,	June 30,
	2018	2017	2017-18
Revenue bonds	\$ 1,985,000	2,160,000	-8.10%
General Obligation bonds	18,920,000	10,000,000	89.20%
Total	\$ 20,905,000	12,160,000	71.92%

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.

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.

NEW HAMPTON COMMUNITY SCHOOL DISTRICT

BASIC FINANCIAL STATEMENTS

NEW HAMPTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2018

	Governmental Activities	Business Type Activities	Total
Assets			
Cash and pooled investments	\$ 20,194,614	134,526	20,329,140
Receivables:			
Property tax:			
Delinquent	17,637	-	17,637
Succeeding year	5,797,852	-	5,797,852
Income surtax	496,557	-	496,557
Accounts	324	-	324
Due from other governments	474,143	-	474,143
Inventories	-	20,777	20,777
Capital assets not being depreciated:			
Land and construction in progress	5,285,597	-	5,285,597
Capital assets, net of accumulated depreciation			
Buildings and land improvements and machinery and equipment	8,873,956	28,809	8,902,765
Total assets	41,140,680	184,112	41,324,792
Deferred Outflows of Resources			
Pension related deferred outflows	1,759,953	49,294	1,809,247
OPEB related deferred outflows	41,954	1,698	43,652
Total deferred outflows of resources	1,801,907	50,992	1,852,899
Liabilities			
Accounts payable	740,892	260	741,152
Salaries and benefits payable	1,176,308	20,556	1,196,864
Accrued interest payable	41,545	-	41,545
Unearned revenue	-	10,429	10,429
Long-term liabilities:			
Portion due within one year:			
Revenue bonds payable	175,000	-	175,000
General obligation bond payable	750,000	-	750,000
Termination benefits payable	81,540	-	81,540
Portion due after one year:			
Revenue bonds payable	1,810,000	-	1,810,000
General obligation bond payable	18,170,000	-	18,170,000
Termination benefits payable	271,747	-	271,747
Net pension liability	6,060,672	172,663	6,233,335
Total OPEB liability	808,617	32,728	841,345
Total liabilities	30,086,321	236,636	30,322,957
Deferred Inflows of Resources			
Unavailable property tax revenue	5,797,852	-	5,797,852
Pension related deferred inflows	191,768	5,463	197,231
OPEB related deferred inflows	30,650	1,241	31,891
Total deferred inflows of resources	6,020,270	6,704	6,026,974
Net Position			
Net investment in capital assets	7,684,645	28,809	7,713,454
Restricted for:			
Categorical funding	204,374	-	204,374
Student activities	122,964	-	122,964
Management levy purposes	58,615	-	58,615
School infrastructure	1,640,632	-	1,640,632
Physical plant and equipment	49,169	-	49,169
Unrestricted	(2,924,403)	(37,045)	(2,961,448)
Total net position	\$ 6,835,996	(8,236)	6,827,760

SEE NOTES TO FINANCIAL STATEMENTS.

NEW HAMPTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2018

	Program Revenues			Net (Expense) Revenue and Changes in Net Position		Total
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	
Functions/Programs:						
Governmental activities:						
Instruction:						
Regular	\$ 4,871,474	533,660	189,607	(4,148,207)	-	(4,148,207)
Special	1,611,629	23,883	137,490	(1,450,256)	-	(1,450,256)
Other	2,192,052	501,370	402,390	(1,288,292)	-	(1,288,292)
	8,675,155	1,058,913	729,487	(6,886,755)	-	(6,886,755)
Support services:						
Student	147,298	-	-	(147,298)	-	(147,298)
Instructional staff	894,880	-	-	(894,880)	-	(894,880)
Administration	1,478,841	-	-	(1,478,841)	-	(1,478,841)
Operation and maintenance of plant	1,137,115	-	-	(1,137,115)	-	(1,137,115)
Transportation	626,323	-	37,744	(588,579)	-	(588,579)
	4,284,457	-	37,744	(4,246,713)	-	(4,246,713)
Long-term debt interest	347,213	-	-	(347,213)	-	(347,213)
Other expenditures:						
AEA flowthrough	441,440	-	441,440	-	-	-
Depreciation(unallocated)*	417,354	-	-	(417,354)	-	(417,354)
	858,794	-	441,440	(417,354)	-	(417,354)
Total governmental activities	14,165,619	1,058,913	1,208,671	(11,898,035)	-	(11,898,035)
Business type activities:						
Non-instructional programs:						
Food service operations	535,219	279,104	259,174	-	3,059	3,059
Total	\$ 14,700,838	1,338,017	1,467,845	(11,898,035)	3,059	(11,894,976)
General Revenues:						
Property tax levied for:						
General purposes				\$ 4,815,680	-	4,815,680
Debt Service				157,579	-	157,579
Capital outlay				764,022	-	764,022
Income surtax				519,004	-	519,004
Statewide sales, services and use tax				897,078	-	897,078
Unrestricted state grants				4,998,906	-	4,998,906
Unrestricted investment earnings				113,351	287	113,638
Other				70,794	3,246	74,040
Total general revenues				12,336,414	3,533	12,339,947
Changes in net position				438,379	6,592	444,971
Net position beginning of year, as restated				6,397,617	(14,828)	6,382,789
Net position end of year				\$ 6,835,996	(8,236)	6,827,760

SEE NOTES TO FINANCIAL STATEMENTS.

NEW HAMPTON COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2018

	General	Capital Projects	Debt Service	Nonmajor	Total
Assets					
Cash and pooled investments	\$ 3,061,880	16,553,242	8,893	536,275	20,160,290
Receivables:					
Property tax					
Delinquent	13,802	494	2,394	947	17,637
Succeeding year	4,489,996	160,359	777,497	370,000	5,797,852
Income surtax	496,557	-	-	-	496,557
Accounts	240	-	-	84	324
Due from other governments	398,170	75,973	-	-	474,143
Total assets	\$ 8,460,645	16,790,068	788,784	907,306	26,946,803
Liabilities, Deferred Inflows of Resources and Fund Balances					
Liabilities:					
Accounts payable	\$ 210,815	509,816	-	20,261	740,892
Salaries and benefits payable	1,176,308	-	-	-	1,176,308
Total liabilities	1,387,123	509,816	-	20,261	1,917,200
Deferred inflows of resources:					
Unavailable revenues:					
Succeeding year property tax	4,489,996	160,359	777,497	370,000	5,797,852
Income surtax	496,557	-	-	-	496,557
Total deferred inflows of resources	4,986,553	160,359	777,497	370,000	6,294,409
Fund balances:					
Restricted for:					
Categorical funding	204,374	-	-	-	204,374
Student activities	-	-	-	122,964	122,964
Management levy purposes	-	-	-	411,902	411,902
School infrastructure	-	16,070,724	-	-	16,070,724
Physical plant and equipment	-	49,169	-	-	49,169
Debt service	-	-	11,287	-	11,287
Unassigned:					
General	1,882,595	-	-	-	1,882,595
Student activities	-	-	-	(17,821)	(17,821)
Total fund balances	2,086,969	16,119,893	11,287	517,045	18,735,194
Total liabilities, deferred inflows of resources and fund balances	\$ 8,460,645	16,790,068	788,784	907,306	26,946,803

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, 2018

Total fund balances of governmental funds(page 20)		\$ 18,735,194
<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.		14,159,553
Income surtax receivables are not yet available to pay current year expenditures and, therefore, are recognized as deferred inflows of resources in the governmental funds.		496,557
Blending of the Internal Service Funds to be reflected on an entity-wide basis.		34,324
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.		(41,545)
Pension and OPEB 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	\$ 1,801,907	
Deferred inflows of resources	<u>(222,418)</u>	1,579,489
Long-term liabilities, including bonds payable, termination benefits, net pension liability, and total OPEB liability are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		<u>(28,127,576)</u>
Net position of governmental activities(page 18)		<u><u>\$ 6,835,996</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, 2018

	General	Capital Projects	Debt Service	Nonmajor	Total
Revenues:					
Local sources:					
Local tax	\$ 5,000,308	157,579	764,022	309,455	6,231,364
Tuition	464,355	-	-	-	464,355
Other	338,238	109,225	53	492,869	940,385
State sources	5,691,955	899,545	11,959	4,943	6,608,402
Federal sources	334,571	-	-	-	334,571
Total revenues	<u>11,829,427</u>	<u>1,166,349</u>	<u>776,034</u>	<u>807,267</u>	<u>14,579,077</u>
Expenditures:					
Current:					
Instruction:					
Regular	4,290,028	109,273	-	179,905	4,579,206
Special	1,520,451	-	-	-	1,520,451
Other	1,701,372	-	-	464,336	2,165,708
	<u>7,511,851</u>	<u>109,273</u>	<u>-</u>	<u>644,241</u>	<u>8,265,365</u>
Support services:					
Student	162,563	8,387	-	-	170,950
Instructional staff	603,014	29,937	-	-	632,951
Administration	1,307,883	49,644	-	7,901	1,365,428
Operation and maintenance of plant	851,649	223,242	-	97,078	1,171,969
Transportation	436,981	221,954	-	26,790	685,725
	<u>3,362,090</u>	<u>533,164</u>	<u>-</u>	<u>131,769</u>	<u>4,027,023</u>
Capital outlay	-	4,100,759	-	-	4,100,759
Long-term debt:					
Principal	-	-	670,000	-	670,000
Interest and fiscal charges	-	-	328,131	-	328,131
	<u>-</u>	<u>-</u>	<u>998,131</u>	<u>-</u>	<u>998,131</u>
Other expenditures:					
AEA flowthrough	441,440	-	-	-	441,440
Total expenditures	<u>11,315,381</u>	<u>4,743,196</u>	<u>998,131</u>	<u>776,010</u>	<u>17,832,718</u>
Excess(Deficiency) of revenues over(under) expenditures	514,046	(3,576,847)	(222,097)	31,257	(3,253,641)
Other financing sources(uses):					
Transfer in	-	-	233,384	-	233,384
Transfer out	-	(233,384)	-	-	(233,384)
General obligation bond proceeds	-	9,415,000	-	-	9,415,000
Premium on bond issuance	-	58,502	-	-	58,502
Discount on bond issuance	-	(121,820)	-	-	(121,820)
Total other financing sources(uses)	<u>-</u>	<u>9,118,298</u>	<u>233,384</u>	<u>-</u>	<u>9,351,682</u>
Change in fund balances	514,046	5,541,451	11,287	31,257	6,098,041
Fund balances beginning of year	<u>1,572,923</u>	<u>10,578,442</u>	<u>-</u>	<u>485,788</u>	<u>12,637,153</u>
Fund balances end of year	<u>\$ 2,086,969</u>	<u>16,119,893</u>	<u>11,287</u>	<u>517,045</u>	<u>18,735,194</u>

SEE NOTES TO FINANCIAL STATEMENTS.

NEW HAMPTON COMMUNITY SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2018

Change in fund balances - total governmental funds(page 22) \$ 6,098,041

*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	\$ 4,215,835	
Depreciation expense	<u>(760,931)</u>	3,454,904

Change in income surtax account receivable is not available to finance expenditures of the current year and is recognized as deferred inflows of resources in the governmental funds. 24,921

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	670,000	
Issued	<u>(9,415,000)</u>	(8,745,000)

Net change in Internal Service Fund charged back against expenditures of the current year period in the governmental funds. (655)

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. (19,082)

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. 533,476

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	(68,960)	
Compensated absences	8,463	
Pension expense	(815,625)	
Total OPEB liability and related expenses	<u>(32,104)</u>	<u>(908,226)</u>

Change in net position of governmental activities(page 19) \$ 438,379

SEE NOTES TO FINANCIAL STATEMENTS.

NEW HAMPTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2018

	Business Type Activities: <u>Enterprise Fund</u> School Nutrition	Governmental Activities: Internal Service Fund
Assets		
Current assets:		
Cash and pooled investments	\$ 134,526	34,324
Inventories	20,777	-
Total current assets	<u>155,303</u>	<u>34,324</u>
Noncurrent assets:		
Capital assets, net of accumulated depreciation	28,809	-
Total assets	<u>184,112</u>	<u>34,324</u>
Deferred Outflows of Resources		
Pension related deferred outflows	49,294	-
OPEB related deferred outflows	1,698	-
Total Deferred Outflows of Resources	<u>50,992</u>	<u>-</u>
Liabilities		
Current liabilities:		
Accounts payable	260	-
Salaries and benefits payable	20,556	-
Unearned revenue	10,429	-
Total current liabilities	<u>31,245</u>	<u>-</u>
Noncurrent liabilities:		
Net pension liability	172,663	-
Total OPEB liability	32,728	-
Total noncurrent liabilities	<u>205,391</u>	<u>-</u>
Total liabilities	<u>236,636</u>	<u>-</u>
Deferred Inflows of Resources		
Pension related deferred inflows	5,463	-
OPEB related deferred inflows	1,241	-
Total Deferred Inflows of Resources	<u>6,704</u>	<u>-</u>
Net Position		
Net investment in capital assets	28,809	-
Unrestricted	(37,045)	34,324
Total net position	<u>\$ (8,236)</u>	<u>34,324</u>

SEE NOTES TO FINANCIAL STATEMENTS.

NEW HAMPTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2018

	Business Type Activities: <u>Enterprise Fund</u> School Nutrition	Governmental Activities: Internal Service Fund
Operating revenues:		
Local sources:		
Charges for service	\$ 279,104	-
Miscellaneous	3,246	75,301
Total operating revenues	<u>282,350</u>	<u>75,301</u>
Operating expenses:		
Support services:		
Administration:		
Benefits	-	76,024
Non-instructional programs:		
Food service operations:		
Salaries	187,113	-
Benefits	87,690	-
Services	17,488	-
Supplies	235,857	-
Depreciation	7,071	-
	<u>535,219</u>	<u>-</u>
Total operating expenses	<u>535,219</u>	<u>76,024</u>
Operating loss	<u>(252,869)</u>	<u>(723)</u>
Non-operating revenues		
State sources	3,512	-
Federal sources	255,662	-
Interest income	287	68
Total non-operating revenues	<u>259,461</u>	<u>68</u>
Change in net position	6,592	(655)
Net position beginning of year, as restated	<u>(14,828)</u>	<u>34,979</u>
Net position end of year	<u>\$ (8,236)</u>	<u>34,324</u>

SEE NOTES TO FINANCIAL STATEMENTS.

NEW HAMPTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2018

	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	\$ 280,982	-
Cash received from miscellaneous sources	3,246	75,301
Cash payments to employees for services	(241,921)	(76,024)
Cash payments to suppliers for goods or services	(208,609)	-
Net cash used in operating activities	<u>(166,302)</u>	<u>(723)</u>
Cash flows from non-capital financing activities:		
State grants received	3,512	-
Federal grants received	217,480	-
Net cash provided by non-capital financing activities	<u>220,992</u>	<u>-</u>
Cash flows from investing activities:		
Interest on investments	287	68
Net increase(decrease) in cash and pooled investments	54,977	(655)
Cash and pooled investments beginning of year	<u>79,549</u>	<u>34,979</u>
Cash and pooled investments end of year	<u>\$ 134,526</u>	<u>34,324</u>
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	\$ (252,869)	(723)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Commodities consumed	38,182	-
Depreciation	7,071	-
Decrease in inventories	7,142	-
Decrease in accounts payable	(588)	-
Increase in salaries and benefits payable	20,556	-
Increase in unearned revenue	1,878	-
Increase in net pension liability	15,550	-
Increase in deferred outflows of resources	(6,426)	-
Increase in deferred inflows of resources	1,445	-
Increase in OPEB liability	1,757	-
Net cash used in operating activities	<u>\$ (166,302)</u>	<u>(723)</u>

Non-cash investing, capital and related financing activities:

During the year ended June 30, 2018, the District received Federal commodities valued at \$38,182.

SEE NOTES TO FINANCIAL STATEMENTS.

NEW HAMPTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
JUNE 30, 2018

	<u>Agency</u>
Assets	
Cash and pooled investments	\$ 5,575
Liabilities	
Accounts payable	\$ 19
Due to other groups	5,556
Total liabilities	<u>\$ 5,575</u>

SEE NOTES TO FINANCIAL STATEMENTS.

NEW HAMPTON COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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 Projects 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/Net Position

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 reported as deferred inflow of resources 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, 2016 assessed property valuations; is for the tax accrual period July 1, 2017 through June 30, 2018 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2017.

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 if purchased or constructed. Donated capital assets are recorded at acquisition value. Acquisition value is the price that would have been paid to acquire a capital asset with equivalent service potential. 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. Reportable 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	1,000

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 applicable to a future year(s) which 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 and OPEB expense, the unamortized portion of the net difference between projected and actual earnings on pension plan investments and contributions from the District 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.

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.

Total OPEB Liability - For purposes of measuring the total OPEB liability, deferred outflows of resources related to OPEB and OPEB expense, information has been determined based on the District's actuary report. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. The total OPEB liability attributable to the governmental activities will be paid primarily by the General Fund while the portion attributable to the business type activities will be paid primarily by the Enterprise, School Nutrition Fund.

Deferred Inflows of Resources - Deferred inflows of resources represent an acquisition of net position that applicable to a future year(s) which will not be recognized as an inflow of resources (revenue) until that time. Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consist 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 consist of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied, and the unrecognized items not yet charged to pension expense.

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, 2018 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, 2018.

Note 3. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2018 is as follows:

Transfer to	Transfer from	Amount
	Capital Projects:	
	Statewide Sales,	
Debt Service	Services, and Use Tax	\$ 233,384

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, 2018 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 381,700	82,020	-	463,720
Construction in progress	977,756	3,844,121	-	4,821,877
Total capital assets not being depreciated	381,700	3,926,141	-	5,285,597
Capital assets being depreciated:				
Buildings	14,503,377	26,150	-	14,529,527
Land improvements	1,238,534	11,578	-	1,250,112
Machinery and equipment	5,824,653	251,966	-	6,076,619
Total capital assets being depreciated	21,566,564	289,694	-	21,856,258
Less accumulated depreciation for:				
Buildings	6,726,392	365,073	-	7,091,465
Land improvements	691,785	52,281	-	744,066
Machinery and equipment	4,803,194	343,577	-	5,146,771
Total accumulated depreciation	12,221,371	760,931	-	12,982,302
Total capital assets being depreciated, net	9,345,193	(471,237)	-	8,873,956
Governmental activities capital assets, net	\$ 9,726,893	3,454,904	-	14,159,553
Business Type Activities:				
Machinery and equipment	\$ 147,363	-	-	147,363
Less accumulated depreciation	111,483	7,071	-	118,554
Business type activities capital assets, net	\$ 35,880	(7,071)	-	28,809

Depreciation expense was charged by the District as follows:

Governmental Activities:		
Instruction:		
Regular		\$ 199,473
Special		3,890
Other		3,965
Support services:		
Administration		9,841
Operation and maintenance of plant		24,836
Transportation		101,572
		<u>343,577</u>
Unallocated depreciation		<u>417,354</u>
Total governmental activities depreciation expense		<u>\$ 760,931</u>
Business Type Activities:		
Food service operations		<u>\$ 7,071</u>

Note 5. Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2018 are summarized as follows:

	Balance Beginning of Year (as restated)	Additions	Deletions	Balance End of Year	Due Within One Year
Governmental Activities:					
Revenue bonds	\$ 2,160,000	-	175,000	1,985,000	175,000
General obligation bonds	10,000,000	9,415,000	495,000	18,920,000	750,000
Compensated absences	8,463	-	8,463	-	-
Termination benefits	284,327	127,500	58,540	353,287	81,540
Net pension liability	5,555,419	505,253	-	6,060,672	-
Total OPEB liability	765,209	43,408	-	808,617	-
Total	<u>\$ 18,773,418</u>	<u>10,091,161</u>	<u>737,003</u>	<u>28,127,576</u>	<u>1,006,540</u>
Business Type Activities:					
Net pension liability	\$ 157,113	15,550	-	172,663	-
Total OPEB liability	30,971	1,757	-	32,728	-
Total	<u>\$ 188,084</u>	<u>17,307</u>	<u>-</u>	<u>205,391</u>	<u>-</u>

Revenue Bonds Payable

Details of the District's June 30, 2018 revenue bonded indebtedness are as follows:

Year Ending June 30,	Interest Rate	Bond Issue August 8, 2013		
		Principal	Interest	Total
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	2.80	195,000	38,550	233,550
2024-2028	2.90-3.30	1,065,000	103,740	1,168,740
Total		<u>\$ 1,985,000</u>	<u>340,595</u>	<u>2,325,595</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 \$2,325,595. For the current year, principal of \$175,000 and interest of \$58,080 was paid on the revenue bonds and total statewide sales, services and use tax revenues were \$897,078.

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, 2018 general obligation indebtedness are as follows:

Year		Bond Issue June 1, 2017			Year		Bond Issue June 6, 2018			Total		
Ending June 30,	Interest Rate	Principal	Interest	Total	Ending June 30,	Interest Rate	Principal	Interest	Total	Principal	Interest	Total
2019	2.00%	\$ 370,000	259,651	629,651	2019	2.00%	\$ 380,000	297,825	677,825	750,000	557,477	1,307,477
2020	2.00	395,000	252,251	647,251	2020	2.00	345,000	290,620	635,620	740,000	542,871	1,282,871
2021	2.00	405,000	244,351	649,351	2021	2.00	345,000	280,270	625,270	750,000	524,621	1,274,621
2022	2.00	420,000	236,251	656,251	2022	2.00	350,000	269,920	619,920	770,000	506,171	1,276,171
2023	2.00	430,000	227,851	657,851	2023	2.00	360,000	259,420	619,420	790,000	487,271	1,277,271
2024-2028	2.00-3.00	2,340,000	994,844	3,334,844	2024-2028	2.00-3.00	1,960,000	1,128,500	3,088,500	4,300,000	2,123,344	6,423,344
2029-2033	3.00	2,700,000	650,569	3,350,569	2029-2033	3.00	2,285,000	813,899	3,098,899	4,985,000	1,464,468	6,449,468
2034-2037	3.3-3.40	2,445,000	207,206	2,652,206	2034-2037	3.3-3.40	3,390,000	411,555	3,801,555	5,835,000	618,761	6,453,761
Total		\$ 9,505,000	3,072,975	12,577,975	Total		\$ 9,415,000	3,752,009	13,167,009	18,920,000	6,824,984	25,744,984

Termination Benefits

The District offered an early retirement benefit plan to its certified employees for the years ended June 30, 2011, 2014, 2017 and 2018. 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 years 2017 and 2018, 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, 2018, totaled \$58,540. 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, 2018, the District had outstanding obligations to fifteen retirees totaling \$353,287.

Note 6. Other Postemployment Benefits (OPEB)

Plan Description - The District administers a single-employer benefit plan which provides medical and prescription drug benefits for employees, retirees and their spouses. Group insurance benefits are established under Iowa Code Chapter 509A.13. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

OPEB Benefits - Individuals who are employed by the District and are eligible to participate in the group health plan are eligible to continue healthcare benefits upon retirement. Retirees under age 65 pay the same premium for the medical and prescription drug benefits as active employees, which results in an implicit rate subsidy and an OPEB liability.

Retired participants must be age 55 or older at retirement. At June 30, 2018, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	8
Active employees	<u>145</u>
Total	<u><u>153</u></u>

Total OPEB Liability - The District's total OPEB liability of \$841,345 was measured as of June 30, 2018 and was determined by an actuarial valuation as of that date.

Actuarial Assumptions - The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions and the entry age normal actuarial cost method, applied to all periods included in the measurement.

Rate of inflation (effective June 30, 2017)	2.75% per annum.
Rates of salary increase (effective June 30, 2017)	3.25% per annum, including inflation.
Discount rate (effective June 30, 2017)	3.56% compounded annually, including inflation.
Healthcare cost trend rate (effective June 30, 2017)	6.80% initial rate decreasing by varying amounts to an ultimate rate of 4.40%

Discount Rate - The discount rate used to measure the total OPEB liability was 3.56% which reflects the index rate for 20-year tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher as of the measurement date.

Mortality rates are from the SOA RPH-2017 total dataset mortality table fully generational using Scale MP-2017. Annual retirement probabilities are based on varying rates by age and turnover probabilities mirror those used by IPERS.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience studies with dates corresponding to those listed above.

Changes in the Total OPEB Liability

	<u>Total OPEB Liability</u>
Total OPEB liability beginning of year, as restated	\$ 796,180
Changes for the year:	
Service cost	73,381
Interest	25,140
Changes in assumptions	(36,154)
Benefit payments	<u>(17,202)</u>
Net changes	<u>45,165</u>
Total OPEB liability end of year	<u>\$ 841,345</u>

Changes of assumptions reflect a change in the discount rate from 2.92% in fiscal year 2017 to 3.56% in fiscal year 2018.

Sensitivity of the District's Total OPEB Liability to Changes in the Discount Rate - The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1% lower (2.56%) or 1% higher (4.56%) than the current discount rate.

	1% Decrease (2.56%)	Discount Rate (3.56%)	1% Increase (4.56%)
Total OPEB liability	\$ 898,405	841,345	787,593

Sensitivity of the District's Total OPEB Liability to Changes in the Healthcare Cost Trend Rates - The following presents the total OPEB liability of the District as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% lower (5.80%) or 1% higher (7.80%) than the current healthcare cost trend rates.

OPEB Expense and Deferred Outflows of Resources Related to OPEB - For the year ended June 30, 2018, the District recognized OPEB expense of \$94,258. At June 30, 2018, the District reported deferred outflows of resources related to OPEB from the following resources:

	1% Decrease (5.80%)	Healthcare Cost Trend Rate (6.80%)	1% Increase (7.80%)
Total OPEB liability	\$ 758,745	841,345	938,933

The amount reported as deferred outflows of resources related to OPEB will be recognized as OPEB expense as follows:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in assumptions	\$ -	31,891
Contributions between measurement date and reporting date	43,652	-
Total	<u>\$ 43,652</u>	<u>31,891</u>

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 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 2018, 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, 2018 were \$547,829.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2018, the District reported a liability of \$6,233,335 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, 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, 2017, the District's proportion was 0.093576%, which was a decrease of 0.002804% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the District recognized pension expense of \$841,004. At June 30, 2018, 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	\$ 57,228	54,007
Changes of assumptions	1,083,066	-
Net difference between projected and actual earnings on IPERS' investments	-	65,105
Changes in proportion and differences between District contributions and the District's proportionate share of contributions	121,124	78,119
District contributions subsequent to the measurement date	547,829	-
Total	<u>\$ 1,809,247</u>	<u>197,231</u>

\$547,829 reported as deferred outflows of resources related to pensions resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2019. 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
2019	\$ 134,671
2020	482,280
2021	305,321
2022	59,740
Thereafter	82,175
Total	<u>\$ 1,064,187</u>

There were no non-employer contributing entities at IPERS.

Actuarial Assumptions - The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of inflation (effective June 30, 2017)	2.60% per annum.
Rates of salary increase (effective June 30, 2017)	3.25 to 16.25%, average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 2017)	7.00% compounded annually, net of investment expense, including inflation.
Wage growth (effective June 30, 2017)	3.25% per annum, based on 2.60% inflation and 0.65% real wage inflation.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study dated March 24, 2017.

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
Domestic equity	24.0%	6.25%
International equity	16.0	6.71
Core plus fixed income	27.0	2.25
Public credit	3.5	3.46
Public real assets	7.0	3.27
Cash	1.0	(0.31)
Private equity	11.0	11.15
Private real assets	7.5	4.18
Private credit	3.0	4.25
Total	<u>100%</u>	

Discount Rate - The discount rate used to measure the total pension liability was 7.00%. 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 7.00%, 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 (6.00%) or 1% higher (8.00%) than the current rate.

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
District's proportionate share of the net pension liability	\$ 10,270,035	6,233,335	2,841,731

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, 2018, the District reported payables to IPERS of \$72,927 for legally required District contributions and \$48,591 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, 2018 were \$1,400,868.

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, 2018, no liability has been recorded in the District's financial statements. As of June 30, 2018, 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 \$441,440 for the year ended June 30, 2018 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, 2018, there was a deficit unassigned balance in the Student Activity Fund of \$17,821 due to the deficit annual account.

Note 11. Categorical Funding

In accordance with Iowa Administrative Code Section 98.1, categorical funding is financial support from the state and federal governments targeted for particular categories of students, special programs, or special purposes. This support is in addition to school district or area education agency general purpose revenue, for purposes beyond the basic educational program and most often has restrictions on its use. Any portion of categorical funding provided by the state that is not expended by the end of the fiscal year must be carried forward as a restricted fund balance.

The following is a schedule of the categorical funding restricted in the General Fund at June 30, 2018.

Programs	Amount
Gifted and Talented	\$ 87,012
Returning Dropouts and Dropout Prevention	6,151
Teacher Salary Supplement	32,515
Teacher Leadership State Aid	50,916
Professional Development	22,424
Governor's Advisory Council STEM Scale-Up Programs	189
Textbook Aid for Nonpublic Students	4,058
Professional Development System for Statewide Early Childhood System	1,109
Total	\$ 204,374

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	Debt Levy	Unassigned/ Unrestricted
Fund balance (Exhibit C)	\$ -	411,902	16,070,724	11,287	1,882,595
Capital assets, net of accumulated depreciation	14,159,553	-	-	-	-
Revenue bond capitalized indebtedness	(1,985,000)	-	-	-	-
General obligation bond capitalized indebtedness	(4,489,908)	-	-	-	-
Unspent general obligation bond proceeds	-	-	(14,430,092)	-	-
Termination benefits liability	-	(353,287)	-	-	-
Accrued interest payable	-	-	-	(11,287)	(30,258)
Internal service fund	-	-	-	-	34,324
Unassigned for student activities	-	-	-	-	(17,821)
Income surtax receivable	-	-	-	-	496,557
Pension related deferred outflows	-	-	-	-	1,759,953
OPEB related deferred outflows	-	-	-	-	41,954
Net pension liability	-	-	-	-	(6,060,672)
Pension related deferred inflows	-	-	-	-	(191,768)
OPEB related deferred inflows	-	-	-	-	(30,650)
Total OPEB liability	-	-	-	-	(808,617)
Net position (Exhibit A)	\$ 7,684,645	58,615	1,640,632	-	(2,924,403)

Note 13. 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, 2018 under agreements entered into by the following entities:

<u>Entity</u>	<u>Tax Abatement Program</u>	<u>Amount of Tax Abated</u>
City of New Hampton	Urban Renewal	\$ 89,035

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, 2018, this reimbursement amounted to \$47,172.

Note 14. Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB), was implemented during fiscal year 2018. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with OPEB benefits, including additional note disclosure and required supplementary information. In addition, GASB Statement No. 75 requires a state or local government employer to use the entry age normal actuarial cost method and requires deferred outflows of resources and deferred inflows of resources which arise from other types of events related to OPEB to be recognized. During the transition year, as permitted, beginning balances for deferred outflows of resources and deferred inflows of resources are not reported. Beginning net position for governmental activities and business type activities was restated to retroactively report the change in valuation of the beginning total OPEB liability, as follows:

	<u>Governmental Activities</u>	<u>Business Type Activities</u>
Net position June 30, 2017, as previously reported	\$ 6,523,932	(11,171)
OPEB obligation measured under previous standards	638,894	27,314
Total OPEB liability at June 30, 2017	<u>(765,209)</u>	<u>(30,971)</u>
Net position July 1, 2017, as restated	<u>\$ 6,397,617</u>	<u>(14,828)</u>

Note 15. Construction Commitments

As of June 30, 2018, the District had entered into contracts of \$16,612,915 for construction of a new Middle School and Vocational Aid Technology building addition. As of June 30, 2018, \$4,821,877 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, 2018

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to Actual Variance
	Funds	Fund		Original	Final	
	Actual	Actual				
Revenues:						
Local sources	\$ 7,636,104	282,637	7,918,741	7,824,193	7,824,193	94,548
Intermediate sources	-	-	-	1,500	1,500	(1,500)
State sources	6,608,402	3,512	6,611,914	7,007,001	7,007,001	(395,087)
Federal sources	334,571	255,662	590,233	806,276	806,276	(216,043)
Total revenues	14,579,077	541,811	15,120,888	15,638,970	15,638,970	(518,082)
Expenditures/Expenses:						
Instruction	8,265,365	-	8,265,365	8,848,500	8,848,500	583,135
Support services	4,027,023	-	4,027,023	4,545,000	5,029,704	1,002,681
Non-instructional programs	-	535,219	535,219	650,000	650,000	114,781
Other expenditures	5,540,330	-	5,540,330	1,212,830	10,000,000	4,459,670
Total expenditures/expenses	17,832,718	535,219	18,367,937	15,256,330	24,528,204	6,160,267
Excess(deficiency) of revenues over(under) expenditures/expenses	(3,253,641)	6,592	(3,247,049)	382,640	(8,889,234)	5,642,185
Other financing sources, net	9,351,682	-	9,351,682	-	-	9,351,682
Excess(deficiency) of revenues and other financing sources over(under) expenditures/expenses	6,098,041	6,592	6,104,633	382,640	(8,889,234)	14,993,867
Balances beginning of year, as restated	12,637,153	(14,828)	12,622,325	2,397,772	2,397,772	10,224,553
Balances end of year	\$ 18,735,194	(8,236)	18,726,958	2,780,412	(6,491,462)	25,218,420

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NEW HAMPTON COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2018

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 a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, 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, 2018, the District adopted one budget amendment increasing expenditures by \$9,271,874.

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 FOUR YEARS*
(IN THOUSANDS)
REQUIRED SUPPLEMENTARY INFORMATION

	2018	2017	2016	2015
District's proportion of the net pension liability	0.093576%	0.090771%	0.092339%	0.095281%
District's proportionate share of the net pension liability	\$ 6,233	5,713	4,562	3,779
District's covered payroll	\$ 6,985	6,514	6,326	6,237
District's proportionate share of the net pension liability as a percentage of its covered payroll	89.23%	87.70%	72.12%	60.59%
IPERS' net position as a percentage of the total pension liability	82.21%	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

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Statutorily required contribution	\$ 548	624	582	565	557	537	494	426	409	338
Contributions in relation to the statutorily required contribution	\$ (548)	(624)	(582)	(565)	(557)	(537)	(494)	(426)	(409)	(338)
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-
District's covered payroll	\$ 6,135	6,985	6,514	6,326	6,237	6,194	6,121	6,129	6,150	5,323
Contributions as a percentage of covered payroll	8.93%	8.93%	8.93%	8.93%	8.93%	8.67%	8.07%	6.95%	6.65%	6.35%

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NEW HAMPTON COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PENSION LIABILITY
YEAR ENDED JUNE 30, 2018

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.

Changes of assumptions:

The 2017 valuation implemented the following refinements as a result of an experience study dated March 24, 2017:

- Decreased the inflation assumption from 3.00% to 2.60%.
- Decreased the assumed rate of interest on member accounts from 3.75% to 3.50% per year.
- Decreased the discount rate from 7.50% to 7.00%.
- Decreased the wage growth assumption from 4.00% to 3.25%.
- Decreased the payroll growth assumption from 4.00% to 3.25%.

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 CHANGES IN THE DISTRICT'S
TOTAL OPEB LIABILITY, RELATED RATIOS AND NOTES
FOR THE CURRENT YEAR
REQUIRED SUPPLEMENTARY INFORMATION

	2018
Service cost	\$ 73,381
Interest cost	25,140
Changes in assumptions	(36,154)
Benefit payments	(17,202)
Net change in total OPEB liability	45,165
Total OPEB liability beginning of year, as restated	796,180
Total OPEB liability end of year	\$ 841,345
Covered-employee payroll	\$ 6,573,311
Total OPEB liability as a percentage of covered-employee payroll	12.80%

Notes to Schedule of Changes in the District's Total OPEB Liability and Related Ratios

Changes in benefit terms:

There were no significant changes in benefit terms.

Changes in assumptions:

Changes in assumptions and other inputs reflect the effects of changes in the discount rate each period. The following are the discount rates used in each period.

Year ended June 30, 2018	3.56%
Year ended June 30, 2017	2.92%

New Hampton Community School District

SUPPLEMENTARY INFORMATION

NEW HAMPTON COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2018

	Special Revenue		
	Student Activity	Manage- ment Levy	Total
Assets			
Cash and pooled investments	\$ 124,233	412,042	536,275
Receivables:			
Property tax			
Delinquent	-	947	947
Succeeding year	-	370,000	370,000
Accounts	84	-	84
Total assets	\$ 124,317	782,989	907,306
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	\$ 19,174	1,087	20,261
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	-	370,000	370,000
Fund balances:			
Restricted for:			
Student activities	122,964	-	122,964
Management levy purposes	-	411,902	411,902
Unassigned	(17,821)	-	(17,821)
Total fund balances	105,143	411,902	517,045
Total liabilities, deferred inflows of resources and fund balances	\$ 124,317	782,989	907,306

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, 2018

	Special Revenue		
	Student Activity	Management Levy	Total
Revenues:			
Local sources:			
Local tax	\$ -	309,455	309,455
Other	470,703	22,166	492,869
State sources	-	4,943	4,943
Total revenues	470,703	336,564	807,267
Expenditures			
Current:			
Instruction:			
Regular	-	179,905	179,905
Other	464,336	-	464,336
Support services:			
Administration	-	7,901	7,901
Operation and maintenance of plant	-	97,078	97,078
Transportation	-	26,790	26,790
Total expenditures	464,336	311,674	776,010
Changes in fund balances	6,367	24,890	31,257
Fund balances beginning of year	98,776	387,012	485,788
Fund balances end of year	\$ 105,143	411,902	517,045

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NEW HAMPTON COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 CAPITAL PROJECTS FUND ACCOUNTS
 JUNE 30, 2018

	Capital Projects			
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	GO Bond Construction	Total
Assets				
Cash and pooled investments	\$ 1,516,002	56,099	14,981,141	16,553,242
Receivables:				
Property tax				
Delinquent	-	494	-	494
Succeeding year	-	160,359	-	160,359
Due from other governments	75,973	-	-	75,973
Total assets	\$ 1,591,975	216,952	14,981,141	16,790,068
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts Payable	\$ 24,550	7,424	477,842	509,816
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	-	160,359	-	160,359
Fund balances:				
Restricted for:				
School infrastructure	1,567,425	-	14,503,299	16,070,724
Physical plant and equipment	-	49,169	-	49,169
Total fund balances	1,567,425	49,169	14,503,299	16,119,893
Total liabilities, deferred inflows of resources and fund balances	\$ 1,591,975	216,952	14,981,141	16,790,068

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, 2018

	Capital Projects			Total
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	GO Bond Construction	
Revenues:				
Local sources:				
Local tax	\$ -	157,579	-	157,579
Other	9,869	3,860	95,496	109,225
State sources	897,078	2,467	-	899,545
Total revenues	906,947	163,906	95,496	1,166,349
Expenditures:				
Instruction:				
Regular	9,669	99,604	-	109,273
Support services:				
Student	-	8,387	-	8,387
Instructional staff	3,686	26,251	-	29,937
Administration	23,730	3,625	22,289	49,644
Operation and maintenance of plan	204,704	18,538	-	223,242
Transportation	21,817	200,137	-	221,954
Capital outlay	123,395	60,353	3,917,011	4,100,759
Total expenditures	387,001	416,895	3,939,300	4,743,196
Excess (Deficiency) of revenues over (under) expenditures	519,946	(252,989)	(3,843,804)	(3,576,847)
Other financing sources (uses):				
General obligation bond proceeds	-	-	9,415,000	9,415,000
Premium on bond issuance	-	-	58,502	58,502
Discount on bond issuance	-	-	(121,820)	(121,820)
Transfers out	(233,384)	-	-	(233,384)
Total other financing source(uses)	(233,384)	-	9,351,682	9,118,298
Change in fund balances	286,562	(252,989)	5,507,878	5,541,451
Fund balances beginning of year	1,280,863	302,158	8,995,421	10,578,442
Fund balances end of year	\$ 1,567,425	49,169	14,503,299	16,119,893

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, 2018

Account	Balance Beginning of Year	Revenues	Expendi- tures	Intrafund Transfers	Balance End of Year
Drama	\$ -	8,417	4,835	-	3,582
Speech	-	-	903	903	-
H.S. Vocal Music	-	903	1,436	533	-
M.S. Vocal Music	57	-	296	239	-
Instrumental Music	493	921	1,695	365	84
Band Trip	33	-	-	-	33
MS Music	731	-	142	-	589
MS Musical	2,110	2,475	1,064	-	3,521
Swing Choir	433	510	979	36	-
HS Cheerleaders	-	6,078	2,847	-	3,231
MS Cheerleaders	202	-	-	-	202
Flags	7,952	6,070	10,660	-	3,362
Trapshooting	20,473	31,775	29,852	-	22,396
Athletics	8,096	161,170	174,655	6,854	1,465
Sports Camps	19,872	78,488	74,415	1,481	25,426
Wrestling Camp Balance	-	2,809	2,190	-	619
IMPACT Club Balance	-	776	522	-	254
GSA	91	-	-	-	91
National Honor Society	533	7,462	9,133	1,138	-
Annual	(21,471)	11,895	8,245	-	(17,821)
Chieftain	37	-	-	-	37
Future Educators	7	-	-	-	7
Art Club	110	838	1	-	947
AFS Club	945	3,318	6,911	2,648	-
Writer's Club	-	3,822	-	-	3,822
Science Achievement Club	332	-	-	-	332
BAC	431	-	-	-	431
FFA	1,778	55,282	55,312	-	1,748
SADD	2,413	-	-	-	2,413
Student Senate	1,610	2,856	1,216	-	3,250
Class of 2017	117	-	117	-	-
Class of 2018	4,698	-	1,957	-	2,741
Class of 2019	8,280	913	961	-	8,232
Class of 2020	1,177	4,845	2,865	-	3,157
Class of 2021	237	98	182	-	153
Activity Tickets	1,863	12,425	10,135	(1,122)	3,031
Lettermen	7,163	13,911	14,092	-	6,982
Letterette	1,531	2,968	2,637	-	1,862
Dance Team	4,018	16,064	17,117	-	2,965
Pep Club	10	-	-	-	10
Student Senate Vending	9,587	32,043	25,972	(13,075)	2,583
Miscellaneous	673	-	-	-	673
M.S. Annual	5,670	-	-	-	5,670
M.S. Business Achievement Club	783	676	703	-	756
M.S. SADD	267	-	-	-	267
M.S. Student Senate	3,528	-	-	-	3,528
OM/DI Activity	99	-	-	-	99
Elementary Carnival	-	-	289	289	-
Student Assistance	1,590	895	-	(289)	2,196
Book Fair	217	-	-	-	217
Total	\$ 98,776	470,703	464,336	-	105,143

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, 2018

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
<u>NEIC</u>				
ASSETS				
Cash and pooled investments	\$ 7,375	4,200	8,514	3,061
LIABILITIES				
Due to other groups	\$ 7,375	4,200	8,514	3,061
<u>IOWA BIG NORTH</u>				
ASSETS				
Cash and pooled investments	\$ 2,177	7,896	7,559	2,514
Accounts receivable	3,400	-	3,400	-
TOTAL ASSETS	\$ 5,577	7,896	10,959	2,514
LIABILITIES				
Accounts payable	\$ 19	19	19	19
Due to other groups	5,558	3,415	6,478	2,495
TOTAL LIABILITIES	\$ 5,577	3,434	6,497	2,514
<u>Total</u>				
ASSETS				
Cash and pooled investments	\$ 9,552	12,096	16,073	5,575
Accounts receivable	3,400	-	3,400	-
TOTAL ASSETS	\$ 12,952	12,096	19,473	5,575
LIABILITIES				
Accounts payable	\$ 19	19	19	19
Due to other groups	12,933	7,615	14,992	5,556
TOTAL LIABILITIES	\$ 12,952	7,634	15,011	5,575

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,									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Revenues:										
Local sources:										
Local tax	\$ 6,231,364	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
Tuition	464,355	606,375	402,188	357,263	341,325	316,320	368,233	324,598	330,890	270,277
Other	940,385	784,478	826,028	827,996	757,193	816,389	826,026	884,446	781,180	680,436
Intermediate sources	-	-	122	7,883	1,110	1,152	1,641	1,983	13,354	14,848
State sources	6,608,402	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
Federal sources	334,571	347,658	343,136	263,080	303,789	326,481	585,366	678,724	868,007	418,517
Total	\$ 14,579,077	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
Expenditures:										
Instruction:										
Regular	\$ 4,579,206	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
Special	1,520,451	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
Other	2,165,708	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
Support services:										
Student	170,950	176,504	210,792	191,316	210,481	203,666	183,047	210,279	261,650	191,075
Instructional staff	632,951	667,707	347,110	355,608	253,145	283,043	281,297	261,340	259,004	310,387
Administration	1,365,428	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
Operation and maintenance										
of plant	1,171,969	1,021,809	1,300,852	968,873	807,412	824,868	726,734	755,004	713,506	726,255
Transportation	685,725	551,986	710,714	526,579	769,521	519,940	563,150	555,358	584,349	580,860
Non-instructional programs	-	-	-	16,307	-	-	-	-	-	-
Capital outlay	4,100,759	1,286,007	332,184	409,146	391,004	362,319	495,612	431,505	1,946,980	1,753,835
Long-term debt:										
Principal	670,000	170,000	170,000	165,000	2,965,000	130,000	100,000	100,000	-	630,000
Interest and fiscal charges	328,131	60,460	62,245	63,483	78,038	132,110	135,510	138,760	222,401	25,600
Other expenditures:										
AEA flow-through	441,440	431,416	425,138	426,067	422,810	410,546	410,210	454,695	455,648	420,686
Total	\$ 17,832,718	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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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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, 2018, and the related Notes to Financial Statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 26, 2019.

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-18 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, 2018 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

New Hampton Community School District's Responses to Findings

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

Purpose of this Report

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

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


NOLTE, CORNMAN & JOHNSON, P.C.

March 26, 2019
Newton, Iowa

NEW HAMPTON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2018

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

I-A-18 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 or transactions are not under the control of the same employees. This segregation of duties helps prevent losses from employee error or dishonesty and maximizes that 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 review its procedures to see if there are ways we can better segregate duties or put in other procedures to further maximize internal controls.

Conclusion - Response accepted.

Part II: Other Findings Related to Statutory Reporting:

II-A-18 Certified Budget - Expenditures for the year ended June 30, 2018 did not exceed the amended certified budgeted amounts.

II-B-18 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-18 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-18 Business Transactions - Business transactions between the District and District officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Terry Phillips, Cook Spouse owns Phillips Refrigeration	Repairs	\$1,269
Jeanette Laures, Teacher Father-in-law owns Vern Laures Chevy	Supplies	\$4,047
Chad Pemble, Teacher Spouse owns Screen Print To Go	Supplies	\$50,718
Tim Denner, Board Member Owns Mohawk Cleaners	Supplies	\$94
Owns Mohawk Electric	Supplies	\$937

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.

II-E-18 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-18 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

II-G-18 Certified Enrollment - No variances regarding the enrollment data certified to the Iowa Department of Education were noted.

II-H-18 Supplementary Weighting - No variances regarding the supplementary weighting data certified to the Iowa Department of Education were noted.

II-I-18 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-18 Certified Annual Report - The Certified Annual Report was certified timely to the Iowa Department of Education.

II-K-18 Categorical Funding - Except as noted, no instances of categorical funding being used to supplant rather than supplement other funds were noted. During our audit, we noted the District paid for health insurance costs as a Teacher Salary Supplement (TSS). According to guidance provided by the Iowa Department of Education TSS funding is limited to additional salary for teachers, including amounts necessary for the district to comply with statutory teacher salary minimums therefore the cost would be ineligible for TSS funding. The following are the adjustments to the June 30, 2018 ending restricted balance for the District's Teachers Salary Supplement:

	Restricted Balance on District's CAR	Amount of Expense Adjustment	Audited Ending Restricted Balance
Teacher Salary Supplement	\$ 32,505.43	\$ 9.72	\$ 32,515.15

Recommendation - The District should review expenses coded to its categorical funding programs for teacher salary supplement to ensure they meet “appropriate uses” as defined in Chapter 98-24 of the Iowa Administrative Code - Financial Management of Categorical Funding.

Response - The District will make sure all costs are taken out of the appropriate categorical fund in the future.

Conclusion - Response accepted.

II-L-18 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, 2018, the District reported the following information regarding the statewide sales, services, and use tax revenue in the District’s CAR:

Beginning Balance		\$ 1,280,863
Revenues:		
Sales tax revenue	\$ 897,078	
Other local revenue	9,869	906,947
		<u>2,187,810</u>
Expenditures/transfers out:		
School infrastructure	\$ 20,568	
Land	86,082	
Equipment	235,007	
Other	45,344	
Transfers out:		
Debt Service Fund	233,384	620,385
		<u>620,385</u>
Ending Balance		<u>\$ 1,567,425</u>

For the year ended June 30, 2018, the District reduced the following levies as a result of the moneys received under Chapter 423E or 423 F of the Code of Iowa:

	Rate of Levy Reduction Per \$1,000 of Taxable Valuation	Property Tax Dollars Reduced
Debt Service Fund	\$ 0.34000	\$ 175,000

II-M-18 Financial Condition - We noted an account in the Student Activity Fund that had a deficit balance of \$17,821 at June 30, 2018.

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 district will continue to monitor this account and look for ways to further reduce the deficit.

Conclusion - Response accepted.

II-N-18 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, per Board discretion.

Response - The district will review the Interest Account in the Activity Fund to make sure any amount in this account is distributed to other accounts within the Activity Fund yearly as approved by the board.

Conclusion - Response accepted.

Inactive Accounts: We noted during our audit that the District has multiple accounts within the Student Activity Fund which have had no activity for the past two fiscal years. The accounts are as follows: Band Trip, MS Cheerleaders, Positive Fund Balance, Chieftain, Future Educators of America, Science Achievement Club, Pep Club, MS SADD, MS Student Senate, OM/DI Activity, Book Fair.

Recommendation - The District should review these accounts within the Student Activity Fund on an annual basis.

Response - The district will review inactive accounts on an annual basis and review whether they should be eliminated or deactivated within our system

Conclusion - Response accepted.