

NEW HAMPTON COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2016

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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 2015 Election)

Tom Rasmussen	President	2015
Joe Rosonke	Vice President	2017
Jennifer Ewert	Board Member	2015
Timothy Denner	Board Member	2017
Damian Baltes	Board Member	2017

(Before September 2015 Election)

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

School Officials

Jay Jurrens	Superintendent	2016
Bob Ayers	Business Manager/Board Secretary	2016
Swisher & Cohrt, P.L.C.	Attorney	2016

NOLTE, CORNMAN & JOHNSON P.C.
Certified Public Accountants
(a professional corporation)
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Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

To the Board of Education New Hampton Community School District:

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the District's Proportionate Share of the Net Pension Liability, the Schedule of District Contributions and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 16 and 44 through 49 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, 2015 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 7, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated April 26, 2017 on our consideration of New Hampton Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering New Hampton Community School District's internal control over financial reporting and compliance.


NOLTE, CORNMAN & JOHNSON, P.C.

April 26, 2017
Newton, Iowa

New Hampton Community School District

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

2016 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$10,635,272 in fiscal year 2015 to \$10,938,050 in fiscal year 2016, while General Fund expenditures decreased from \$10,683,279 in fiscal year 2015 to \$10,650,968 in fiscal year 2016. This resulted in an increase in the District's General Fund balance from \$711,202 at June 30, 2015 to \$998,284 at June 30, 2016, an increase of 40.37% from the prior year.
- The increase in General Fund revenues was attributable to increases in local tax revenues. The decrease in expenditures was due primarily to decreased expenditures in the support services functional area.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of New Hampton Community School District as a whole and present an overall view of the District's finances.

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

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

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

Supplementary Information provides detailed information about the nonmajor governmental funds.

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

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

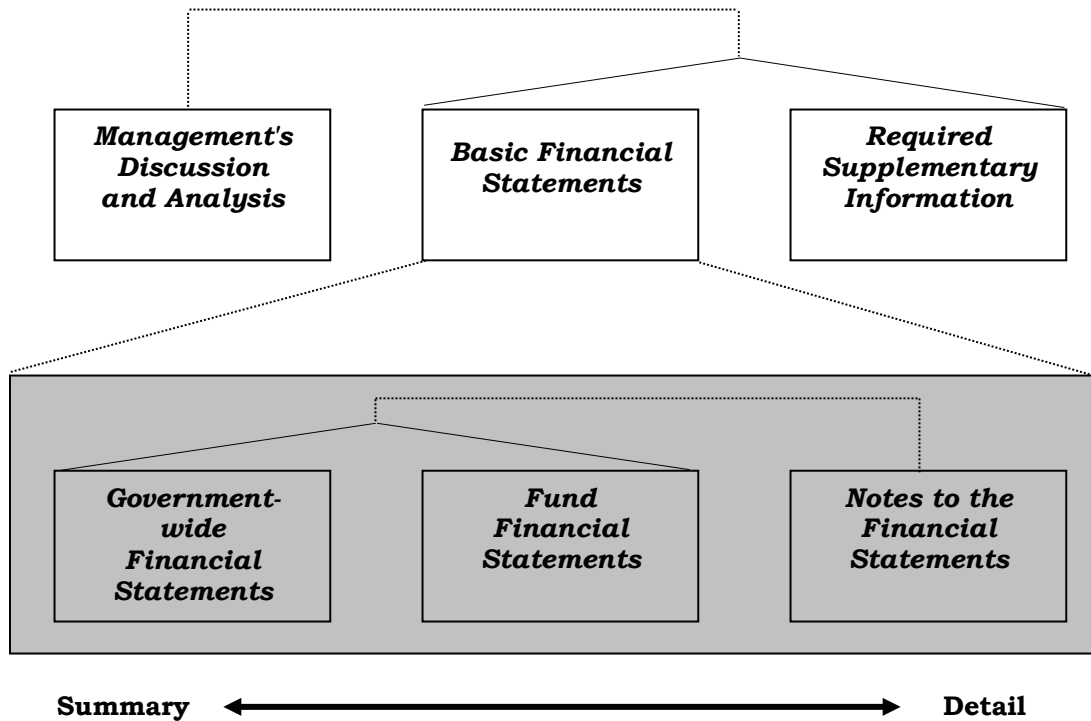


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

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

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

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

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

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

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

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

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

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

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

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,
	2016	2015	2016	2015	2016	2015	2015-16
Current and other assets	\$ 8,308,081	8,123,461	102,811	79,600	8,410,892	8,203,061	2.53%
Capital assets	10,145,822	10,164,518	42,951	32,821	10,188,773	10,197,339	-0.08%
Total assets	18,453,903	18,287,979	145,762	112,421	18,599,665	18,400,400	1.08%
Deferred inflows of resources	754,705	751,317	21,533	21,435	776,238	772,752	0.45%
Long-term liabilities	7,694,745	7,078,041	152,367	127,410	7,847,112	7,205,451	8.91%
Other liabilities	140,733	97,957	5,105	8,133	145,838	106,090	37.47%
Total liabilities	7,835,478	7,175,998	157,472	135,543	7,992,950	7,311,541	9.32%
Deferred inflows of resources	5,277,606	6,177,494	13,944	42,366	5,291,550	6,219,860	-14.92%
Net position:							
Net investment in capital assets	7,815,822	7,664,518	42,951	32,821	7,858,773	7,697,339	2.10%
Restricted	1,811,948	2,059,497	-	-	1,811,948	2,059,497	-12.02%
Unrestricted	(3,532,246)	(4,038,211)	(47,072)	(76,874)	(3,579,318)	(4,115,085)	13.02%
Total net position	\$ 6,095,524	5,685,804	(4,121)	(44,053)	6,091,403	5,641,751	7.97%

The District's combined net position increased by 7.97%, or \$449,652, from the prior year. A large portion of the District's net position is the invested in capital assets, net of related debt category. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net position represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position decreased \$247,549, or 12.02% from the prior year. The decrease was primarily the result of the decrease 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 \$535,767, or 13.02%. This increase in unrestricted net position was primarily a result of the increase in the General Fund balance.

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

Figure A-4 Changes of Net Position							
	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2016	2015	2016	2015	2016	2015	2015-16
Revenues:							
Program revenues:							
Charges for service	\$ 1,069,545	1,116,747	306,536	308,879	1,376,081	1,425,626	-3.48%
Operating grants, contributions and restricted interest	1,067,056	993,321	263,961	251,196	1,331,017	1,244,517	6.95%
General revenues:							
Property tax	4,646,177	4,421,023	-	-	4,646,177	4,421,023	5.09%
Income surtax	591,948	540,314	-	-	591,948	540,314	9.56%
Statewide sales, service and use tax	926,917	932,312	-	-	926,917	932,312	-0.58%
Unrestricted state grants	4,517,894	4,587,950	-	-	4,517,894	4,587,950	-1.53%
Unrestricted investment earnings	7,402	8,988	173	144	7,575	9,132	-17.05%
Other	104,609	28,880	2,673	2,514	107,282	31,394	241.73%
Total revenues	12,931,548	12,629,535	573,343	562,733	13,504,891	13,192,268	2.37%
Program expenses:							
Instructional	8,011,926	8,000,875	-	-	8,011,926	8,000,875	0.14%
Support services	3,589,546	3,518,699	9,142	10,973	3,598,688	3,529,672	1.96%
Non-instructional programs	-	-	541,469	524,978	541,469	524,978	3.14%
Other expenses	903,156	1,116,529	-	-	903,156	1,116,529	-19.11%
Total expenses	12,504,628	12,636,103	550,611	535,951	13,055,239	13,172,054	-0.89%
Change in net position before transfers	426,920	(6,568)	22,732	26,782	449,652	20,214	2124.46%
Transfers	(17,200)	(16,689)	17,200	16,689	-	-	0.00%
Change in net position	409,720	(23,257)	39,932	43,471	449,652	20,214	2124.46%
Net position beginning of year	5,685,804	5,709,061	(44,053)	(87,524)	5,641,751	5,621,537	0.36%
Net position end of year	\$ 6,095,524	5,685,804	(4,121)	(44,053)	6,091,403	5,641,751	7.97%

In fiscal year 2016, local property tax, statewide sales, service and use tax and unrestricted state grants accounted for 78.03% of the revenue from governmental activities while charges for services and operating grants and contributions account for 99.50% of the revenue from business type activities.

The District's total revenues were approximately \$13.50 million of which approximately \$12.93 million was for governmental activities and approximately \$0.57 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced an increase of 2.37% in revenues and a 0.89% decrease in expenses.

Governmental Activities

Revenues for governmental activities were \$12,931,548 and expenses were \$12,504,628.

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

Figure A-5 Total and Net Cost of Governmental Activities						
	Total Cost of Services			Net Cost of Services		
	2016	2015	Change 2015-16	2016	2015	Change 2015-16
Instruction	\$ 8,011,926	8,000,875	0.14%	6,356,237	6,398,074	-0.65%
Support services	3,589,546	3,518,699	2.01%	3,533,772	3,437,499	2.80%
Other expenses	903,156	1,116,529	-19.11%	478,018	690,462	-30.77%
Totals	<u>\$ 12,504,628</u>	<u>12,636,103</u>	<u>-1.04%</u>	<u>10,368,027</u>	<u>10,526,035</u>	<u>-1.50%</u>

- The cost financed by users of the District's programs was \$1,069,545.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,067,056.
- The net cost of governmental activities was financed with \$4,646,177 in property tax, \$591,948 in income surtax, \$926,917 in statewide sales, services and use tax, \$4,517,894 in unrestricted state grants, \$7,402 in interest income and \$104,609 in other general revenues.

Business Type Activities

Revenues of the District's business type activities were \$573,343 and expenses were \$550,611. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$2,882,601, above last year's ending fund balances of \$2,860,248. The primary reason for the increase in combined fund balances in fiscal year 2016 is due to the increase in the fund balance of the General Fund during the year.

Governmental Fund Highlights

- The District's increase in the General Fund financial position is the product of many factors. The difference between fiscal year 2016 revenues of \$10,938,050 and expenses of \$10,650,968 resulted in a net increase in fund balance of \$287,082. As a result, the

District's General Fund balance increased from \$711,202 at June 30, 2015 to a balance of \$998,284 at June 30, 2016. This represents a 40.37% increase from the prior year.

- The Capital Projects Fund balance decreased from \$1,736,268 at June 30, 2015 to \$1,428,128 at June 30, 2016, a decrease of 17.75% from the prior year. This decrease can be attributed in part to an increase in expenses, as compared to the prior year.

Proprietary Fund Highlights

The School Nutrition Fund net position increased from a deficit \$44,053 at June 30, 2015 to a deficit \$4,121 at June 30, 2016, representing an increase of 90.65%.

BUDGETARY HIGHLIGHTS

The District's revenues were \$241,315 more than budgeted revenues, a variance of 1.82%. The most significant variance resulted from the District receiving more from state sources than originally anticipated.

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

During the year ended June 30, 2016, expenditures in the support services and non-instructional programs functional areas exceeded the amounts budgeted.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2016, the District had invested \$10,188,773, 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 \$836,174.

The original cost of the District's capital assets was approximately \$21.68 million. Governmental funds account for approximately \$21.53 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 land improvements category. The District's land improvements totaled \$551,086 reported at June 30, 2015, compared to \$595,718 reported at June 30, 2016. This increase in land improvements is the result of a parking lot projects completed during the year.

Figure A-6 Capital Assets, Net of Depreciation							
	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2016	2015	2016	2015	2016	2015	2015-16
Land	\$ 381,700	381,700	-	-	381,700	381,700	0.00%
Buildings	7,931,117	7,993,365	-	-	7,931,117	7,993,365	-0.78%
Land improvements	595,718	551,086	-	-	595,718	551,086	8.10%
Machinery and equipment	1,237,287	1,238,367	42,951	32,821	1,280,238	1,271,188	0.71%
Total	\$ 10,145,822	10,164,518	42,951	32,821	10,188,773	10,197,339	-0.08%

Long-Term Debt

At June 30, 2016, the District had \$7,847,112 in revenue bonds, termination benefits, compensated absences, pension liability and other postemployment benefits liabilities outstanding. This represents an increase of 8.91% from the prior year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 5 to the financial statements.

The District had total outstanding revenue bonds payable of \$2,330,000 at June 30, 2016 payable from the Capital Projects: Statewide Sales, Services and Use Tax Fund.

The District had total outstanding termination benefits payable of \$275,867 at June 30, 2016 payable from the Special Revenue, Management Levy Fund.

The District had compensated absences payable of \$16,903 at June 30, 2016 payable from the General Fund.

The District had a net pension liability of \$4,562,011 at June 30, 2016. Of this total, \$4,436,998 is included in the governmental activities while the remaining \$125,013 is included in business type activities.

The District had a net OPEB liability of \$662,331 at June 30, 2016. Of this total, \$634,977 is included in the governmental activities while the remaining \$27,354 is included in business type activities.

Figure A-7 Outstanding Long-Term Obligations							
	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2016	2015	2016	2015	2016	2015	2015-16
Revenue bonds	\$ 2,330,000	2,500,000	-	-	2,330,000	2,500,000	-6.80%
Termination benefits	275,867	329,407	-	-	275,867	329,407	-16.25%
Compensated absences	16,903	-	-	-	16,903	-	100.00%
Net pension liability	4,436,998	3,675,604	125,013	103,160	4,562,011	3,778,764	20.73%
Net OPEB liability	634,977	573,030	27,354	24,250	662,331	597,280	10.89%
Total	\$ 7,694,745	7,078,041	152,367	127,410	7,847,112	7,205,451	8.91%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- The Iowa school funding formula is highly dependent upon student enrollment. Current and projected declines in enrollment will continue to negatively impact the District's revenues while costs are expected to increase.
- The State of Iowa has set the supplemental state aid for fiscal year 2017 at 1.25%, but has not set the supplemental state aid for fiscal year 2018 and beyond. The District's inability to predict future revenues will continue to have a significant impact on future budget discussions.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Bob Ayers, Business Manager/Board Secretary, New Hampton Community School District, 710 West Main Street, New Hampton, Iowa, 50659.

BASIC FINANCIAL STATEMENTS

NEW HAMPTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2016

	Governmental Activities	Business Type Activities	Total
Assets			
Cash and pooled investments	\$ 2,660,597	83,522	2,744,119
Receivables:			
Property tax:			
Delinquent	43,435	-	43,435
Succeeding year	4,758,381	-	4,758,381
Income surtax	493,535	-	493,535
Accounts	1,560	-	1,560
Due from other governments	350,573	-	350,573
Inventories	-	19,289	19,289
Capital assets, net of accumulated depreciation	10,145,822	42,951	10,188,773
Total assets	18,453,903	145,762	18,599,665
Deferred Outflows of Resources			
Pension related deferred outflows	754,705	21,533	776,238
Liabilities			
Accounts payable	138,095	-	138,095
Salaries and benefits payable	2,638	-	2,638
Unearned revenue	-	5,105	5,105
Long-term liabilities:			
Portion due within one year:			
Revenue bonds payable	170,000	-	170,000
Compensated absences	16,903	-	16,903
Termination benefits payable	51,540	-	51,540
Portion due after one year:			
Revenue bonds payable	2,160,000	-	2,160,000
Termination benefits payable	224,327	-	224,327
Net pension liability	4,436,998	125,013	4,562,011
Net OPEB liability	634,977	27,354	662,331
Total liabilities	7,835,478	157,472	7,992,950
Deferred Inflows of Resources			
Unavailable property tax revenue	4,758,381	-	4,758,381
Pension related deferred inflows	519,225	13,944	533,169
Total deferred inflows of resources	5,277,606	13,944	5,291,550
Net Position			
Net investment in capital assets	7,815,822	42,951	7,858,773
Restricted for:			
Categorical funding	181,952	-	181,952
Student activities	111,332	-	111,332
Management levy purposes	90,536	-	90,536
School infrastructure	1,234,538	-	1,234,538
Physical plant and equipment	193,590	-	193,590
Unrestricted	(3,532,246)	(47,072)	(3,579,318)
Total net position	\$ 6,095,524	(4,121)	6,091,403

SEE NOTES TO FINANCIAL STATEMENTS.

**NEW HAMPTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2016**

	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities
Functions/Programs:					
Governmental activities:					
Instruction:					
Regular	\$ 4,525,625	411,468	95,149	(4,019,008)	-
Special	1,594,259	12,677	135,766	(1,445,816)	-
Other	1,892,042	627,120	373,509	(891,413)	-
	8,011,926	1,051,265	604,424	(6,356,237)	-
Support services:					
Student	198,785	-	-	(198,785)	-
Instructional staff	364,360	-	3,888	(360,472)	-
Administration	1,185,748	-	-	(1,185,748)	-
Operation and maintenance of plant	1,238,429	18,280	-	(1,220,149)	-
Transportation	602,224	-	33,606	(568,618)	-
	3,589,546	18,280	37,494	(3,533,772)	-
Long-term debt interest	62,245	-	-	(62,245)	-
Other expenditures:					
AEA flowthrough	425,138	-	425,138	-	-
Depreciation(unallocated)*	415,773	-	-	(415,773)	-
	840,911	-	425,138	(415,773)	-
Total governmental activities	12,504,628	1,069,545	1,067,056	(10,368,027)	-
Business type activities:					
Support services:					
Administration	4,512	-	-	-	(4,512)
Operation and maintenance of plant	4,630	-	-	-	(4,630)
Non-instructional programs:					
Food service operations	541,469	306,536	263,961	-	29,028
Total business type activities	550,611	306,536	263,961	-	19,886
Total	\$ 13,055,239	1,376,081	1,331,017	(10,368,027)	19,886
General Revenues and Transfers:					
Property tax levied for:					
General purposes				\$ 4,497,235	-
Capital outlay				148,942	-
Income surtax				591,948	-
Statewide sales, services and use tax				926,917	-
Unrestricted state grants				4,517,894	-
Unrestricted investment earnings				7,402	173
Other				104,609	2,673
Transfers				(17,200)	17,200
Total general revenues and transfers				10,777,747	20,046
Changes in net position				409,720	39,932
Net position beginning of year				5,685,804	(44,053)
Net position end of year				\$ 6,095,524	(4,121)

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

SEE NOTES TO FINANCIAL STATEMENTS.

NEW HAMPTON COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2016

	General	Capital Projects	Nonmajor	Total
Assets				
Cash and pooled investments	\$ 897,947	1,274,666	455,153	2,627,766
Receivables:				
Property tax				
Delinquent	39,007	1,394	3,034	43,435
Succeeding year	4,305,814	152,567	300,000	4,758,381
Income surtax	493,535	-	-	493,535
Accounts	1,316	-	244	1,560
Due from other governments	198,505	152,068	-	350,573
Total assets	\$ 5,936,124	1,580,695	758,431	8,275,250
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts payable	\$ 135,853	-	2,242	138,095
Salaries and benefits payable	2,638	-	-	2,638
Total liabilities	138,491	-	2,242	140,733
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	4,305,814	152,567	300,000	4,758,381
Income surtax	493,535	-	-	493,535
Total deferred inflows of resources	4,799,349	152,567	300,000	5,251,916
Fund balances:				
Restricted for:				
Categorical funding	181,952	-	-	181,952
Student activities	-	-	111,332	111,332
Management levy purposes	-	-	366,403	366,403
School infrastructure	-	1,234,538	-	1,234,538
Physical plant and equipment	-	193,590	-	193,590
Unassigned:				
General	816,332	-	-	816,332
Student activities	-	-	(21,546)	(21,546)
Total fund balances	998,284	1,428,128	456,189	2,882,601
Total liabilities, deferred inflows of resources and fund balances	\$ 5,936,124	1,580,695	758,431	8,275,250

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, 2016

Total fund balances of governmental funds(page 20)	\$ 2,882,601
<i>Amounts reported for governmental activities in the Statement of Net Position are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not report as assets in the governmental funds.	10,145,822
Income surtax recivables are not yet available to pay current year expenditures and, therefore, are recognized as deferred inflows of resources in the governmental funds.	493,535
Blending of the Internal Service Funds to be reflected on an entity-wide basis.	32,831
Pension related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental funds, as follows:.	
Deferred outflows of resources	\$ 754,705
Deferred inflows of resources	<u>(519,225)</u>
	235,480
Long-term liabilities, including bonds payable, termination benefits, compensated absences, net pension liability, and other postemployment benefits are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(7,694,745)</u>
Net position of governmental activities(page 18)	<u><u>\$ 6,095,524</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, 2016

	General	Capital Projects	Nonmajor	Total
Revenues:				
Local sources:				
Local tax	\$ 4,733,781	148,942	324,485	5,207,208
Tuition	402,188	-	-	402,188
Other	269,559	13,577	542,892	826,028
Intermediate sources	122	-	-	122
State sources	5,186,066	929,704	6,179	6,121,949
Federal sources	343,136	-	-	343,136
Total revenues	10,934,852	1,092,223	873,556	12,900,631
Expenditures:				
Current:				
Instruction:				
Regular	4,275,316	181,531	174,782	4,631,629
Special	1,513,996	-	-	1,513,996
Other	1,378,985	-	521,505	1,900,490
	7,168,297	181,531	696,287	8,046,115
Support services:				
Student	210,792	-	-	210,792
Instructional staff	331,879	15,231	-	347,110
Administration	1,245,786	19,946	10,594	1,276,326
Operation and maintenance of plant	829,249	371,617	99,986	1,300,852
Transportation	439,827	247,609	23,278	710,714
	3,057,533	654,403	133,858	3,845,794
Capital outlay	-	332,184	-	332,184
Long-term debt:				
Principal	-	-	170,000	170,000
Interest and fiscal charges	-	-	62,245	62,245
	-	-	232,245	232,245
Other expenditures:				
AEA flowthrough	425,138	-	-	425,138
Total expenditures	10,650,968	1,168,118	1,062,390	12,881,476
Excess(Deficiency) of revenues over(under) expenditures	283,884	(75,895)	(188,834)	19,155
Other financing sources(uses):				
Transfer in	-	-	232,245	232,245
Transfer out	-	(232,245)	-	(232,245)
Insurance proceeds	3,198	-	-	3,198
Total other financing sources(uses)	3,198	(232,245)	232,245	3,198
Change in fund balances	287,082	(308,140)	43,411	22,353
Fund balances beginning of year	711,202	1,736,268	412,778	2,860,248
Fund balances end of year	\$ 998,284	1,428,128	456,189	2,882,601

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, 2016

Change in fund balances - total governmental funds(page 22) \$ 22,353

*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	\$ 810,408	
Depreciation expense	<u>(829,104)</u>	(18,696)

Income surtax account receivable is not available to finance expenditures of the current period and is recognized as deferred inflows of resources in the governmental funds.	30,917
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Repayment of long-term debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position.	170,000
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Net change in Internal Service Fund charged back against expenditures of the current year period in the governmental funds.	(1,845)
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The current year District IPERS contributions are reported as expenditures in the governmental funds, but are reported as a deferred outflow of resources in the Statement of Net Position.	565,478
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Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Termination benefits	53,540	
Compensated absences	(16,903)	
Pension expense	(333,177)	
Other postemployment benefits	<u>(61,947)</u>	<u>(358,487)</u>

Change in net position of governmental activities(page 19)	<u>\$ 409,720</u>
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SEE NOTES TO FINANCIAL STATEMENTS.

NEW HAMPTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2016

	Business Type Activities: Enterprise Fund School Nutrition	Governmental Activities: Internal Service Fund
Assets		
Current assets:		
Cash and pooled investments	\$ 83,522	32,831
Inventories	19,289	-
Total current assets	102,811	32,831
Noncurrent assets:		
Capital assets, net of accumulated depreciation	42,951	-
Total assets	145,762	32,831
Deferred Outflows of Resources		
Pension related deferred outflows	21,533	-
Liabilities		
Current liabilities:		
Unearned revenue	5,105	-
Noncurrent liabilities:		
Net pension liability	125,013	-
Net OPEB liability	27,354	-
Total noncurrent liabilities	152,367	-
Total liabilities	157,472	-
Deferred Inflows of Resources		
Pension related deferred inflows	13,944	-
Net Position		
Net investment in capital assets	42,951	-
Unrestricted	(47,072)	32,831
Total net position	\$ (4,121)	32,831

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, 2016

	Business Type Activities: <u>Enterprise Fund</u> School Nutrition	Governmental Activities: Internal Service Fund
Operating revenues:		
Local sources:		
Charges for services	\$ 306,536	-
Miscellaneous	2,673	67,293
Total operating revenues	<u>309,209</u>	<u>67,293</u>
Operating expenses:		
Support services:		
Administration:		
Benefits	4,512	69,191
Operation and maintenance of plant:		
Supplies	4,630	-
	<u>9,142</u>	<u>69,191</u>
Non-instructional programs:		
Food service operations:		
Salaries	185,591	-
Benefits	74,488	-
Services	5,808	-
Supplies	268,512	-
Depreciation	7,070	-
	<u>541,469</u>	<u>-</u>
Total operating expenses	<u>550,611</u>	<u>69,191</u>
Operating loss	<u>(241,402)</u>	<u>(1,898)</u>
Non-operating revenues		
State sources	4,603	-
Federal sources	259,358	-
Interest income	173	53
Total non-operating revenues	<u>264,134</u>	<u>53</u>
Change in net position before capital contributions	22,732	(1,845)
Capital contributions	<u>17,200</u>	<u>-</u>
Change in net position	39,932	(1,845)
Net position beginning of year	<u>(44,053)</u>	<u>34,676</u>
Net position end of year	<u>\$ (4,121)</u>	<u>32,831</u>

SEE NOTES TO FINANCIAL STATEMENTS.

NEW HAMPTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2016

	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	\$ 303,720	-
Cash received from miscellaneous sources	2,673	67,293
Cash payments to employees for services	(268,154)	(69,191)
Cash payments to suppliers for goods or services	(238,530)	-
Net cash used in operating activities	<u>(200,291)</u>	<u>(1,898)</u>
Cash flows from non-capital financing activities:		
State grants received	4,603	-
Federal grants received	214,529	-
Net cash provided by non-capital financing activities	<u>219,132</u>	<u>-</u>
Cash flows from investing activities:		
Interest on investments	<u>173</u>	<u>53</u>
Net increase(decrease) in cash and pooled investments	19,014	(1,845)
Cash and pooled investments beginning of year	<u>64,508</u>	<u>34,676</u>
Cash and pooled investments end of year	<u>\$ 83,522</u>	<u>32,831</u>
Reconciliation of operating loss to net cash provided by(used in) operating activities:		
Operating loss	\$ (241,402)	(1,898)
Adjustments to reconcile operating income(loss) to net cash provided by(used in) operating activities:		
Commodities consumed	44,829	-
Depreciation	7,070	-
Increase in inventories	(4,197)	-
Decrease in accounts payable	(212)	-
Decrease in unearned revenue	(2,816)	-
Increase in net pension liability	21,853	-
Increase in deferred outflows of resources	(98)	-
Decrease in deferred inflows of resources	(28,422)	-
Increase in other postemployment benefits	3,104	-
Net cash used in operating activities	<u>\$ (200,291)</u>	<u>(1,898)</u>

Non-cash investing, capital and related financing activities:

During the year ended June 30, 2016, the District received Federal commodities valued at \$44,829.

During the year ended June 30, 2016, the Nutrition Fund received capital contributions of \$17,200 from the Capital Projects: Statewide Sales, Services and Use Tax Fund.

SEE NOTES TO FINANCIAL STATEMENTS.

NEW HAMPTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
JUNE 30, 2016

	<u>Agency</u>
Assets	
Cash and pooled investments	<u>\$ 6,041</u>
Liabilities	
Due to other groups	<u>\$ 6,041</u>

SEE NOTES TO FINANCIAL STATEMENTS.

NEW HAMPTON COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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 vocational and recreational courses. The geographic area served includes the City of New Hampton, Iowa, and the predominate agricultural territory in Howard and Chickasaw Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

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

A. Reporting Entity

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

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Howard and Chickasaw Counties Assessors' Conference Board.

B. Basis of Presentation

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

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

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

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

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

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

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

The District reports the following major governmental funds:

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

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

The District reports the following nonmajor proprietary funds:

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

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Equity

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

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2014 assessed property valuations; is for the tax accrual period July 1, 2015 through June 30, 2016 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2015.

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

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

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

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

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

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

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

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

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

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2016. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

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

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

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

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

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

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

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

Unassigned - All amounts not included in other spendable classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2016, expenditures exceeded the amounts budgeted in the support services and non-instructional programs functional areas.

Note 2. Cash and Pooled Investments

The District's deposits at June 30, 2016 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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, 2016.

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

Note 3. Interfund Transfers

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

Transfer to	Transfer from	Amount
	Capital Projects:	
	Statewide Sales,	
Debt Service	Services, and Use Tax	\$ 232,245

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, 2016 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 381,700	-	-	381,700
Total capital assets not being depreciated	381,700	-	-	381,700
Capital assets being depreciated:				
Buildings	13,984,426	302,185	-	14,286,611
Land improvements	1,140,022	95,972	-	1,235,994
Machinery and equipment	5,214,709	412,251	-	5,626,960
Total capital assets being depreciated	20,339,157	810,408	-	21,149,565
Less accumulated depreciation for:				
Buildings	5,991,061	364,433	-	6,355,494
Land improvements	588,936	51,340	-	640,276
Machinery and equipment	3,976,342	413,331	-	4,389,673
Total accumulated depreciation	10,556,339	829,104	-	11,385,443
Total capital assets being depreciated, net	9,782,818	(18,696)	-	9,764,122
Governmental activities capital assets, net	\$ 10,164,518	(18,696)	-	10,145,822
Business Type Activities:				
Machinery and equipment	\$ 130,163	17,200	-	147,363
Less accumulated depreciation	97,342	7,070	-	104,412
Business type activities capital assets, net	\$ 32,821	10,130	-	42,951

Depreciation expense was charged by the District as follows:

Governmental Activities:

Instruction:

Regular	\$ 288,800
Special	4,055
Other	3,818

Support services:

Administration	9,841
Operation and maintenance of plant	14,382
Transportation	92,435

413,331

Unallocated depreciation

415,773

Total governmental activities depreciation expense

\$ 829,104

Business Type Activities:

Food service operations	\$ 7,070
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Note 5. Long-Term Liabilities

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

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Governmental Activities:					
Revenue bonds	\$ 2,500,000	-	170,000	2,330,000	170,000
Compensated absences	-	16,903	-	16,903	16,903
Termination benefits	329,407	-	53,540	275,867	51,540
Net pension liability	3,675,604	761,394	-	4,436,998	-
Net OPEB liability	573,030	61,947	-	634,977	-
Total	\$ 7,078,041	840,244	223,540	7,694,745	238,443
Business Type Activities:					
Net pension liability	\$ 103,160	21,853	-	125,013	-
Net OPEB liability	24,250	3,104	-	27,354	-
Total	\$ 127,410	24,957	-	152,367	-

Revenue Bonds Payable

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

Year Ending June 30,	Interest Rate	Bond Issue August 8, 2013		
		Principal	Interest	Total
2017	1.40%	\$ 170,000	60,460	230,460
2018	1.70	175,000	58,080	233,080
2019	1.90	175,000	55,105	230,105
2020	2.20	175,000	51,780	226,780
2021	2.40	185,000	47,930	232,930
2022-2026	2.60-3.10	1,000,000	163,560	1,163,560
2027-2028	3.20-3.30	450,000	22,220	472,220
Total		\$ 2,330,000	459,135	2,789,135

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 \$2,789,135. For the current year, principal of \$170,000 and interest of \$62,245 was paid on the revenue bonds and total statewide sales, services and use tax revenues were \$926,917.

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

- a) All proceeds from the statewide sales, services and use tax shall be placed in a Revenue Account.
- b) Monies in the Revenue Account shall be disbursed to make deposits into a Sinking Account to pay the principal and interest requirements of the revenue bonds for the fiscal year.

Termination Benefits

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

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

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

Early retirement benefits paid during the year ended June 30, 2016, totaled \$53,540. A liability has been recorded in the Statement of Net Position representing the District's commitment to fund non-current retirement benefits.

Note 6. Other Postemployment Benefits (OPEB)

Plan Description - The District operates a single-employer health plan which provides medical, prescription drug, and dental benefits for employees, retirees, and their spouses. There are 137 active and 15 retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug benefit, which is a self-funded medical plan, is administered by Northeast Iowa Schools Insurance Trust. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

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

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

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

Annual required contribution	\$ 117,152
Interest on net OPEB obligation	14,932
Adjustment to annual required contribution	(49,300)
Annual OPEB cost	82,784
Contributions made	(17,733)
Increase in net OPEB obligation	65,051
Net OPEB obligation - beginning of year	597,280
Net OPEB obligation - end of year	\$ 662,331

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

For the year ended June 30, 2016, the District contributed \$17,733 to the medical plan.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of June 30, 2016 are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2014	\$ 83,039	22.82%	\$531,119
2015	83,215	20.49	597,280
2016	82,784	21.42	662,331

Funded Status and Funding Progress - As of July 1, 2014, the most recent actuarial valuation date for the period July 1, 2015 through June 30, 2016, the actuarial accrued liability was \$680,597, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$680,597. The covered payroll (annual payroll of active employees covered by the plan) was \$6,148,664, and the ratio of the UAAL to the covered payroll was 11.07%. As of June 30, 2016, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress presented as Required Supplementary Information in the section following the Notes to the Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

As of July 1, 2014 actuarial valuation date, the Frozen Entry Age Actuarial Cost method was used. The actuarial assumptions include a 2.5% discount rate based on the District's funding policy, and a 6% per year Health Cost Trend rate.

Mortality rates are from the 94 Group Annuity Mortality Table projected to 2000, applied on a gender-specific basis.

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

Note 7. Pension Plan

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

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

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

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

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

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

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

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

liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

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

The District's contributions to IPERS for the year ended June 30, 2016 were \$581,708.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2016, the District reported a liability of \$4,562,011 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2015, the District's collective proportion was 0.092339%, which was a decrease of 0.002942% from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the District recognized pension expense of \$342,740. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 68,926	-
Changes of assumptions	125,604	-
Net difference between projected and actual earnings on IPERS' investments	-	379,679
Changes in proportion and differences between District contributions and the District's proportionate share of contributions	-	153,490
District contributions subsequent to the measurement date	581,708	-
Total	<u>\$ 776,238</u>	<u>533,169</u>

\$581,708 reported as deferred outflows of resources related to pensions resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Amount
2017	\$ (168,781)
2018	(168,781)
2019	(168,781)
2020	169,574
2021	(1,870)
Total	<u>\$ (338,639)</u>

There were no non-employer contributing entities at IPERS.

Actuarial Assumptions - The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

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

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

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
Core plus fixed income	28%	2.04%
Domestic equity	24	6.29
International equity	16	6.75
Private equity/debt	11	11.32
Real estate	8	3.48
Credit opportunities	5	3.63
U.S. TIPS	5	1.91
Other real assets	2	6.24
Cash	1	(0.71)
Total	100%	

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

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

	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
District's proportionate share of the net pension liability	\$ 7,987,260	4,562,011	1,670,855

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, 2016, the District reported payables to the defined benefit pension plan of \$202 for legally required District contributions and \$135 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, 2016 were \$1,332,474.

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, 2016, no liability has been recorded in the District's financial statements. As of June 30, 2016, settled claims have not exceeded the risk pool or reinsurance company coverage.

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

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

Note 9. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$425,138 for the year ended June 30, 2016 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Note 10. Deficit Fund Balance/Net Position

At June 30, 2016, there was a deficit unassigned balance in the Activity fund of \$21,546. At June 30, 2016, the District had a deficit unrestricted net position of \$47,072 in the School Nutrition Fund and a total deficit net position of \$4,121. At June 30, 2016, the District had a deficit unrestricted net position of \$3,532,246 in the governmental activities.

Note 11. Budget Overexpenditure

Per the Code of Iowa, expenditures may not legally exceed budgeted appropriations at the functional area level. During the year ended June 30, 2016, the District's expenditures in the support services and non-instructional programs functional areas exceeded the amounts budgeted.

Note 12. Categorical Funding

The District's ending restricted balances for categorical funding as of the year ended June 30, 2016 are comprised of the following programs:

Programs	Amount
Gifted and Talented	\$ 89,230
Teacher Salary Supplement	77,004
Model Core Curriculum	7,167
Professional Development for Model Core Curriculum	1,780
Community Grants	492
Governor's Advisory Council STEM Scale-Up Programs	301
Teacher Leadership Grants	4,584
Professional Development System for Statewide Early for Statewide Early Childhood System	1,394
Total	<u>\$ 181,952</u>

Note 13. 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	Unassigned/ Unrestricted
Fund balance (Exhibit C)	\$ -	366,403	816,332
Capital assets, net of accumulated depreciation	10,145,822	-	-
Revenue bond capitalized indebtedness	(2,330,000)	-	-
Termination benefits liability	-	(275,867)	-
Internal service fund	-	-	32,831
Unassigned for student activities	-	-	(21,546)
Income surtax receivable	-	-	493,535
Pension related deferred outflows	-	-	754,705
Net pension liability	-	-	(4,436,998)
Pension related deferred inflows	-	-	(519,225)
Compensated absences	-	-	(16,903)
Net OPEB liability	-	-	(634,977)
Net position (Exhibit A)	<u>\$ 7,815,822</u>	<u>90,536</u>	<u>(3,532,246)</u>

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 FUNDS
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2016

	Governmental Funds Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance
				Original	Final	
Revenues:						
Local sources	\$ 6,435,424	309,382	6,744,806	6,756,703	6,756,703	(11,897)
Intermediate sources	122	-	122	1,200	1,200	(1,078)
State sources	6,121,949	4,603	6,126,552	5,962,756	5,962,756	163,796
Federal sources	343,136	259,358	602,494	512,000	512,000	90,494
Total revenues	12,900,631	573,343	13,473,974	13,232,659	13,232,659	241,315
Expenditures/Expenses:						
Instruction	8,046,115	-	8,046,115	8,256,758	8,662,950	616,835
Support services	3,845,794	9,142	3,854,936	3,560,450	3,759,040	(95,896)
Non-instructional programs	-	541,469	541,469	519,411	519,411	(22,058)
Other expenditures	989,567	-	989,567	994,184	1,197,630	208,063
Total expenditures/expenses	12,881,476	550,611	13,432,087	13,330,803	14,139,031	706,944
Excess(deficiency) of revenues over(under) expenditures/expenses	19,155	22,732	41,887	(98,144)	(906,372)	948,259
Other financing sources, net	3,198	17,200	20,398	-	-	20,398
Excess(deficiency) of revenues and other financing sources over(under) expenditures/expenses	22,353	39,932	62,285	(98,144)	(906,372)	968,657
Balance beginning of year	2,860,248	(44,053)	2,816,195	2,687,347	2,687,347	128,848
Balance end of year	\$ 2,882,601	(4,121)	2,878,480	2,589,203	1,780,975	1,097,505

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NEW HAMPTON COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2016

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

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

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functional areas, not by fund or fund type. These four functional areas are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year ended June 30, 2016 the District adopted one budget amendment increasing expenditures by \$808,228.

During the year ended June 30, 2016, expenditures in the support services and non-instructional programs functional areas exceeded the amounts budgeted.

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 TWO YEARS*
(IN THOUSANDS)
REQUIRED SUPPLEMENTARY INFORMATION

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

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Statutorily required contribution	\$ 582	565	557	537	494	426	409	338	354	357
Contributions in relation to the statutorily required contribution	\$ (582)	(565)	(557)	(537)	(494)	(426)	(409)	(338)	(354)	(357)
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-
District's covered-employee payroll	\$ 6,514	6,326	6,237	6,194	6,121	6,129	5,885	5,323	5,851	6,209
Contributions as a percentage of covered-employee payroll	8.93%	8.93%	8.93%	8.67%	8.07%	6.95%	6.95%	6.35%	6.05%	5.75%

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NEW HAMPTON COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PENSION LIABILITY
YEAR ENDED JUNE 30, 2016

Changes of benefit terms:

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

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

Changes of assumptions:

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

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

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

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

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate in the calculation of the UAL amortization payments.

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

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	-	\$ 486,000	\$ 486,000	-	\$ 5,486,521	8.86%
2011	July 1, 2009	-	486,000	486,000	-	5,752,522	8.45%
2012	July 1, 2009	-	486,000	486,000	-	5,738,671	8.47%
2013	July 1, 2012	-	779,713	779,713	-	5,827,880	13.38%
2014	July 1, 2012	-	753,087	753,087	-	5,899,513	12.77%
2015	July 1, 2014	-	716,886	716,886	-	5,970,322	12.01%
2016	July 1, 2014	-	680,597	680,597	-	6,148,664	11.07%

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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

New Hampton Community School District

SUPPLEMENTARY INFORMATION

NEW HAMPTON COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2016

	Special Revenue		
	Student Activity	Manage- ment Levy	Total
Assets			
Cash and pooled investments	\$ 91,784	363,369	455,153
Receivables:			
Property tax			
Delinquent	-	3,034	3,034
Succeeding year	-	300,000	300,000
Accounts	244	-	244
Total assets	\$ 92,028	666,403	758,431
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	\$ 2,242	-	2,242
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	-	300,000	300,000
Fund balances:			
Restricted for:			
Student activities	111,332	-	111,332
Management levy purposes	-	366,403	366,403
Unassigned	(21,546)	-	(21,546)
Total fund balances	89,786	366,403	456,189
Total liabilities, deferred inflows of resources and fund balances	\$ 92,028	666,403	758,431

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, 2016

	Special Revenue			Debt Service	Total
	Student Activity	Manage- ment Levy	Total		
Revenues:					
Local sources:					
Local tax	\$ -	324,485	324,485	-	324,485
Other	516,178	26,714	542,892	-	542,892
State sources	-	6,179	6,179	-	6,179
Total revenues	516,178	357,378	873,556	-	873,556
Expenditures					
Current:					
Instruction:					
Regular	-	174,782	174,782	-	174,782
Other	521,505	-	521,505	-	521,505
Support services:					
Administration	-	10,594	10,594	-	10,594
Operation and maintenance of plant	-	99,986	99,986	-	99,986
Transportation	-	23,278	23,278	-	23,278
Long-term debt					
Principal	-	-	-	170,000	170,000
Interest and fiscal charges	-	-	-	62,245	62,245
Total expenditures	521,505	308,640	830,145	232,245	1,062,390
Excess(Deficiency) of revenues over(under) expenditures	(5,327)	48,738	43,411	(232,245)	(188,834)
Other financing sources:					
Transfer in	-	-	-	232,245	232,245
Changes in fund balance	(5,327)	48,738	43,411	-	43,411
Fund balances beginning of year	95,113	317,665	412,778	-	412,778
Fund balances end of year	\$ 89,786	366,403	456,189	-	456,189

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NEW HAMPTON COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 CAPITAL PROJECTS FUND ACCOUNTS
 JUNE 30, 2016

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Assets			
Cash and pooled investments	\$ 1,082,470	192,196	1,274,666
Receivables:			
Property tax			
Delinquent	-	1,394	1,394
Succeeding year	-	152,567	152,567
Due from other governments	152,068	-	152,068
Total assets	\$ 1,234,538	346,157	1,580,695
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:	\$ -	-	-
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	-	152,567	152,567
Fund balances:			
Restricted for:			
School infrastructure	1,234,538	-	1,234,538
Physical plant and equipment	-	193,590	193,590
Total fund balances	1,234,538	193,590	1,428,128
Total liabilities, deferred inflows of resources and fund balances	\$ 1,234,538	346,157	1,580,695

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, 2016

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ -	148,942	148,942
Other	13,577	-	13,577
State sources	926,917	2,787	929,704
Total revenues	940,494	151,729	1,092,223
Expenditures:			
Instruction:			
Regular	181,531	-	181,531
Support services:			
Instructional staff	-	15,231	15,231
Administration	19,946	-	19,946
Operation and maintenance of plan	279,178	92,439	371,617
Transportation	52,258	195,351	247,609
Capital outlay	283,821	48,363	332,184
Total expenditures	816,734	351,384	1,168,118
Excess(Deficiency) of revenues over(under) expenditures	123,760	(199,655)	(75,895)
Other financing uses:			
Transfers out	(232,245)	-	(232,245)
Change in fund balances	(108,485)	(199,655)	(308,140)
Fund balances beginning of year	1,343,023	393,245	1,736,268
Fund balances end of year	\$ 1,234,538	193,590	1,428,128

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, 2016

Account	Balance Beginning of Year	Revenues	Expendi- tures	Intrafund Transfers	Balance End of Year
Drama	\$ 2	8,039	9,843	1,802	-
Speech	25	-	1,523	1,498	-
H.S. Vocal Music	2	3,142	3,735	591	-
M.S. Vocal Music	100	-	43	-	57
Instrumental Music	9	3,940	2,119	(591)	1,239
Band Trip	33	-	-	-	33
MS Music	11	623	247	-	387
MS Musical	96	2,438	1,247	-	1,287
Swing Choir	-	1,574	1,526	-	48
HS Cheerleaders	-	1,758	3,838	2,080	-
MS Cheerleaders	202	-	-	-	202
Flags	2	-	-	-	2
Trapshooting	23,542	42,426	42,778	-	23,190
Athletics	481	136,054	134,954	5,070	6,651
Sports Camps	13,246	64,287	70,074	5,063	12,522
GSA	91	-	-	-	91
National Honor Society	1,274	5,340	6,070	-	544
Annual	(23,543)	10,445	8,448	-	(21,546)
Chieftain	307	-	-	(270)	37
Future Educators	7	-	-	-	7
Art Club	267	-	-	-	267
Writers Club	518	-	-	(518)	-
Science Achievement Club	2,484	-	-	(2,152)	332
BAC	519	446	327	(180)	458
FFA	753	43,631	44,566	182	-
SADD	2,413	-	-	(1,000)	1,413
Student Senate	390	126	696	180	-
Class of 2015	480	-	-	(480)	-
Class of 2016	-	1,855	414	-	1,441
Class of 2017	4	2,498	2,492	-	10
Class of 2018	1,556	1,259	-	-	2,815
Class of 2019	7,654	218	177	-	7,695
Class of 2020	128	-	-	900	1,028
Class of 2021	-	-	-	400	400
Interact Rotary	121	-	-	(121)	-
Activity Tickets	4,106	12,214	16,320	-	-
Lettermen	4,470	15,561	13,705	-	6,326
Letterette	148	2,171	1,700	-	619
Pom Pon	136	28,844	22,539	-	6,441
Pep Club	10	-	-	-	10
Student Senate Vending	1,132	26,904	27,852	-	184
Miscellaneous	501	274	-	(362)	413
M.S. Annual	5,579	402	312	(2,080)	3,589
M.S. Business Achievement Club	1,526	1,666	1,283	(1,300)	609
M.S. SADD	267	-	-	-	267
M.S. Student Senate	3,623	-	95	-	3,528
Picture Fund	-	70	70	-	-
OM/DI Activity	1,099	-	-	(1,000)	99
Early Carde	924	-	-	(924)	-
Elementary Carnival	25,458	9,134	9,294	(6,788)	18,510
Student Assistance	3,707	652	2,771	-	1,588
Book Fair	659	-	442	-	217
Box Top for Education	-	1,095	1,095	-	-
M.S. Carnival/Scrip	8,594	87,092	88,910	-	6,776
Total	\$ 95,113	516,178	521,505	-	89,786

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NEW HAMPTON COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
 AGENCY FUND
 YEAR ENDED JUNE 30, 2016

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Assets				
Cash and pooled investments	\$ 6,195	8,070	8,224	6,041
Liabilities				
Accounts payable	\$ 1,776	-	1,776	-
Due to other groups	4,419	6,449	4,827	6,041
Total liabilities	\$ 6,195	6,449	6,603	6,041

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,									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Revenues:										
Local sources:										
Local tax	\$ 5,207,208	4,984,762	4,894,362	5,710,561	5,011,532	5,572,743	5,403,867	5,194,179	4,953,087	4,821,855
Tuition	402,188	357,263	341,325	316,320	368,233	324,598	330,890	270,277	322,300	304,574
Other	826,028	827,996	757,193	816,389	826,026	884,446	781,180	680,436	693,055	626,836
Intermediate sources	122	7,883	1,110	1,152	1,641	1,983	13,354	14,848	3,358	3,549
State sources	6,121,949	6,211,976	6,039,929	4,921,034	5,078,041	4,756,508	4,229,621	5,137,056	5,074,795	4,484,444
Federal sources	343,136	263,080	303,789	326,481	585,366	678,724	868,007	418,517	305,630	423,440
Total	\$ 12,900,631	12,652,960	12,337,708	12,091,937	11,870,839	12,219,002	11,626,919	11,715,313	11,352,225	10,664,698
Expenditures:										
Instruction:										
Regular	\$ 4,631,629	4,740,312	5,093,452	5,469,341	4,974,046	4,989,596	4,667,810	4,817,849	3,855,343	4,063,778
Special	1,513,996	1,445,875	1,237,022	1,299,281	1,356,977	1,323,826	1,342,425	1,267,225	2,119,604	1,914,412
Other	1,900,490	2,030,558	1,837,150	1,781,138	1,918,414	1,683,406	1,567,141	1,491,006	747,391	663,723
Support services:										
Student	210,792	191,316	210,481	203,666	183,047	210,279	261,650	191,075	207,230	293,211
Instructional staff	347,110	355,608	253,145	283,043	281,297	261,340	259,004	310,387	327,543	309,447
Administration	1,276,326	1,201,497	1,205,532	1,212,399	1,139,427	1,067,890	1,063,071	1,020,598	945,006	879,822
Operation and maintenance										
of plant	1,300,852	968,873	807,412	824,868	726,734	755,004	713,506	726,255	700,117	673,648
Transportation	710,714	526,579	769,521	519,940	563,150	555,358	584,349	580,860	567,357	461,793
Non-instructional programs	-	16,307	-	-	-	-	-	-	-	-
Capital outlay	332,184	409,146	391,004	362,319	495,612	431,505	1,946,980	1,753,835	362,875	213,697
Long-term debt:										
Principal	170,000	165,000	2,965,000	130,000	100,000	100,000	-	630,000	605,000	580,000
Interest	62,245	63,483	78,038	132,110	135,510	138,760	222,401	25,600	49,497	72,118
Other expenditures:										
AEA flow-through	425,138	426,067	422,810	410,546	410,210	454,695	455,648	420,686	401,694	372,616
Total	\$ 12,881,476	12,540,621	15,270,567	12,628,651	12,284,424	11,971,659	13,083,985	13,235,376	10,888,657	10,498,265

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NOLTE, CORNMAN & JOHNSON P.C.
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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 Governmental Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of New Hampton Community School District as of and for the year ended June 30, 2016, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated April 26, 2017.

Internal Control Over Financial Reporting

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

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

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

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part I of the accompanying Schedule of Findings as item I-B-16 to I-C-16 to be significant deficiencies.

Compliance and Other Matters

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

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

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

New Hampton Community School District's Responses to Findings

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

Purpose of this Report

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

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


NOLTE, CORNMAN & JOHNSON, P.C.

April 26, 2017
Newton, Iowa

NEW HAMPTON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2016

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

I-A-16 Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. An individual has control over more than one of the following areas for the District:

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

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

Response - We will continue to explore ways to segregate duties and maximize internal controls.

Conclusion - Response accepted.

I-B-16 Deficit Lunch Account Balances - We noted during the audit that the Nutrition Fund is carrying numerous negative student account balances on the books, some of which appear to be excessive in amount.

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

Response - The District will review the negative balances and work with the families to correct the negative accounts.

Conclusion - Response accepted.

I-C-16 Timely Deposits and Receipting Controls - We noted during our audit instances of revenues from fundraising that were not receipted and deposited in a timely manner.

Recommendation - The District should review procedures and controls relating to the District's receipt process with all District employees who are responsible for collecting, receipting or depositing District funds. The District should also develop procedures to ensure all money which belongs to the District is collected, receipted, and deposited at the appropriate District financial institution in a timely manner.

Response - The District will work with staff and secretaries that are involved with fundraising to develop procedures to insure the timely collections and deposits of District monies.

Conclusion - Response accepted.

OTHER MATTERS:

I-D-16 Board Policies - We noted during our audit that certain policies in the District's board policy book appear to not have been reviewed in the last five years.

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

Response - The District has a five year plan to review each policy and update. The District will review and update policies that have been missed.

Conclusion - Response accepted.

Part II: Other Findings Related to Statutory Reporting:

II-A-16 Certified Budget - Expenditures for the year ended June 30, 2016 exceeded the certified budget amount in the support services and non-instructional programs functional areas.

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

Response - The District will monitor expenditures and amend the budget before exceeding the adopted budget.

Conclusion - Response accepted.

II-B-16 Questionable Disbursements - During our audit we noted the District purchased gift cards. Giving cash or gift certificates/cards does not appear to meet public purpose as defined in the Attorney General's opinion dated April 25, 1979.

Recommendation - Gift cards are not an appropriate District purchase since Iowa Code Section 279.29 requires districts to "audit and allow" all bills and the gift card does not provide the board with the ability to perform the required function of approval of the final purchase. The District should refrain from purchasing gift cards to be given as prizes, gifts or incentives.

Response - We will notify staff that the use of gift cards is not an approved District expenditure

Conclusion - Response accepted.

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

II-D-16 Business Transactions - Business transactions between the District and District officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Anita Quirk, Teacher Spouse owns New Hampton Electric	Repairs/Supplies	\$8,241
Terry Phillips, Cook Spouse owns Phillips Refrigeration	Repairs	\$1,057
Chad Pemble, Teacher Spouse owns Screen Print To Go	Supplies	\$34,204
Nick Hemann, Teacher Brother owns H&H Screenprinting	Services	\$1,703
Jeanette Laures, Teacher Father-in-law owns Vern Laures	Repairs/Supplies	\$20,729
Tim Denner, Board Member Owns Mohawk Cleaners	Repairs	\$254
Owns Mohawk Electric	Repairs	\$1,208

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

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

II-F-16 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board. We did note during our audit instances of the Board going into closed session that were not properly handled under the Code of Iowa.

Recommendation - The District should review procedures to ensure that closed sessions are properly handled per the Code of Iowa.

Response - The District has review the Iowa Code and will use an information sheet each time we hold a closed session.

Conclusion - Response accepted.

II-G-16 Certified Enrollment - No variances regarding the enrollment data certified to the Iowa Department of Education were noted.

II-H-16 Supplementary Weighting - We noted that the supplementary weighting data certified to the Iowa Department of Education was overstated by 5.000.

Recommendation - The District should contact the Iowa Department of Education and the Iowa Department of Management to resolve this matter

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

Conclusion - Response accepted.

- II-I-16 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-16 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.
- II-K-16 Categorical Funding - No instance were noted of categorical funding being used to supplant rather than supplement other funds. However, we did note that the District is showing a carryover balance of \$77,005 in the Teacher Salary Supplement. This increase in carryover balance appears to be more than a de minimus amount allowed by Chapter 281-98.25 of the Code of Iowa.

Recommendation - The District's teacher salary supplement allocation is to be fully expended in the fiscal year for which it is allocated. However, in the event there is a small amount remaining and it would not be cost effective to allocate the remainder the District can carryforward the remainder and add it to the amount to be allocated in the subsequent fiscal year. The District should add its additional carryover to its 2017 allocation to be spent out in fiscal year 2016 to be in compliance with Chapter 281-98.25 of the code of Iowa.

Response - The District will amend the teacher salary supplement to insure compliance with the amount allowed by Chapter 281-98.25 of the Code of Iowa.

Conclusion - Response accepted.

- II-L-16 Statewide Sales, Services and Use Tax- No instances of non-compliance with the use of the statewide sales, services, and use tax revenue provisions of the Chapter 423F.3 of the Code of Iowa were noted.

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

Beginning Balance		\$ 1,343,023	
Revenues:			
Sales tax revenue	\$ 926,917		
Other local revenue	13,577	940,494	
		<u>2,283,517</u>	
Expenditures/transfers out:			
School infrastructure	\$ 213,612		
Equipment	561,304		
Other	41,818		
Transfers out:			
Debt Service Fund	232,245	1,048,979	
		<u>1,048,979</u>	
Ending Balance			<u><u>\$ 1,234,538</u></u>

For the year ended June 30, 2016, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.

II-M-16 Financial Condition - We noted an account in the Student Activity Fund that had a deficit balance of \$21,546 at June 30, 2016. We noted that the District had a deficit unrestricted net position of \$47,072 and a deficit total net position of \$4,121 in the School Nutrition Fund. We also noted that the District had a deficit unrestricted net position of \$3,532,246 in the governmental activities. The primary reason for these deficit net positions is the effects of GASB Statements No. 68 and No. 71 during the year.

Recommendation - The District should continue to monitor these funds and investigate alternatives to eliminate the deficits. The District should review the controls in place for the Student Activity Fund. The District should take steps to ensure the District's administration and Board of Education understand how GASB Statements No. 68 and 71 will affect the District's financials moving forward.

Response - The District will continue to monitor these funds and look for ways to correct the deficit. The District will review the GASB Statements No. 68 and 71 to gain understanding of how these statements will affect the District's financials moving forward.

Conclusion - Response accepted.

II-N-16 Student Activity Fund - During our audit concerns arose about the propriety of certain receipts and accounts within the Student Activity Fund. Inappropriate expenditures would include any expenditure more appropriate to other funds. The Student Activity Fund shall not be used as a clearing account for any other fund. This is not an appropriate fund to use for public tax funds, trust funds, state and federal grants or aids, textbook/library book fines, fees, rents, or sales, textbook/library book purchases, sales of school supplies, curricular activities, or any other revenues or expenditures more appropriately included in another fund. Moneys in this fund shall be used to support only the co-curricular program defined in department of education administrative rules (298A.9).

Administratively Maintained Accounts: We noted during our audit that the District has a Miscellaneous account within the Student Activity Fund. This does not appear to be related to the extracurricular or co-curricular activities of the District.

Recommendation - The District should review this account and determine the intended use of the funds. The remaining funds should be reallocated as appropriate.

Response - The District will discontinue the use of the Miscellaneous account.

Conclusion - Response accepted.