

HAMBURG COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2020

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Hamburg Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before November 2019 Election)		
David Mincer	President	2019
Greg Warden	Vice President	2019
Cris Hendrickson	Board Member	2021
Kevin Dechant	Board Member	2019
Deb Reeves	Board Member	2019
Board of Education (After November 2019 Election)		
Kevin Dechant	President	2023
Nick Matheson	Vice President	2023
Cris Hendrickson	Board Member (Resigned May 2020)	2021
Kyla Tiemeyer	Board Member	2021
Melissa Beyer	Board Member	2023
Kelly Barrett	Board Member (Appointed June 2020)	2021
School Officials		
Dr. Mike Wells	Superintendent	2020
William Barrett	Board Secretary/Business Manager	2020
Ahlers & Cooney, PC	Attorney	2020

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

INDEPENDENT AUDITORS REPORT

To the Board of Education of Hamburg School District:

Report on the Financial Statements

We have audited the accompanying financial statements of governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Hamburg Community School District, Hamburg, Iowa, as of and for the year ended June 30, 2020, and the related Notes to Financial Statements, which collectively comprise the District's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the Hamburg Community School District at June 30, 2020 and the respective changes in its financial position and, where applicable, its 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 Changes in the District's Total OPEB Liability, Related Ratios and Notes on pages 7 through 15 and 46 through 51 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with 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 Hamburg 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, 2019 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 8, 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 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 June 28, 2021 on our consideration of the Hamburg Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Hamburg Community School District's internal control over financial reporting and compliance.



NOLTE, CORNMAN & JOHNSON, P.C.

June 28, 2021
Newton, Iowa

HAMBURG COMMUNITY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

Hamburg 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, 2020. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2020 FINANCIAL HIGHLIGHTS

- The beginning net position for governmental activities and business type activities were restated by \$21,285 to retroactively report the increase/decrease in the OPEB and pension liabilities and related deferred inflows and outflows as of July 1, 2019 as a result of the District changing how it accounts for the preschool activities of the District (see note 19).
- General Fund revenues increased from \$2,958,003 in fiscal year 2019 to \$3,031,709 in fiscal year 2020, while General Fund expenditures increased from \$3,016,248 in fiscal year 2019 to \$3,038,727 in fiscal year 2020. This resulted in a decrease in the District's General Fund balance from \$1,492,778 at June 30, 2019 to \$1,485,760 at June 30, 2020, a 0.47% decrease from the prior year.
- The fiscal year 2020 General Fund revenue increase was attributable to increases in other revenues received during the year. The increase in expenditures was due primarily to an increase in support services expenditures incurred compared to the prior year.
- The District's total net position increased from \$3,117,640, at June 30, 2019 to \$3,553,317 at June 30, 2020. Total revenues increased from \$3,699,153 in fiscal year 2019 to \$3,968,080 in fiscal year 2020, a 7.27% increase, while total expenses decreased from \$3,725,873 in fiscal year 2019 to \$3,532,403 in fiscal year 2020, a 5.19% decrease from the prior year. The increase in revenues was primarily caused by an increase in charge for service while the decrease in expenses occurred primarily in the instruction function.

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 Hamburg Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental and business type activities were financed in the short term as well as what remains for future spending. Fund financial statements report Hamburg 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 Hamburg Community School District acts solely as an agent or custodian for the benefit of those outside of the District.

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

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year, the District's proportionate share of the net pension liability and related contributions, as well as presenting the Schedule of Changes in the District's Total OPEB Liability, Related Ratios and Notes.

Supplementary Information provides detailed information about the nonmajor governmental funds.

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

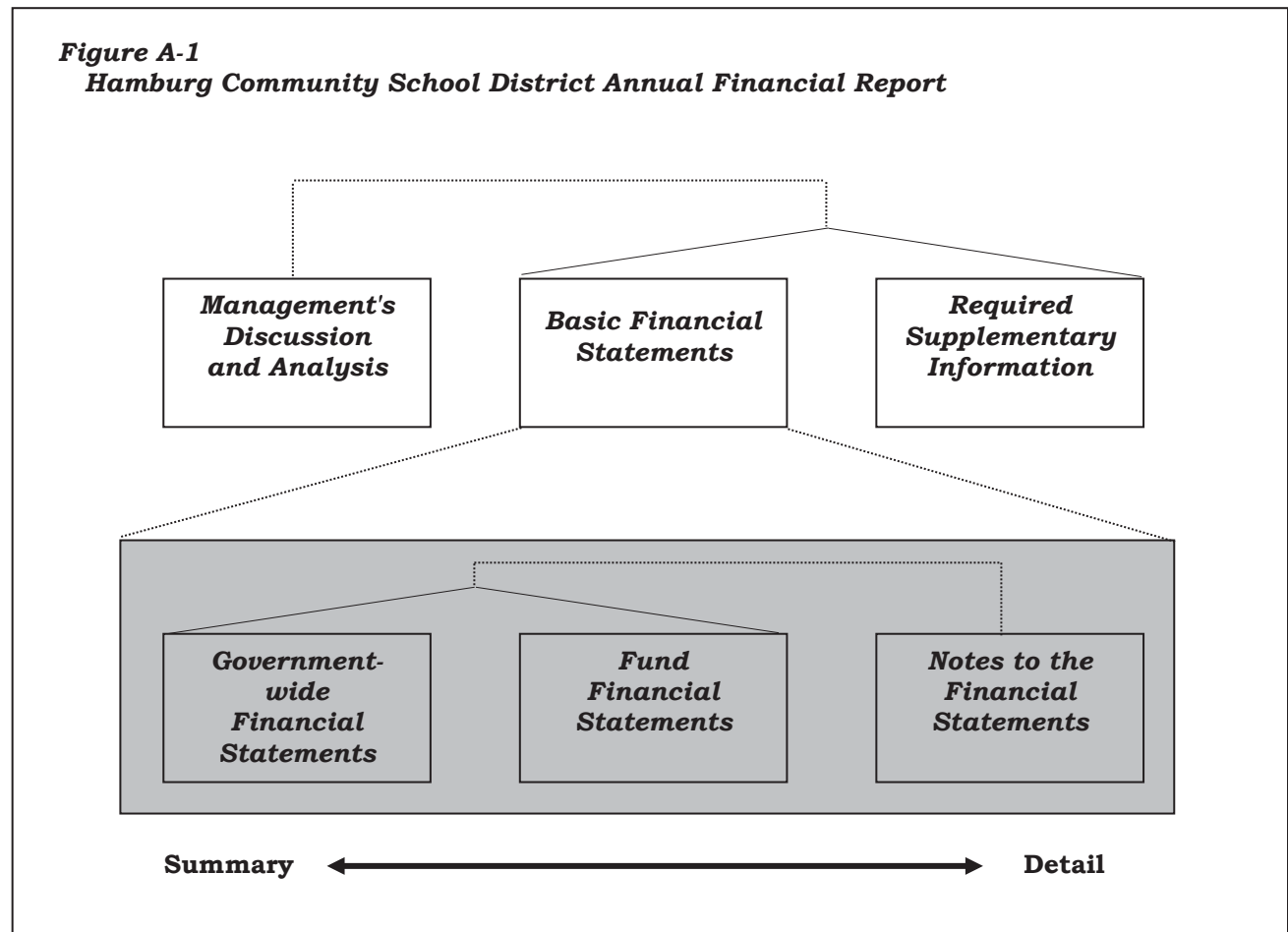


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2 Major Features of the Government-Wide and Fund Financial Statements				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services	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 • Statement of changes in 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, 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 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 and childcare programs are included here.

Fund Financial Statements

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

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

The District has three kinds of funds:

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

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

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

- 2) *Proprietary funds*: Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has two Enterprise Funds, the School Nutrition Fund and the Child Care Fund. The District's Internal Service Fund, another type of proprietary fund, is the same as the governmental activities, but provides more detail and additional information, such as cash flows. The District currently has one Internal Service Fund accounting for the District's flex-benefits for employees

The required financial statements for 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 include the Private-Purpose Trust Funds.

- Private-Purpose Trust Fund - The District accounts for the outside donations for scholarships for individual students in this fund.

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

The required financial statements for fiduciary funds include a Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net position at June 30, 2020 compared to June 30, 2019.

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,
	2020	2019 (Not Restated)	2020	2019 (Not Restated)	2020	2019 (Not Restated)	2019-20
Current and other assets	\$ 4,897,238	4,918,440	6,695	29,906	4,903,933	4,948,346	-0.90%
Capital assets	2,914,711	2,643,589	35,286	40,393	2,949,997	2,683,982	9.91%
Total assets	7,811,949	7,562,029	41,981	70,299	7,853,930	7,632,328	2.90%
Deferred outflows of resources	327,370	398,036	8,262	19,530	335,632	417,566	-19.62%
Long-term liabilities	1,944,151	2,308,707	31,447	81,317	1,975,598	2,390,024	-17.34%
Other liabilities	554,900	614,530	14,149	101,490	569,049	716,020	-20.53%
Total liabilities	2,499,051	2,923,237	45,596	182,807	2,544,647	3,106,044	-18.07%
Deferred inflows of resources	2,084,634	1,815,998	6,964	10,212	2,091,598	1,826,210	14.53%
Net position:							
Net investment in capital assets	2,144,711	1,693,089	35,286	40,393	2,179,997	1,733,482	25.76%
Restricted	1,156,662	1,223,239	-	-	1,156,662	1,223,239	-5.44%
Unrestricted	254,261	304,502	(37,603)	(143,583)	216,658	160,919	34.64%
Total net position	\$ 3,555,634	3,220,830	(2,317)	(103,190)	3,553,317	3,117,640	13.97%

The District's total net position increased 13.97%, or \$435,677, from the prior year. The largest portion of the District's net position is invested in capital assets (e.g., land, infrastructure, buildings, and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets.

Restricted net position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position decreased \$66,577, or 5.44%, from the prior year. This decrease in restricted net position can be attributed to the decrease in the amount restricted for school infrastructure.

Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements - increased \$55,739, or 34.64%. The increase in unrestricted net position was due in part to the decrease in the District's net pension and Total OPEB liabilities compared to the prior year.

Figure A-4 shows the changes in net position for the year ended June 30, 2020 compared to the year ended June 30, 2019.

Figure A-4 Changes in Net Position							
	Governmental Activities		Business Type Activities		Total District		Total Change
	2020	2019 (Not Restated)	2020	2019 (Not Restated)	2020	2019 (Not Restated)	2019-20
Revenues:							
Program revenues:							
Charges for service	\$ 278,318	98,875	37,144	26,693	315,462	125,568	151.23%
Operating grants, contributions and restricted interest	396,077	357,510	135,750	93,679	531,827	451,189	17.87%
General revenues:							
Property tax	1,577,939	1,568,422	-	-	1,577,939	1,568,422	0.61%
Income surtax	75,106	66,162	-	-	75,106	66,162	13.52%
Statewide sales, services and use tax	235,048	227,476	-	-	235,048	227,476	3.33%
Unrestricted state grants	1,135,223	1,147,561	-	-	1,135,223	1,147,561	-1.08%
Unrestricted investment earnings	29,779	55,005	118	222	29,897	55,227	-45.87%
Other	67,255	57,314	323	234	67,578	57,548	17.43%
Total revenues	3,794,745	3,578,325	173,335	120,828	3,968,080	3,699,153	7.27%
Program expenses:							
Instruction	2,268,720	2,414,549	-	-	2,268,720	2,414,549	-6.04%
Support services	858,816	885,961	2,406	2,409	861,222	888,370	-3.06%
Non-instructional programs	-	-	93,655	105,137	93,655	105,137	-10.92%
Other expenses	308,806	317,817	-	-	308,806	317,817	-2.84%
Total expenses	3,436,342	3,618,327	96,061	107,546	3,532,403	3,725,873	-5.19%
Excess (Deficiency) of revenues over (under) expenses	358,403	(40,002)	77,274	13,282	435,677	(26,720)	1730.53%
Transfers	(2,314)	(30,194)	2,314	30,194	-	-	0.00%
Change in net position	356,089	(70,196)	79,588	43,476	435,677	(26,720)	1730.53%
Net position beginning of year, as restated	3,199,545	3,291,026	(81,905)	(146,666)	3,117,640	3,144,360	-0.85%
Net position end of year	<u>\$ 3,555,634</u>	<u>3,220,830</u>	<u>(2,317)</u>	<u>(103,190)</u>	<u>3,553,317</u>	<u>3,117,640</u>	<u>13.97%</u>

In fiscal year 2020, property tax and unrestricted state grants accounted for 71.50% of governmental activities revenues while charges for service and operating grants, contributions and restricted interest accounted for 99.75% of business type activities revenues.

The District's total revenues were approximately \$3.97 million, of which approximately \$3.80 million was for governmental activities and approximately \$0.17 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 7.27% increase in revenues and a 5.19% decrease in expenses. Charge for service revenues increased \$189,894 from the prior year leading to the increase in total revenues while the decrease in total expenses occurred primarily in the instruction function.

Governmental Activities

Revenues for governmental activities were \$3,794,745 and expenses were \$3,436,342 for the year ended June 30, 2020.

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, 2020 compared to those expenses for the year ended June 30, 2019.

Figure A-5 Total and Net Cost of Governmental Activities						
	Total Cost of Services			Net Cost of Services		
	2020	2019 (Not Restated)	Change 2019-20	2020	2019 (Not Restated)	Change 2019-20
Instruction	\$ 2,268,720	2,414,549	-6.04%	1,832,130	2,070,599	-11.52%
Support services	858,816	885,961	-3.06%	725,530	876,961	-17.27%
Other expenses	308,806	317,817	-2.84%	204,287	214,382	-4.71%
Total	<u>\$ 3,436,342</u>	<u>3,618,327</u>	<u>-5.03%</u>	<u>2,761,947</u>	<u>3,161,942</u>	<u>-12.65%</u>

For the year ended June 30, 2020:

- The cost financed by users of the District's programs was \$278,318.
- Federal and state governments along with contributions from local sources subsidized certain programs with grants and contributions totaling \$396,077.
- The net cost of governmental activities was financed with \$1,577,939 in property tax, \$75,106 in income surtax, \$235,048 in statewide sales, services and use tax, \$1,135,223 in unrestricted state grants, \$29,779 in interest income and \$67,255 in other general revenues.

Business Type Activities

Revenues of the District's business type activities during the year ended June 30, 2020 were \$173,335, a 43.46% increase from the prior year, while expenses totaled \$96,061, a 10.68% decrease from the prior year. The District's business type activities include the School Nutrition Fund and the Child Care Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements, investment income and other general revenues.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balances of \$2,460,807, below last year's ending combined fund balances of \$2,578,030. The primary reason for the decrease in combined fund balances in fiscal year 2020 is the decrease in the Capital Projects Fund balance.

Governmental Fund Highlights

- The District's General Fund financial position is the result of many factors. Total revenues increased compared to the prior year primarily from increases in other revenues received. Expenditures increased primarily due to an increase in support services expenditures incurred compared to the prior year. Total expenditures outpaced total revenues for the year ensuring a decrease in fund balance. The General Fund balance decreased from \$1,492,778 at June 30, 2019 to \$1,465,760 at June 30, 2020.

- The Management Levy Fund balance increased from \$475,190 at June 30, 2019 to \$672,597 at June 30, 2020. Property tax revenues increased significantly from the prior year while expenditures decreased resulting in the increase in fund balance.
- The Capital Projects Fund balance decreased from \$581,267 at June 30, 2019 to \$273,473 at June 30, 2020. This decrease was due primarily to construction expenditures associated with the District's renovation project.

Proprietary Fund Highlights

- The School Nutrition Fund net position improved from deficit \$55,373 at June 30, 2019 to deficit \$985 at June 30, 2020, representing an increase of 98.22%.
- The Child Care Fund net position deteriorated from deficit \$26,532 restated at July 1, 2019 to deficit \$1,332 at June 30, 2020, representing an increase of 94.98%.

BUDGETARY HIGHLIGHTS

The District's revenues were \$47,137 more than budgeted revenues, a variance of 1.20%. The most significant variance resulted from the District receiving more from state sources than originally anticipated.

Total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures 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.

In spite of the District's budgetary practice, expenditures exceeded the amounts budgeted in the support services and non-instructional programs function.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2020, the District had invested \$2,949,997, 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 the District's capital assets is presented in Note 3 to the financial statements. Depreciation expense for the year was \$282,347.

The original cost of the District's capital assets was \$7,007,724. Governmental activities accounted for \$6,879,662 with the remainder of \$128,062 in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress, totaled \$367,884 at June 30, 2020 compared to \$62,100 reported at June 30, 2019. This increase is due to construction on the secure front entrance and administration addition projects.

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,
	2020	2019	2020	2019	2020	2019	2019-20
Land	\$ 31,137	31,137	-	-	31,137	31,137	0.00%
Construction in progress	367,884	62,100	-	-	367,884	62,100	492.41%
Buildings	1,983,508	2,026,186	-	-	1,983,508	2,026,186	-2.11%
Land improvements	202,043	221,228	-	-	202,043	221,228	-8.67%
Machinery and equipment	330,139	302,938	35,286	40,393	365,425	343,331	6.44%
Total	\$ 2,914,711	2,643,589	35,286	40,393	2,949,997	2,683,982	9.91%

Long-Term Debt

At June 30, 2020, the District had \$770,000 of total long-term debt outstanding. This represents a decrease of 18.99% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 6 to the financial statements.

The District had outstanding capital loan notes indebtedness of \$430,000 at June 30, 2020, payable from the Capital Projects: Physical Plant and Equipment Levy Fund.

The District had outstanding revenue bonded indebtedness of \$340,000 at June 30, 2020, payable from the Capital Projects: Statewide Sales, Services and Use Tax Fund.

Figure A-7			
Outstanding Long-Term Obligations			
	Total District	Total District	Total Change
	June 30,	June 30,	June 30,
	2020	2019	2019-20
Revenue bonds	\$ 340,000	382,500	-11.11%
Capital loan notes	430,000	568,000	-24.30%
Total	<u>\$ 770,000</u>	<u>950,500</u>	<u>-18.99%</u>

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:

- Grant support continues for summer and afterschool programs through September 2021. Also grant activity for the farm school continues through the Martin Trust.
- The district is currently sharing a Superintendent, SBO/Business Manager, and Human Resource Director with the Essex Community School District.
- The district is finalizing the development and implementation of a line item budget to track financial transactions.
- The district is sharing teaching duties with the Essex Community School District to reduce cost.

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 William Barrett, Business Manager/Board Secretary, Hamburg Community School District, 309 S Street, Hamburg, Iowa, 51640.

HAMBURG COMMUNITY SCHOOL DISTRICT

BASIC FINANCIAL STATEMENTS

HAMBURG COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2020

	Governmental Activities	Business Type Activities	Total
Assets			
Cash and pooled investments	\$ 2,751,794	25,252	2,777,046
Receivables:			
Property tax:			
Delinquent	25,706	-	25,706
Succeeding year	1,806,183	-	1,806,183
Income surtax	77,929	-	77,929
Accounts	-	334	334
Internal balances	44,780	(44,780)	-
Due from other governments	190,846	23,597	214,443
Inventories	-	2,292	2,292
Capital assets not being depreciated:			
Land and construction in progress	399,021	-	399,021
Capital assets, net of accumulated depreciation			
Buildings and land improvements and machinery and equipment	2,515,690	35,286	2,550,976
Total assets	7,811,949	41,981	7,853,930
Deferred Outflows of Resources			
Pension related deferred outflows	327,370	8,262	335,632
Liabilities			
Accounts payable	353,297	9,404	362,701
Salaries and benefits payable	198,032	4,745	202,777
Accrued interest payable	3,571	-	3,571
Long-term liabilities:			
Portion due within one year:			
Revenue bonds	42,500	-	42,500
Capital loan note	141,000	-	141,000
Portion due after one year:			
Revenue bonds	297,500	-	297,500
Capital loan note	289,000	-	289,000
Net pension liability	1,053,160	26,340	1,079,500
Total OPEB liability	120,991	5,107	126,098
Total liabilities	2,499,051	45,596	2,544,647
Deferred Inflows of Resources			
Unavailable property tax revenue	1,806,183	-	1,806,183
Pension related deferred inflows	278,451	6,964	285,415
Total deferred inflows of resources	2,084,634	6,964	2,091,598
Net Position			
Net investment in capital assets	2,144,711	35,286	2,179,997
Restricted for:			
Categorical funding	156,704	-	156,704
Management levy purposes	672,597	-	672,597
Student activities	17,202	-	17,202
Public education and recreation levy	36,686	-	36,686
School infrastructure	193,496	-	193,496
Physical plant and equipment	79,977	-	79,977
Unrestricted	254,261	(37,603)	216,658
Total net position	\$ 3,555,634	(2,317)	3,553,317

SEE NOTES TO FINANCIAL STATEMENTS.

**HAMBURG COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2020**

	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	Total
Functions/Programs:						
Governmental activities:						
Instruction:						
Regular	\$ 1,514,429	126,519	163,766	(1,224,144)	-	(1,224,144)
Special	414,607	19,890	12,161	(382,556)	-	(382,556)
Other	339,684	6,623	107,631	(225,430)	-	(225,430)
	2,268,720	153,032	283,558	(1,832,130)	-	(1,832,130)
Support services:						
Student	54,109	7,423	8,000	(38,686)	-	(38,686)
Instructional staff	101,300	-	-	(101,300)	-	(101,300)
Administration	499,980	117,863	-	(382,117)	-	(382,117)
Operation and maintenance of plant	109,782	-	-	(109,782)	-	(109,782)
Transportation	93,645	-	-	(93,645)	-	(93,645)
	858,816	125,286	8,000	(725,530)	-	(725,530)
Long-term debt interest	29,368	-	-	(29,368)	-	(29,368)
Other expenditures:						
AEA flowthrough	104,519	-	104,519	-	-	-
Depreciation (unallocated)*	174,919	-	-	(174,919)	-	(174,919)
	279,438	-	104,519	(174,919)	-	(174,919)
Total governmental activities	3,436,342	278,318	396,077	(2,761,947)	-	(2,761,947)
Business type activities:						
Support services:						
Administration	2,406	-	-	-	(2,406)	(2,406)
Non-instructional programs:						
Food service operations	93,655	11,944	135,750	-	54,039	54,039
Community service operations	-	25,200	-	-	25,200	25,200
	93,655	37,144	135,750	-	79,239	79,239
Total business type activities	96,061	37,144	135,750	-	76,833	76,833
Total	\$ 3,532,403	315,462	531,827	(2,761,947)	76,833	(2,685,114)
General Revenues and Transfers:						
Property tax levied for:						
General purposes				\$ 1,381,272	-	1,381,272
Capital outlay				196,667	-	196,667
Income surtax				75,106	-	75,106
Statewide sales, services and use tax				235,048	-	235,048
Unrestricted state grants				1,135,223	-	1,135,223
Unrestricted investment earnings				29,779	118	29,897
Other				67,255	323	67,578
Transfers				(2,314)	2,314	-
Total general revenues and transfers				3,118,036	2,755	3,120,791
Change in net position				356,089	79,588	435,677
Net position beginning of year, as restated				3,199,545	(81,905)	3,117,640
Net position end of year				\$ 3,555,634	(2,317)	3,553,317

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

SEE NOTES TO FINANCIAL STATEMENTS.

HAMBURG COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2020

	General	Capital Projects	Management Levy	Nonmajor	Total
Assets					
Cash and pooled investments	\$ 1,786,346	255,873	668,853	39,732	2,750,804
Receivables:					
Property tax:					
Delinquent	18,443	3,204	3,744	315	25,706
Succeeding year	1,388,453	197,777	200,000	19,953	1,806,183
Income surtax	33,398	44,531	-	-	77,929
Due from other funds	55,762	-	-	-	55,762
Due from other governments	171,033	19,813	-	-	190,846
Total assets	\$ 3,453,435	521,198	872,597	60,000	4,907,230
Liabilities, Deferred Inflows of Resources and Fund Balances					
Liabilities:					
Due to other funds	\$ -	-	-	10,982	10,982
Accounts payable	347,792	5,417	-	88	353,297
Salaries and benefits payable	198,032	-	-	-	198,032
Total liabilities	545,824	5,417	-	11,070	562,311
Deferred inflows of resources:					
Unavailable revenues:					
Succeeding year property tax	1,388,453	197,777	200,000	19,953	1,806,183
Income surtax	33,398	44,531	-	-	77,929
Total deferred inflows of resources	1,421,851	242,308	200,000	19,953	1,884,112
Fund balances:					
Restricted for:					
Categorical funding	156,704	-	-	-	156,704
Management levy purposes	-	-	672,597	-	672,597
Student activities	-	-	-	17,202	17,202
Public education and recreation levy	-	-	-	36,686	36,686
School infrastructure	-	193,496	-	-	193,496
Physical plant and equipment	-	79,977	-	-	79,977
Unassigned					
General Fund	1,329,056	-	-	-	1,329,056
Student activities	-	-	-	(24,911)	(24,911)
Total fund balances	1,485,760	273,473	672,597	28,977	2,460,807
Total liabilities, deferred inflows of resources and fund balances	\$ 3,453,435	521,198	872,597	60,000	4,907,230

SEE NOTES TO FINANCIAL STATEMENTS.

HAMBURG COMMUNITY SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2020

Total fund balances of governmental funds (page 20) \$ 2,460,807

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. 2,914,711

Accounts receivable income surtax is not available to finance expenditures of the current year and, therefore, is recognized as deferred inflows of resources in the governmental funds. 77,929

Accrued interest payable on long-term liabilities is not due and payable in the current year and, therefore, is not reported as a liability in the government funds. (3,571)

Blending of the Internal Service Funds to be reflected on an entity-wide basis. 990

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	\$ 327,370	
Deferred inflows of resources	<u>(278,451)</u>	48,919

Long-term liabilities, including revenue bonds, capital loan notes, net pension liability, and total OPEB liability are not due and payable in the current year and, therefore, are not reported in the governmental funds. (1,944,151)

Net position of governmental activities (page 18) \$ 3,555,634

HAMBURG COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2020

	General	Capital Projects	Management Levy	Nonmajor	Total
Revenues:					
Local sources:					
Local tax	\$ 1,165,654	241,365	229,796	19,345	1,656,160
Tuition	119,717	-	-	-	119,717
Other	268,998	6,393	7,491	7,023	289,905
State sources	1,272,676	243,734	10,150	854	1,527,414
Federal sources	204,664	-	-	-	204,664
Total revenues	3,031,709	491,492	247,437	27,222	3,797,860
Expenditures:					
Current:					
Instruction:					
Regular	1,434,067	152,773	15,023	-	1,601,863
Special	430,774	-	-	-	430,774
Other	154,718	-	-	26,590	181,308
	2,019,559	152,773	15,023	26,590	2,213,945
Support services:					
Student	72,921	-	-	-	72,921
Instructional staff	95,527	28,232	-	-	123,759
Administration	486,478	18,987	35,007	-	540,472
Operation and maintenance of plant	148,255	348,533	-	450	497,238
Transportation	111,468	-	-	-	111,468
	914,649	395,752	35,007	450	1,345,858
Capital outlay	-	40,302	-	-	40,302
Long-term debt:					
Principal	-	-	-	180,500	180,500
Interest and fiscal charges	-	-	-	29,959	29,959
	-	-	-	210,459	210,459
Other expenditures:					
AEA flowthrough	104,519	-	-	-	104,519
Total expenditures	3,038,727	588,827	50,030	237,499	3,915,083
Excess (Deficiency) of revenues over (under) expenditures	(7,018)	(97,335)	197,407	(210,277)	(117,223)
Other financing sources (uses):					
Transfer in	-	-	-	210,459	210,459
Transfer out	-	(210,459)	-	-	(210,459)
Total other financing sources (uses)	-	(210,459)	-	210,459	-
Change in fund balances	(7,018)	(307,794)	197,407	182	(117,223)
Fund balances beginning of year	1,492,778	581,267	475,190	28,795	2,578,030
Fund balances end of year	\$ 1,485,760	273,473	672,597	28,977	2,460,807

SEE NOTES TO FINANCIAL STATEMENTS.

HAMBURG 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, 2020

Change in fund balances - total governmental funds (page 22) \$ (117,223)

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	\$ 546,048	
Depreciation expense	<u>(274,926)</u>	271,122

Income surtax receivable is not considered available revenue and is recognized as deferred inflows of resources in the governmental funds.		(3,115)
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Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in Statement of Net Position.		180,500
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Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the governmental funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.		591
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The current year District IPERS contributions are reported as expenditures in the governmental funds but are reported as deferred outflows of resources in the Statement of Net Position.		142,339
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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, as follows:

Termination benefits	15,000	
Pension expense	(168,397)	
Total OPEB liability and related expenses	<u>35,272</u>	<u>(118,125)</u>

Change in net position of governmental activities (page 19) \$ 356,089

HAMBURG COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2020

	Business Type Activities: Enterprise Funds			Governmental Activities: Internal Service Funds
	School Nutrition	Child Care	Total	
Assets				
Current assets:				
Cash and pooled investments	\$ 25,252	-	25,252	990
Accounts receivable	334	-	334	-
Due from other governments	23,597	-	23,597	-
Inventories	2,292	-	2,292	-
Total current assets	51,475	-	51,475	990
Noncurrent assets:				
Capital assets, net of accumulated depreciation	35,286	-	35,286	-
Total assets	86,761	-	86,761	990
Deferred Outflows of Resources				
Pension related deferred outflows	8,262	-	8,262	-
Liabilities				
Current liabilities:				
Due to other funds	43,448	1,332	44,780	-
Accounts payable	9,404	-	9,404	-
Salaries and benefits payable	4,745	-	4,745	-
Total current liabilities	57,597	1,332	58,929	-
Noncurrent liabilities:				
Net pension liability	26,340	-	26,340	-
Total OPEB liability	5,107	-	5,107	-
Total noncurrent liabilities	31,447	-	31,447	-
Total liabilities	89,044	1,332	90,376	-
Deferred Inflows of Resources				
Pension related deferred inflows	6,964	-	6,964	-
Net Position				
Net investment in capital assets	35,286	-	35,286	-
Unrestricted	(36,271)	(1,332)	(37,603)	990
Total net position	\$ (985)	(1,332)	(2,317)	990

SEE NOTES TO FINANCIAL STATEMENTS.

HAMBURG COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2020

	Business Type Activities: Enterprise Funds			Governmental Activities: Internal Service Funds
	School Nutrition	Child Care	Total	
Operating revenues:				
Local sources:				
Charges for service	\$ 11,944	25,200	37,144	-
Miscellaneous	323	-	323	-
Total operating revenues	12,267	25,200	37,467	-
Operating expenses:				
Support Services:				
Administration:				
Services	375	-	375	-
Supplies	2,031	-	2,031	-
Total support services	2,406	-	2,406	-
Non-instructional programs:				
Food service operations:				
Salaries	23,631	-	23,631	-
Benefits	4,871	-	4,871	-
Supplies	57,732	-	57,732	-
Depreciation	7,421	-	7,421	-
	93,655	-	93,655	-
Total operating expenses	96,061	-	96,061	-
Operating income (loss)	(83,794)	25,200	(58,594)	-
Non-operating revenues:				
State sources	854	-	854	-
Federal sources	134,896	-	134,896	-
Interest income	118	-	118	-
Total non-operating revenues	135,868	-	135,868	-
Change in net position before other financing sources	52,074	25,200	77,274	-
Other financing sources:				
Capital contributions	2,314	-	2,314	-
Change in net position	54,388	25,200	79,588	-
Net position beginning of year, as restated	(55,373)	(26,532)	(81,905)	990
Net position end of year	\$ (985)	(1,332)	(2,317)	990

SEE NOTES TO FINANCIAL STATEMENTS.

HAMBURG COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2020

	Business Type Activities: Enterprise Funds			Governmental Activities: Internal Service Funds
	School Nutrition	Child Care	Total	
Cash flows from operating activities:				
Cash received from sale of lunches and breakfasts	\$ 11,931	25,200	37,131	-
Cash received from miscellaneous	323	-	323	-
Cash payments to employees for services	(44,322)	-	(44,322)	-
Cash payments to suppliers for goods or services	(47,310)	-	(47,310)	-
Net cash provided by (used in) operating activities	(79,378)	25,200	(54,178)	-
Cash flows from non-capital financing activities:				
Repayments to the General Fund	(29,500)	(25,200)	(54,700)	-
State grants received	854	-	854	-
Federal grants received	110,404	-	110,404	-
Net cash provided by (used in) non-capital financing activities	81,758	(25,200)	56,558	-
Cash flows from investing activities:				
Interest on investments	118	-	118	-
Net increase in cash and pooled investments	2,498	-	2,498	-
Cash and pooled investments beginning of year	22,754	-	22,754	990
Cash and pooled investments end of year	\$ 25,252	-	25,252	990
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:				
Operating income (loss)	\$ (83,794)	25,200	(58,594)	-
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Commodities consumed	3,886	-	3,886	-
Depreciation	7,421	-	7,421	-
Change in assets and liabilities:				
Inventories	1,548	-	1,548	-
Accounts receivable	(13)	-	(13)	-
Accounts payable	7,394	-	7,394	-
Salaries and benefits payable	4,745	-	4,745	-
Net pension liability	(26,307)	-	(26,307)	-
Deferred outflows of resources	6,838	-	6,838	-
Deferred inflows of resources	(468)	-	(468)	-
Total OPEB liability	(628)	-	(628)	-
Net cash provided by (used in) operating activities	\$ (79,378)	25,200	(54,178)	-

Non-cash investing, capital and related financing activities:

During the year ended June 30, 2020, the District received \$3,886 of federal commodities.

During the year ended June 30, 2020, the District received \$2,314 in capital contributions from the Capital Projects: Statewide Sales, Services and Use Tax Fund.

SEE NOTES TO FINANCIAL STATEMENTS.

HAMBURG COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
JUNE 30, 2020

	Private Purpose Trust Scholarship
Assets	
Cash and pooled investments	\$ 681
Liabilities	-
Net Position	
Held in trust for scholarships	\$ 681

SEE NOTES TO FINANCIAL STATEMENTS.

HAMBURG COMMUNITY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
YEAR ENDED JUNE 30, 2020

	Private Purpose Trust Scholarship
Additions:	
Local sources:	
Interest income	\$ 21
Deductions:	
Instruction:	
Regular:	
Scholarships awarded	1,476
Change in net position	(1,455)
Net position beginning of year	2,136
Net position end of year	\$ 681

SEE NOTES TO FINANCIAL STATEMENTS.

HAMBURG COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

(1) Summary of Significant Accounting Policies

Hamburg Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. The geographic area served includes the City of Hamburg, Iowa, and the predominate agricultural territory of Fremont County. 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 Government Accounting Standards Board.

A. Reporting Entity

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

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those 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 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 nonmajor governmental funds. Combining schedules are included for the Capital Projects Fund accounts.

The District reports the following major governmental funds:

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

The Management Levy Fund is utilized to account for property tax and other miscellaneous revenues used for the payment of insurance, unemployment and early retirement benefits.

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

The District also reports the following proprietary funds:

The Enterprise, School Nutrition Fund is used to account for the food service operations of the District. The Child Care Fund is used to account for the daycare operations of the District.

The District also reports fiduciary funds which focus on net position and changes in net position. The District's fiduciary fund is the following:

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

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 are both restricted and unrestricted net position available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

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

Proprietary funds distinguish operating revenues and expenses from non-operating 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 non-operating revenues and expenses.

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

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

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2018 assessed property valuations; is for the tax accrual period July 1, 2019 through June 30, 2020 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2019.

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, equipment and intangibles acquired after July 1, 1980 are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Position. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value. Acquisition value is the price that would have been paid to acquire a capital asset with equivalent service potential. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 500
Buildings	500
Land improvements	500
Intangibles	1,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	500

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

Asset Class	Estimated Useful Lives
Buildings	50 years
Land improvements	20 years
Intangibles	2 or more years
Machinery and equipment	5-20 years

Deferred Outflows of Resources - Deferred outflows of resources represent a consumption of net position applicable to a future year(s) which will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense, the unamortized portion of the net difference between projected and actual earnings on pension plan investments and contributions from the District after the measurement date but before the end of the District's reporting period.

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

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

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

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

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

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 are imposed by law through constitutional provisions or enabling legislation.

Unassigned - All amounts not included in the preceding classification.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2020, expenditures exceeded the amounts budgeted in the support services and non-instructional programs functions.

(2) Cash and Pooled Investments

The District's deposits in banks at June 30, 2020 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 ensure 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.

At June 30, 2020 the District had investments in the Iowa Schools Joint Investment Trust (ISJIT) Direct Government Obligation Portfolio which are valued at an amortized cost of \$2,284,160. There were no limitations or restrictions on withdrawals of the ISJIT investments. The investments in ISJIT were rated AAAM by Standard & Poor's Financial Services.

(3) Capital Assets

Capital assets activity for the year ended June 30, 2020 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 31,137	-	-	31,137
Construction in progress	62,100	305,784	-	367,884
Total capital assets not being depreciated	93,237	305,784	-	399,021
Capital assets being depreciated:				
Buildings	4,212,215	113,056	-	4,325,271
Land improvements	549,542	-	-	549,542
Machinery and equipment	1,478,620	127,208	-	1,605,828
Total capital assets being depreciated	6,240,377	240,264	-	6,480,641
Less accumulated depreciation for:				
Buildings	2,186,029	155,734	-	2,341,763
Land improvements	328,314	19,185	-	347,499
Machinery and equipment	1,175,682	100,007	-	1,275,689
Total accumulated depreciation	3,690,025	274,926	-	3,964,951
Total capital assets being depreciated, net	2,550,352	(34,662)	-	2,515,690
Governmental activities capital assets, net	\$ 2,643,589	271,122	-	2,914,711
Business type activities:				
Machinery and equipment	\$ 125,748	2,314	-	128,062
Less accumulated depreciation	85,355	7,421	-	92,776
Business type activities capital assets, net	\$ 40,393	(5,107)	-	35,286

Depreciation expense was charged to the following functions:

Governmental activities:	
Instruction:	
Regular	\$ 39,329
Other	10,022
Support Services:	
Instructional staff	1,902
Administration	17,178
Operation and maintenance of plant	5,720
Transportation	25,856
	100,007
Unallocated depreciation	174,919
Total governmental activities depreciation expense	\$ 274,926
Business type activities:	
Food service operations	\$ 7,421

(4) Due From and Due to Other Funds

The detail of interfund receivables and payables at June 30, 2020 is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Enterprise Fund: School Nutrition	\$ 43,448
General Fund	Enterprise Fund: Child Care	1,332
General Fund	Student Activity Fund	10,982
Total		<u>\$ 55,762</u>

The Enterprise: School Nutrition Fund is repaying the General Fund for money borrowed to pay salaries and benefits in the current and prior periods.

The Enterprise: Child Care Fund is repaying the General Fund for money borrowed to pay salaries and benefits in prior periods.

The Special Revenue: Student Activity Fund is repaying the General Fund for salaries and benefits paid and not transferred in the current and prior periods.

(5) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2020 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects: Statewide Sales, Services and Use Tax	\$ 62,292
Debt Service	Capital Projects: Physical Plant and Equipment Levy	148,167
Total		<u>\$ 210,459</u>

The transfer from the Capital Projects: Statewide Sales, Services and Use Tax Fund to the Debt Service Fund was for the payment of principal and interest on the District's revenue bonded indebtedness.

The transfer from the Capital Projects: Physical Plant and Equipment Levy Fund to the Debt Service Fund was for the payment of principal and interest on the Districts capital loan notes indebtedness.

(6) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2020 are summarized as follows:

	Balance Beginning of Year, as restated	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
Revenue bonds	\$ 382,500	-	42,500	340,000	42,500
Capital loan notes	568,000	-	138,000	430,000	141,000
Termination benefits	15,000	-	15,000	-	-
Net pension liability	1,209,879	-	156,719	1,053,160	-
Total OPEB liability	156,263	-	35,272	120,991	-
Total	<u>\$ 2,331,642</u>	<u>-</u>	<u>387,491</u>	<u>1,944,151</u>	<u>183,500</u>
Business type activities:					
Net pension liability	52,647	-	26,307	26,340	-
Total OPEB liability	5,735	-	628	5,107	-
Total	<u>\$ 58,382</u>	<u>-</u>	<u>26,935</u>	<u>31,447</u>	<u>-</u>

Capital Loan Notes

During the year ended June 30, 2018, the District issued capital loan notes to provide funds for a building renovation project. The notes bear interest at 1.79% per annum and are payable from the Capital Projects: Physical Plant and Equipment Levy Fund. Details of the District's June 30, 2020 capital loan notes indebtedness are as follows:

Year Ending June 30,	Capital Loan Notes issued August 1, 2017				
	Interest Rate		Principal	Interest	Total
2021	1.79	% \$	141,000	7,697	148,697
2022	1.79		143,000	5,173	148,173
2023	1.79		146,000	2,613	148,613
Total			<u>\$ 430,000</u>	<u>15,483</u>	<u>445,483</u>

Revenue Bonds

Details of the District's June 30, 2020 statewide sales, services and use tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Revenue Bonds Issued July 3, 2018				
	Interest Rate		Principal	Interest	Total
2021	5.20	% \$	42,500	17,680	60,180
2022	5.20		42,500	15,470	57,970
2023	5.20		42,500	13,260	55,760
2024	5.20		42,500	11,050	53,550
2025	5.20		42,500	8,840	51,340
2026-2028	5.20		127,500	13,260	140,760
Total			<u>\$ 340,000</u>	<u>79,560</u>	<u>419,560</u>

The District has pledged future statewide sales, services and use tax revenues to repay the \$425,000 of bonds issued July 2018. The bonds were issued for the purpose of financing a portion of the costs for renovations of Marnie Simmons Elementary. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2028. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require approximately 27% of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the bonds is \$419,560. For the current year, principal of \$42,500 and interest of \$19,792 was paid on the bonds and total statewide sales, services and use tax revenues were \$235,048.

Termination Benefits

In January 2019, the District approved a voluntary early retirement plan for employees. The plan was only offered to employees for one year. Eligible employees must have completed at least ten years of employment with the District and must have reached the age of fifty-five on or before June 30, 2019. The application for early retirement was subject to approval by the Board of Education.

Early retirement benefits equal \$15,000 contributed to a tax deferred health reimbursement account. The policy requires early retirement benefits be paid in three equal installments in November, February and May of fiscal year 2020.

Actual early retirement expenditures for the year ended June 30, 2020 totaled \$15,000.

(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 the Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at P.O. Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

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

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

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

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25% for each month the member receives benefits before the member's earliest normal retirement age. For service earned on or after July 1, 2012, the reduction is 0.50% for each month 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 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 2020, pursuant to the required rate, Regular members contributed 6.29% of covered payroll and the District contributed 9.44% of covered payroll, for a total rate of 15.73%.

The District's contributions to IPERS for the year ended June 30, 2020 were \$145,974.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2020, the District reported a liability of \$1,079,500 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019 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, 2019, the District's proportion was 0.018642%, which was a decrease of 0.001309% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the District recognized pension expense of \$152,095. At June 30, 2020, 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	\$ 2,993	38,813
Changes of assumptions	115,630	-
Net difference between projected and actual earnings on IPERS' investments	-	121,647
Changes in proportion and differences between District contributions and the District's proportionate share of contributions	71,035	124,955
District contributions subsequent to the measurement date	145,974	-
Total	<u>\$ 335,632</u>	<u>285,415</u>

\$145,974 reported as deferred outflows of resources related to pensions resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2021. 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
2021	\$ (11,223)
2022	(28,664)
2023	(15,864)
2024	(30,329)
2025	(9,677)
Total	<u>\$ (95,757)</u>

There were no non-employer contributing entities at IPERS.

Actuarial Assumptions - The total pension liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an economic assumption study dated March 24, 2017 and a demographic assumption study dated June 28, 2018.

Mortality rates used in the 2019 valuation were based on the RP-2014 Employee and Healthy Annuitant Tables with MP-2017 generational adjustments.

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

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
Domestic equity	22.0%	5.60%
International equity	15.0	6.08
Global smart beta equity	3.0	5.82
Core plus fixed income	27.0	1.71
Public credit	3.5	3.32
Public real assets	7.0	2.81
Cash	1.0	(0.21)
Private equity	11.0	10.13
Private real assets	7.5	4.76
Private credit	3.0	3.01
Total	100.0%	

Discount Rate - The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed employee contributions will be made at the contractually required rate and contributions from the District will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments to current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.00%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate 1% lower (6.00%) or 1% higher (8.00%) than the current rate.

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
District's proportionate share of the net pension liability	\$ 1,916,844	1,079,500	377,146

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, 2020, the District reported payables to IPERS of \$14,778 for legally required District contributions and \$9,847 for legally required employee contributions withheld from employee wages which had not yet been remitted to IPERS.

(8) Other Postemployment Benefits (OPEB)

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

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

Retired participants must be age 55 or older at retirement. At June 30, 2020, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	1
Active employees	<u>24</u>
Total	<u><u>25</u></u>

Total OPEB Liability - The District's total OPEB liability of \$126,098 was measured as of June 30, 2020, and was determined by an actuarial valuation June 30, 2019.

Actuarial Assumptions - The total OPEB liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions and the entry age normal actuarial cost method, applied to all periods included in the measurement.

Rate of inflation	2.50% per annum.
Rates of salary increase	3.25% per annum, including inflation.
Discount rate	2.45% compounded annually, including inflation.
Healthcare cost trend rate	6.40% for FY2020, gradually decreasing to an ultimate rate of 4.00%.

Discount Rate - The discount rate used to measure the total OPEB liability was 2.45% which reflects the index rate for 20-year tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher as of the measurement date.

Mortality rates are from the June 2018 Iowa Public Employees' Retirement System Demographic Assumptions Study and were based on the RP-2014 mortality tables with projected mortality improvements based on scale MP-2017 and other adjustments. Retirement probabilities are based on latest of age 60, plan eligibility or current age.

Changes in the Total OPEB Liability

	<u>Total OPEB Liability</u>
Total OPEB liability beginning of year	\$ 161,998
Changes for the year:	
Service cost	17,684
Interest	5,071
Differences between expected and actual experiences	(44,608)
Changes in assumptions	(4,954)
Benefit payments	<u>(9,093)</u>
Net changes	<u>(35,900)</u>
Total OPEB liability end of year	<u><u>\$ 126,098</u></u>

Changes of assumptions reflect a change in the discount rate from 3.13% in fiscal year 2019 to 2.45% in fiscal year 2020.

Sensitivity of the District's Total OPEB Liability to Changes in the Discount Rate - The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate 1% lower (1.45%) or 1% higher (3.45%) than the current discount rate.

	1% Decrease (1.45%)	Discount Rate (2.45%)	1% Increase (3.45%)
Total OPEB liability	\$ 134,398	126,098	118,322

Sensitivity of the District's Total OPEB Liability to Changes in the Healthcare Cost Trend Rates - The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates 1% lower (5.40%) or 1% higher (7.40%) than the current healthcare cost trend rates.

	1% Decrease (5.40%)	Healthcare Cost Trend Rate (6.40%)	1% Increase (7.40%)
Total OPEB liability	\$ 114,287	126,098	139,976

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB - For the year ended June 30, 2020, the District recognized OPEB expense of \$26,807. Hamburg Community School District elected to use the Alternative Measurement Method (AMM) as allowed by GASB Statement No. 75 for entities with fewer than 100 active and inactive employees. Certain items such as differences between expected and actual experience and changes in assumptions and other inputs are recognized in the current year when using the AMM and, therefore, there are no deferred outflows of resources or deferred inflows of resources related to OPEB.

(9) Risk Management

The District is a member in the Iowa School Employees Benefits Association (ISEBA), and Iowa Code Chapter 28E organization. ISEBA is a local government risk-sharing pool whose members include various schools throughout the State of Iowa. The Association was formed July 1999 for the purpose of managing and funding employee benefits. The Association provides coverage and protection in the following categories: medical and dental insurance. District contributions to ISEBA for the year ended June 30, 2020 were \$114,259.

Hamburg 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.

(10) 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 \$104,519 for the year ended June 30, 2020 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(11) Deficit Fund Balance/Net Position

At June 30, 2020, the District had two accounts with deficit unassigned fund balances totaling \$24,911 in the Student Activity Fund. In addition, the District had deficit unrestricted net position of \$36,271 and deficit total net position of \$985 in the Enterprise, School Nutrition Fund. The District had deficit unrestricted and total net position of \$1,332 in the Enterprise, Child Care Fund.

(12) Categorical Funding

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

The following is a schedule of the categorical funding restricted in the General Fund at June 30, 2020.

Program	Amount
Limited English Proficient (LEP)	\$ 565
Gifted and Talented Programs	15,676
Returning Dropouts and Dropout Prevention	148
Teacher Leadership State Aid	15,150
Teacher Salary Supplement	11,692
Iowa Early Intervention Block Grant	82,000
Prof Development for Model Core Curriculum	9,480
Professional Development	21,674
Computer Science Professional Development	319
Total	<u>\$ 156,704</u>

(13) Reconciliation of Governmental Fund Balances to Net Position

Detailed reconciliation of certain governmental fund balances to net position is as follows:

	Net investment in Capital Assets	Unassigned/ Unrestricted
Fund balance (Exhibit C)	\$ -	1,329,056
Capital assets, net of accumulated depreciation	2,914,711	-
Revenue bond capitalized indebtedness	(340,000)	-
Capital lease capitalized indebtedness	(430,000)	-
Accrued interest payable	-	(3,571)
Income surtax	-	77,929
Internal service fund balance	-	990
Pension related deferred outflows	-	327,370
Pension related deferred inflows	-	(278,451)
Net pension liability	-	(1,053,160)
Total OPEB liability	-	(120,991)
Unassigned for student activities	-	(24,911)
Net position (Exhibit A)	<u>\$ 2,144,711</u>	<u>254,261</u>

(14) 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, 2020, expenditures in the support services and non-instructional programs function exceeded the budgeted amounts.

(15) Tax Abatements

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

The District was not impacted by any tax abatements which meet the disclosure requirements of Governmental Accounting Standards Board Statement No. 77 for fiscal year 2020.

(16) Construction Commitment

The District entered into a contract totaling \$413,525 for the District's secure front entrance project. As of June 30, 2020, costs of \$367,884 had been incurred against the contract. The balance remaining at June 30, 2020 will be paid as work on the project progresses.

(17) Prospective Accounting Change

Governmental Accounting Standards Board has issued Statement No. 84, Fiduciary Activities. This statement will be implemented for the fiscal year ending June 30, 2021. The revised requirements of this statement will enhance the consistency and comparability of fiduciary activity reporting by state and local governments by establishing specific criteria for identifying fiduciary activities and clarifying whether and how business-type activities should report their fiduciary activities.

(18) COVID-19

In March 2020, the COVID-19 outbreak was declared a global pandemic. The disruption to businesses across a range of industries in the United States continues to evolve. The full impact to local, regional and national economies, including that of the Hamburg Community School District, remains uncertain.

To date, the outbreak created a disruption to the operations of the Hamburg Community School District due to the closure of school buildings and the move to virtual learning to complete the 2019-2020 school year. However, the extent of the financial impact of COVID-19 will depend on future developments, including the spread of the virus, duration and timing of the economic recovery. Due to these uncertainties, management cannot reasonably estimate the potential impact to the Hamburg Community School District's operations and finances.

(19) Accounting Change/Restatement

The District changed from accounting for the Child Care operations of the District in a separate enterprise fund and is accounting for it in the General Fund. Beginning net position for governmental activities and business type activities was restated to retroactively report the change in valuation for the District pension liability and total OPEB liability including the related deferred inflows and outflows, as follows:

	Governmental Activities	School Nutrition	Child Care	Total Business Type Activities
Net position June 30, 2019 as previously reported	\$ 3,220,830	(55,373)	(47,817)	(103,190)
Pension related deferred outflows	4,430	-	(4,430)	(4,430)
Net pension liability	(19,695)	-	19,695	19,695
Total OPEB liability	(3,240)	-	3,240	3,240
Pension related deferred inflows	(2,780)	-	2,780	2,780
Net position July 1, 2019, as restated	<u>\$ 3,199,545</u>	<u>(55,373)</u>	<u>(26,532)</u>	<u>(81,905)</u>

HAMBURG COMMUNITY SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

HAMBURG 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, 2020

	Governmental Funds Actual	Proprietary Funds Actual	Total Actual	Budgeted Amounts		Final to Actual Variance
				Original	Final	
Revenues:						
Local sources	\$ 2,065,782	37,585	2,103,367	2,271,600	2,271,600	(168,233)
Intermediate sources	-	-	-	6,600	6,600	(6,600)
State sources	1,527,414	854	1,528,268	1,311,858	1,311,858	216,410
Federal sources	204,664	134,896	339,560	334,000	334,000	5,560
Total revenues	3,797,860	173,335	3,971,195	3,924,058	3,924,058	47,137
Expenditures/Expenses:						
Instruction	2,213,945	-	2,213,945	2,710,000	2,710,000	496,055
Support services	1,345,858	2,406	1,348,264	1,135,200	1,135,200	(213,064)
Non-instructional programs	-	93,655	93,655	72,000	72,000	(21,655)
Other expenditures	355,280	-	355,280	720,124	720,124	364,844
Total expenditures/expenses	3,915,083	96,061	4,011,144	4,637,324	4,637,324	626,180
Excess (Deficiency) of revenues over (under) expenditures/expenses	(117,223)	77,274	(39,949)	(713,266)	(713,266)	673,317
Other financing sources, net	-	2,314	2,314	395,000	395,000	(392,686)
Excess (Deficiency) of revenues and other financing sources over (under) expenditures/expenses	(117,223)	79,588	(37,635)	(318,266)	(318,266)	280,631
Balances beginning of year, as restated	2,578,030	(81,905)	2,496,125	2,671,021	2,671,021	(174,896)
Balances end of year	\$ 2,460,807	(2,317)	2,458,490	2,352,755	2,352,755	105,735

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

HAMBURG COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2020

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 comparison for the General Fund and each major Special Revenue Fund.

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

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

During the year ended June 30, 2020, expenditures in the support services and non-instructional programs function exceeded the amounts budgeted.

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

	2020	2019	2018	2017	2016	2015
District's proportion of the net pension liability	0.018642%	0.019951%	0.018510%	0.017331%	0.021776%	0.023748%
District's proportionate share of the net pension liability	\$ 1,080	1,263	1,233	1,091	1,076	942
District's covered payroll	\$ 1,416	1,500	1,382	1,241	1,459	1,557
District's proportionate share of the net pension liability as a percentage of its covered payroll	76.27%	84.20%	89.22%	87.91%	73.75%	60.50%
IPERS' net position as a percentage of the total pension liability	85.45%	83.62%	82.21%	81.82%	85.19%	87.61%

* In accordance with Governmental Accounting Standards Board 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.

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

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Statutorily required contribution	\$ 146	134	134	123	111	130	139	129	115	109
Contributions in relation to the statutorily required contribution	(146)	(134)	(134)	(123)	(111)	(130)	(139)	(129)	(115)	(109)
Contribution deficiency (excess)	\$ -	-	-	-	-	-	-	-	-	-
District's covered payroll	\$ 1,546	1,416	1,500	1,382	1,241	1,459	1,557	1,488	1,425	1,568
Contributions as a percentage of covered payroll	9.44%	9.44%	8.93%	8.93%	8.93%	8.93%	8.93%	8.67%	8.07%	6.95%

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

HAMBURG COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PENSION LIABILITY
YEAR ENDED JUNE 30, 2020

Changes of benefit terms:

There are no significant changes in benefit terms.

Changes of assumptions:

The 2018 valuation implemented the following refinements as a result of a demographic assumption study dated June 28, 2018:

- Changed mortality assumptions to the RP-2014 mortality tables with mortality improvements modeled using Scale MP-2017.
- Adjusted retirement rates.
- Lowered disability rates.
- Adjusted the probability of a vested Regular member electing to receive a deferred benefit.
- Adjusted the merit component of the salary increase assumption.

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

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

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

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

HAMBURG COMMUNITY SCHOOL DISTRICT
SCHEDULE OF CHANGES IN THE DISTRICT'S
TOTAL OPEB LIABILITY, RELATED RATIOS AND NOTES
FOR THE LAST THREE YEARS
REQUIRED SUPPLEMENTARY INFORMATION

	2020	2019	2018
Service cost	\$ 17,684	17,253	17,305
Interest cost	5,071	4,171	4,176
Differences between expected and actual experiences	(44,608)	-	-
Changes in assumptions	(4,954)	10,755	(127)
Benefit payments	(9,093)	(3,450)	(3,450)
Net change in total OPEB liability	(35,900)	28,729	17,904
Total OPEB liability beginning of year	161,998	133,269	115,365
Total OPEB liability end of year	\$ 126,098	161,998	133,269
Covered-employee payroll	\$ 1,067,121	955,000	953,265
Total OPEB liability as a percentage of covered-employee payroll	11.82%	16.96%	13.98%

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

Changes in benefit terms:

There were no significant changes in benefit terms.

Changes in assumptions:

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

Year ended June 30, 2020	2.45%
Year ended June 30, 2019	3.13%
Year ended June 30, 2018	3.62%
Year ended June 30, 2017	3.56%

HAMBURG COMMUNITY SCHOOL DISTRICT

SUPPLEMENTARY INFORMATION

HAMBURG COMMUNITY SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2020

	Special Revenue		
	Student Activity	Public Education and Recreation Levy	Total Nonmajor
Assets			
Cash and pooled investments	\$ 3,361	36,371	39,732
Receivables:			
Property tax:			
Delinquent	-	315	315
Succeeding year	-	19,953	19,953
Total assets	\$ 3,361	56,639	60,000
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Due to other funds	\$ 10,982	-	10,982
Accounts payable	88	-	88
Total liabilities	11,070	-	11,070
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property taxes	-	19,953	19,953
Fund balances:			
Restricted for:			
Student activities	17,202	-	17,202
Public education and recreation levy	-	36,686	36,686
Unassigned			
Student activities	(24,911)	-	(24,911)
Total fund balances	(7,709)	36,686	28,977
Total liabilities, deferred inflows of resources and fund balances	\$ 3,361	56,639	60,000

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

HAMBURG COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2020

	Special Revenue			Debt	Total
	Student	Public Education	Total	Service	Nonmajor
	Activity	and Recreation Levy			
Revenues:					
Local sources:					
Local tax	\$ -	19,345	19,345	-	19,345
Other	6,633	390	7,023	-	7,023
State sources	-	854	854	-	854
Total revenues	6,633	20,589	27,222	-	27,222
Expenditures:					
Current:					
Instruction:					
Other	5,483	21,107	26,590	-	26,590
Support services:					
Operation and maintenance of plant	-	450	450	-	450
Long-term debt:					
Principal	-	-	-	180,500	180,500
Interest and fiscal charges	-	-	-	29,959	29,959
Total expenditures	5,483	21,557	27,040	210,459	237,499
Excess (Deficiency) of revenues over (under) expenditures	1,150	(968)	182	(210,459)	(210,277)
Other financing sources:					
Transfer in	-	-	-	210,459	210,459
Total other financing sources	-	-	-	210,459	210,459
Change in fund balances	1,150	(968)	182	-	182
Fund balances beginning of year	(8,859)	37,654	28,795	-	28,795
Fund balances end of year	\$ (7,709)	36,686	28,977	-	28,977

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

HAMBURG COMMUNITY SCHOOL DISTRICT
COMBINING BALANCE SHEET
CAPITAL PROJECTS FUND ACCOUNTS
JUNE 30, 2020

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Assets			
Cash and pooled investments	\$ 173,953	81,920	255,873
Receivables:			
Property tax:			
Delinquent	-	3,204	3,204
Succeeding year	-	197,777	197,777
Income surtax	-	44,531	44,531
Due from other governments	19,813	-	19,813
Total assets	\$ 193,766	327,432	521,198
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	\$ 270	5,147	5,417
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	-	197,777	197,777
Income surtax	-	44,531	44,531
Total deferred inflows of resources	-	242,308	242,308
Fund balances:			
Restricted for:			
School infrastructure	193,496	-	193,496
Physical plant and equipment	-	79,977	79,977
Total fund balances	193,496	79,977	273,473
Total liabilities, deferred inflows of resources and fund balances	\$ 193,766	327,432	521,198

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SCHEDULE 4

HAMBURG COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 CAPITAL PROJECTS FUND ACCOUNTS
 YEAR ENDED JUNE 30, 2020

	<u>Capital Projects</u>		
	<u>Statewide Sales, Services and Use Tax</u>	<u>Physical Plant and Equipment Levy</u>	<u>Total</u>
Revenues:			
Local sources:			
Local tax	\$ -	241,365	241,365
Other	4,726	1,667	6,393
State sources	235,048	8,686	243,734
Total revenues	<u>239,774</u>	<u>251,718</u>	<u>491,492</u>
Expenditures:			
Current:			
Instruction:			
Regular	79,764	73,009	152,773
Support services:			
Instructional staff	28,232	-	28,232
Administration	-	18,987	18,987
Operation and maintenance of plant	315,222	33,311	348,533
Capital outlay	17,289	23,013	40,302
Total expenditures	<u>440,507</u>	<u>148,320</u>	<u>588,827</u>
Excess (Deficiency) of revenues over (under) expenses	(200,733)	103,398	(97,335)
Other financing uses:			
Transfer out	<u>(62,292)</u>	<u>(148,167)</u>	<u>(210,459)</u>
Change in fund balances	(263,025)	(44,769)	(307,794)
Fund balances beginning of year	<u>456,521</u>	<u>124,746</u>	<u>581,267</u>
Fund balances end of year	<u>\$ 193,496</u>	<u>79,977</u>	<u>273,473</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SCHEDULE 5

HAMBURG COMMUNITY SCHOOL DISTRICT
COMBINING SCHEDULE OF FIDUCIARY NET POSITION
PRIVATE PURPOSE TRUST - SCHOLARSHIP ACCOUNTS
JUNE 30, 2020

	Private Purpose Trust - Scholarship Accounts				
	Class of 1953 Scholarship	Other Scholarship	Rice Scholarship	Hensleigh Scholarship	Total
ASSETS					
Cash and pooled investments	\$ 650	107	618	(694)	681
LIABILITIES	-	-	-	-	-
NET POSITION					
Held in trust for scholarships	\$ 650	107	618	(694)	681

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

HAMBURG COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF CHANGES IN FIDUCIARY NET POSITION
 PRIVATE PURPOSE TRUST - SCHOLARSHIP ACCOUNTS
 YEAR ENDED JUNE 30, 2020

	Private Purpose Trust - Scholarship Accounts				
	Class of 1953 Scholarship	Other Scholarship	Rice Scholarship	Hensleigh Scholarship	Total
ADDITIONS:					
Local sources:					
Interest income	\$ -	21	-	-	21
DEDUCTIONS:					
Instruction:					
Regular:					
Scholarships awarded	-	-	-	1,476	1,476
Change in net position	-	21	-	(1,476)	(1,455)
Net position beginning of year	650	86	618	782	2,136
Net position end of year	\$ 650	107	618	(694)	681

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

HAMBURG COMMUNITY SCHOOL DISTRICT
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
YEAR ENDED JUNE 30, 2020

Account	Balance Beginning of Year	Revenues	Expenditures	Intrafund Transfer	Balance End of Year
Drama	\$ 4,857	-	-	-	4,857
Instrumental	1,001	-	-	-	1,001
JH Athletics	22	2,069	3,250	1,159	-
HS Golf	210	-	-	-	210
Track	850	-	-	-	850
JH Cheerleading	80	-	-	-	80
Student Council	3,682	-	-	(3,682)	-
JH Washington DC Trip	-	4,434	523	1,973	5,884
Yearbook	730	15	-	(745)	-
MS Field Trip Fund	3,625	-	-	-	3,625
MS Activity	400	-	-	-	400
HS Athletics	(21,559)	10	1,590	(1,687)	(24,826)
Chorus	(1,399)	-	120	1,709	190
Elementary Field Trip	(85)	-	-	-	(85)
MS Yearbook	(1,273)	-	-	1,273	-
MS Dance Activity	-	105	-	-	105
Total	\$ (8,859)	6,633	5,483	-	(7,709)

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Modified Accrual Basis									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Revenues:										
Local sources:										
Local tax	\$ 1,656,160	1,645,413	1,761,277	1,627,535	1,511,311	1,542,729	1,718,525	1,955,411	1,791,797	1,729,727
Tuition	119,717	77,619	116,885	92,048	395,044	357,031	497,887	377,168	868,674	222,692
Other	289,905	169,075	144,091	102,840	123,403	106,077	74,880	92,083	54,538	89,319
State sources	1,527,414	1,526,871	1,562,039	1,836,117	1,677,958	1,645,381	1,640,425	1,252,773	1,465,084	1,326,701
Federal sources	204,664	170,176	242,257	236,690	133,349	114,182	104,394	176,698	90,552	220,634
Total	\$ 3,797,860	3,589,154	3,826,549	3,895,230	3,841,065	3,765,400	4,036,111	3,854,133	4,270,645	3,589,073
Expenditures:										
Instruction:										
Regular	\$ 1,601,863	1,764,136	1,598,615	1,605,627	1,593,743	1,515,773	1,569,116	1,760,825	1,906,371	1,336,106
Special	430,774	440,938	424,495	472,410	395,620	492,941	515,539	495,494	499,816	375,373
Other	181,308	363,685	419,104	264,698	195,122	211,434	222,279	246,439	221,685	249,148
Support services:										
Student	72,921	25,407	59,626	49,042	39,096	22,440	33,271	73,122	61,491	74,705
Instructional staff	123,759	136,787	180,555	170,074	102,814	74,634	94,098	77,443	42,083	42,212
Administration	540,472	424,019	406,392	367,635	377,995	444,324	480,897	501,458	427,916	465,268
Operation and maintenance of plant	497,238	228,953	177,877	421,718	330,161	220,081	397,823	304,072	348,364	232,220
Transportation	111,468	75,509	86,110	138,669	110,165	117,765	299,710	177,017	224,624	136,680
Capital outlay	40,302	493,113	391,750	389,151	224,196	193,959	267,299	384,333	346,834	94,780
Long-term debt:										
Principal	180,500	178,500	112,000	58,052	10,892	10,663	-	-	-	-
Interest	29,959	30,840	12,172	1,248	1,482	1,711	-	-	-	-
Other expenditures:										
AEA flowthrough	104,519	103,435	104,993	103,646	105,032	105,026	105,204	99,609	100,642	113,373
Total	\$ 3,915,083	4,265,322	3,973,689	4,041,970	3,486,318	3,410,751	3,985,236	4,119,812	4,179,826	3,119,865

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

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

To the Board of Education of Hamburg Community School District:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Hamburg Community School District as of and for the year ended June 30, 2020, and the related Notes to Financial Statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated June 28, 2021.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying Schedule of Findings, we identified deficiencies in internal control we consider to be a material weakness and 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 misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in Part I of the accompanying Schedule of Findings as item I-A-20 to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part I of the accompanying Schedule of Findings as items I-B-20 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Hamburg 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 required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that 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, 2020 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.

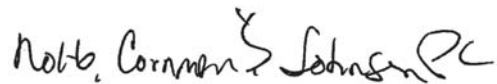
Hamburg Community School District's Responses to Findings

Hamburg Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. Hamburg 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 controls 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 Hamburg 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.

June 28, 2021
Newton, Iowa

HAMBURG COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2020

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCY:

I-A-20 Segregation of Duties

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

Condition - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. One individual has control over one or more of the following areas for the District:

- 1) Cash - handling, recording and reconciling cash.
- 2) Investments - investing, detailed recordkeeping, custody of investments and reconciling earnings.
- 3) Receipts - collecting, recording, depositing, journalizing, posting and reconciling.
- 4) Disbursements - purchase order processing, check preparation, mailing and recording.
- 5) Inventories - ordering, receiving, issuing and storing.
- 6) Capital assets - purchasing, recording and reconciling.
- 7) Payroll - recording approved pay rates and deductions, recordkeeping, preparation, posting and distribution.
- 8) Financial reporting - preparing, reconciling and approving.
- 9) School lunch program - recording, journalizing, posting, reconciling, purchase order processing, check preparation, mailing and recording.

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

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

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

Response - The District recognizes the issues related to a limited number of office employees as it pertains to a segregation of duties. The main challenge is a small district with limited resources for staffing. Based on the nine items listed, there are 3 individuals participating. The administrative staff, which includes the superintendent, has a weekly meeting to review expenditures, miscellaneous revenue, and new requisitions. The SBO has reviewed and discussed this situation with the District's Superintendent and will review the issue with the Board of Directors. The focus for this effort is on achieving the maximum internal control possible for the circumstance and limited resources available.

Conclusion - Response accepted.

I-B-20 Commodity Pricing

Criteria - An effective internal control system provides for internal controls related to year-end commodity inventory pricing to ensure ending inventory in the School Nutrition Fund is properly valued and reported.

Condition - The Iowa Department of Education provides districts with a price guide listing of values to be used in the calculation of ending inventory amounts. However, it appears that commodities were not valued using the price guide listing provided by the Iowa Department of Education.

Cause - The District does not appear to have procedures in place to ensure the use of the price guide listing provided by the Iowa Department of Education when determining year-end commodity values.

Effect - Lack of adequate procedures to ensure the proper valuation of commodities could lead to material misstatement of the School Nutrition Fund inventory.

Recommendation - The District should review procedures in place for inventory pricing and make any necessary changes to ensure the correct values are assigned to commodities on hand at year-end.

Response - The administration will work with the District's Food Director and administrative assistance to update procedures for securing products and accurately pricing inventory for the Commodity program.

Conclusion - Response accepted.

Part II: Other Findings Related to Required Statutory Reporting:

II-A-20 Certified Budget - Expenditures for the year ended June 30, 2020 exceeded the certified budget amounts in the support services and non-instructional programs function.

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 process for budget amendments will be reviewed and updated to ensure future budgeting cycles do not exceed the approved budget per 24.9 of the Code of Iowa. The district will also file for budget amendments as required.

Conclusion - Response accepted.

II-B-20 Questionable Expenditures

Sales Tax: We noted during our audit instances of the District paying sales tax on purchases made with District credit cards. The District is a tax-exempt entity, therefore, expenditures for sales tax would not appear to meet public purpose as defined in an Attorney General's opinion dated April 25, 1979.

Recommendation - The District should review their purchasing and reimbursing procedures currently in place and make the necessary adjustments to comply with the Attorney General's opinion dated April 25, 1979.

Response - The district understands the philosophy and nature of the obligation to follow and comply with the Attorney General's opinion dated April 25, 1979. Procedures will be reviewed for credit card usage and ensuring tax exempt status is utilized for purchases.

Conclusion - Response accepted.

Late Fees: We noted instances of the District incurring penalties for late payments to the District IPERS. Late fees would not appear to meet public purpose as defined in an Attorney General's opinion dated April 25, 1979.

Recommendation - The District should review policies and procedures to ensure all payments are made in a timely manner.

Response - The district will review the procedures in place to eliminate late payments fees on for District IPERS.

Conclusion - Response accepted.

II-C-20 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

II-D-20 Business Transactions - Business transactions between the District and District officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Brandi Oaks, Secretary Spouse owns Oaks Repair	Supplies & Services	\$5,944
Vicki Hansen, Head Cook Spouse is Makerspace instructor	Supplies	\$255

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

II-E-20 Restricted Donor Activity - No transactions were noted between the District, District officials or District employees and restricted donors in compliance with Chapter 68/B of the Code of Iowa.

II-F-20 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.

II-G-20 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

- II-H-20 Certified Enrollment - We noted the basic enrollment data certified to the Iowa Department of Education appears to have been overstated by 2.00 students for the fall 2019 count.

Recommendation - The Iowa Department of Education and the Iowa Department of Management should be contacted to resolve this matter.

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

Conclusion - Response accepted.

- II-I-20 Supplemental Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- II-J-20 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-K-20 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-L-20 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.
- II-M-20 Statewide Sales, Services and Use Tax - No instances of non-compliance with the allowable uses of the statewide sales, services and use tax revenue provided in Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2020, the following information includes the amounts the District reported for the statewide sales, services and use tax revenue in the District's CAR including adjustments identified during the fiscal year 2020 audit:

Beginning balance		\$ 456,521
Revenues:		
Sales tax revenues	\$ 235,048	
Other local revenues	<u>4,726</u>	<u>239,774</u>
Expenditures/transfers out:		
Equipment	440,507	
Transfers to other funds:		
Debt service fund	<u>62,292</u>	<u>502,799</u>
Ending balance		<u>\$ 193,496</u>

For the year ended June 30, 2020 the District did not reduce any levies as a result of the monies received under Chapter 423E or 423F of the Code of Iowa.

- II-N-20 Financial Condition - The District had two accounts with a deficit unassigned fund balances totaling \$24,911 in the Student Activity Fund. In addition, the District had deficit unrestricted net position of \$36,271 and deficit total net position of \$985 in the Enterprise, School Nutrition Fund. The District had deficit unrestricted and total net position of \$1,332 in the Enterprise, Child Care Fund. A contributing factor to the deficit net positions is the reporting requirements of GASB Statements No. 68 and No. 75.

Recommendation - The District should continue to monitor these accounts/funds and investigate alternatives to eliminate the deficits. Additionally, the District should take steps to ensure the District's administration and Board of Education understand how GASB Statements No. 68 and 75 will continue to affect the District's financials moving forward.

Response - The district understands the issue with the deficit fund balances in the Student Activity Fund and School Nutrition fund. Programs and processes are being reviewed to adequately and timely rectify this situation.

Conclusion - Response accepted.

- II-O-20 Interfund Loans - We noted during our audit the District has interfund loans from prior years which remain on the balance sheets. As of June 30, 2020, the Student Activity Fund owed the General Fund \$10,982, the School Nutrition Fund owed the General Fund \$43,448 and the Child Care Fund owed the General Fund \$1,332.

According to a declaratory order issued by the Iowa Department of Education to the Auditor of State dated April 11, 2008, interfund loans on the District's year-end financial statements must be repaid to their respective funds on or before October 1st of the following fiscal year or the date of the District's Board of Directors organizational meeting, whichever is later. If the District is unable to repay the interfund loans by that time, the District must seek outside funding to repay the interfund loans according to Iowa Code Chapter 74.

Recommendation - It appears the District should seek outside funding to comply with the declaratory ruling in order to repay the interfund loans.

Response - The district has implemented the process of resolving the interfund loans for the Student Activity Fund and School Nutrition Fund and has made significant improvements and interfund loan balances have been eliminated in FY2021.

Conclusion - Response accepted.

- II-P-20 Inactive Student Activity Accounts - During our audit we noted Drama Club, Instrumental, Golf, JH Cheerleading and MS Field Trip accounts within the Student Activity Fund which had balances at year end, but no activity for over a year.

Recommendation - The District should review the Drama Club, Instrumental, HS Golf, JH Cheerleading and MS Field Trip accounts to determine their status. If the District determines these accounts are inactive, the remaining balances should be reallocated within the Student Activity Fund at the discretion of the Board of Education.

Response - The district will review this item and make a recommendation to the Board of Directors in FY2022.

Conclusion - Response accepted.

- II-Q-20 Revenue Recognition - We noted during our audit that the District was recording money for preschool tuition into the Enterprise: Child Care Fund. However, the expenses associated with the child care activities of the District were accounted for in a different fund.

Recommendation - Each fund is supposed to be its own entity and be self-supporting. Tuition revenue would be recorded into the fund that is paying the expenses for which tuition is received. The District should review its revenue recognition procedures to ensure correct coding. The District should also contact the Iowa Department of Education and the School Budget Review Committee regarding the appropriate procedures to correct the deficit balance in the Enterprise: Child Care Fund.

Response - The superintendent and SBO will review the processes for Child Care Fund Revenue and make corrections in FY2021.

Conclusion - Response accepted.

II-R-20 Student Construction - We noted during our audit that the District was constructing a house in the City of Hamburg. The construction expenses appear to be partially donated by outside entities and the revenues and expenses associated with this are accounted for in the General Fund. The house upon completion appears to be intended to be transferred to an outside party. This appears to have several potential issues as follows:

1. Article III, Section 31 of the Constitution of the State of Iowa requires public funds to be spent for the public benefit. We would question the propriety of the District fundraising and constructing a house to be given to an outside party.

2. If the District intends for this to be a student construction program and offered as part of the educational program of the District, it would be more appropriately accounted for as an enterprise fund and the house would generally be sold to provide funding for a subsequent house to be constructed. This would enable the program to be able to fund itself. With the intention of transferring the house to an outside party for a minimal or no selling price, the District will have to either fundraise or use District funds in the event that it wishes to continue with this program.

3. The District should review insurance coverage to ensure that coverage is adequate since it appears that students and outside volunteers are involved in this project. The District should also review to ensure that all work being performed by students is allowable under any relevant laws and regulations.

4. The District should review its fundraising procedures to ensure that the use of funds is clearly disclosed. Fundraising with the intention that an outside party will benefit from the funds should be clearly documented.

5. With the District running this project through the General Fund, it is very difficult to prove that the construction was entirely through donations. This gives the appearance that tax dollars were redirected to benefit an outside party.

Recommendation - The District should review the Constitution of the State of Iowa and the Code of Iowa regarding this situation. The District should also contact legal counsel and its insurance carrier to resolve these issues.

Response - The Student housing project was a community service project as the result of the 2019 floods. All of these funds were local donations and local fundraising. None of the funds are public funds they were simply ran through the school's accounts, but should have been placed in the activity account not the general fund. The house was completed and has been turned over to the family. In the future, the district will refrain from this type of activity and will run it through our local Lions club.

Conclusion - Response accepted.