

NEW HAMPTON COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2009

Contents

		<u>Page</u>
Officials		1
Independent Auditor's Report		2-3
Management's Discussion and Analysis (MD&A)		4-13
Basic Financial Statements:	<u>Exhibit</u>	
Government-wide Financial Statements:		
Statement of Net Assets	A	14
Statement of Activities	B	15
Governmental Fund Financial Statements:		
Balance Sheet	C	16
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets	D	17
Statement of Revenues, Expenditures and Changes in Fund Balances	E	18
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	F	19
Proprietary Fund Financial Statements:		
Statement of Net Assets	G	20
Statement of Revenues, Expenses and Changes in Net Assets	H	21
Statement of Cash Flows	I	22
Notes to Financial Statements		23-33
Required Supplementary Information:		
Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances - Budget and Actual - All Governmental Funds and Proprietary Fund		34
Notes to Required Supplementary Information - Budgetary Reporting		35
Other Supplementary Information:	<u>Schedule</u>	
Nonmajor Governmental Funds:		
Combining Balance Sheet	1	36
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	2	37
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	3	38-39
Schedule of Revenues by Source and Expenditures by Function - All Governmental Fund Types	4	40
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>		41-42
Schedule of Findings		43-47

New Hampton Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September 2008 Election)		
Deb Larsen	President	2010
Rich Stochl	Vice President (Resigned)	2008
Bob Smith	Vice President	2008
Terry Anderson	Board Member	2009
Kevin Rieck	Board Member	2009
Tom Rasmussen	Board Member (Appointed)	2008
Board of Education (After September 2008 Election)		
Deb Larsen	President	2011*
Terry Anderson	Vice President	2009
Damian Baltes	Board Member	2011
Kevin Rieck	Board Member	2009
Tom Rasmussen	Board Member	2011
School Officials		
Stephen Nicholson	Superintendent	2009
Bob Ayers	District Secretary/ Treasurer and Business Manager	2009
Swisher & Cohrt, P.L.C.	Attorney	2009

*Board terms extended per the District's transition plan for changing Board terms from 3 to 4 years in accordance with Chapter 39.24 of the Code of Iowa.

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

117 West 3rd Street North, Newton, Iowa 50208-3040

Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the New Hampton Community School District, New Hampton, Iowa as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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 New Hampton Community School District at June 30, 2009, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated March 22, 2010 on our consideration of the New Hampton 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 13 and 34 through 35 are not required parts of the basic financial statements, but are supplementary

Members American Institute & Iowa Society of Certified Public Accountants

information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise New Hampton Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the five years ended June 30, 2008 (which are not presented herein) and expressed an unqualified opinion on those financial statements. Other supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.


NOLTE, CORNMAN & JOHNSON, P.C.

March 22, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

New Hampton Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2009. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2009 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$9,366,417 in fiscal 2008 to \$9,909,695 in fiscal 2009, while General Fund expenditures increased from \$9,207,830 in fiscal 2008 to \$10,004,999 in fiscal 2009. This resulted in a decrease in the District's General Fund balance from \$1,067,210 in fiscal 2008 to \$971,906 in fiscal 2009, which represents a decrease of 8.93% from the prior year.
- The increase in General Fund revenues was attributable to an increase in local tax and state and federal grant revenue in fiscal 2009. The increase in expenditures was due primarily to an increase in the negotiated salary and benefits.

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 Assets and a Statement of Activities. These provide information about the activities of New Hampton Community School District as a whole and present an overall view of the District's finances.

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

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

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor funds.

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

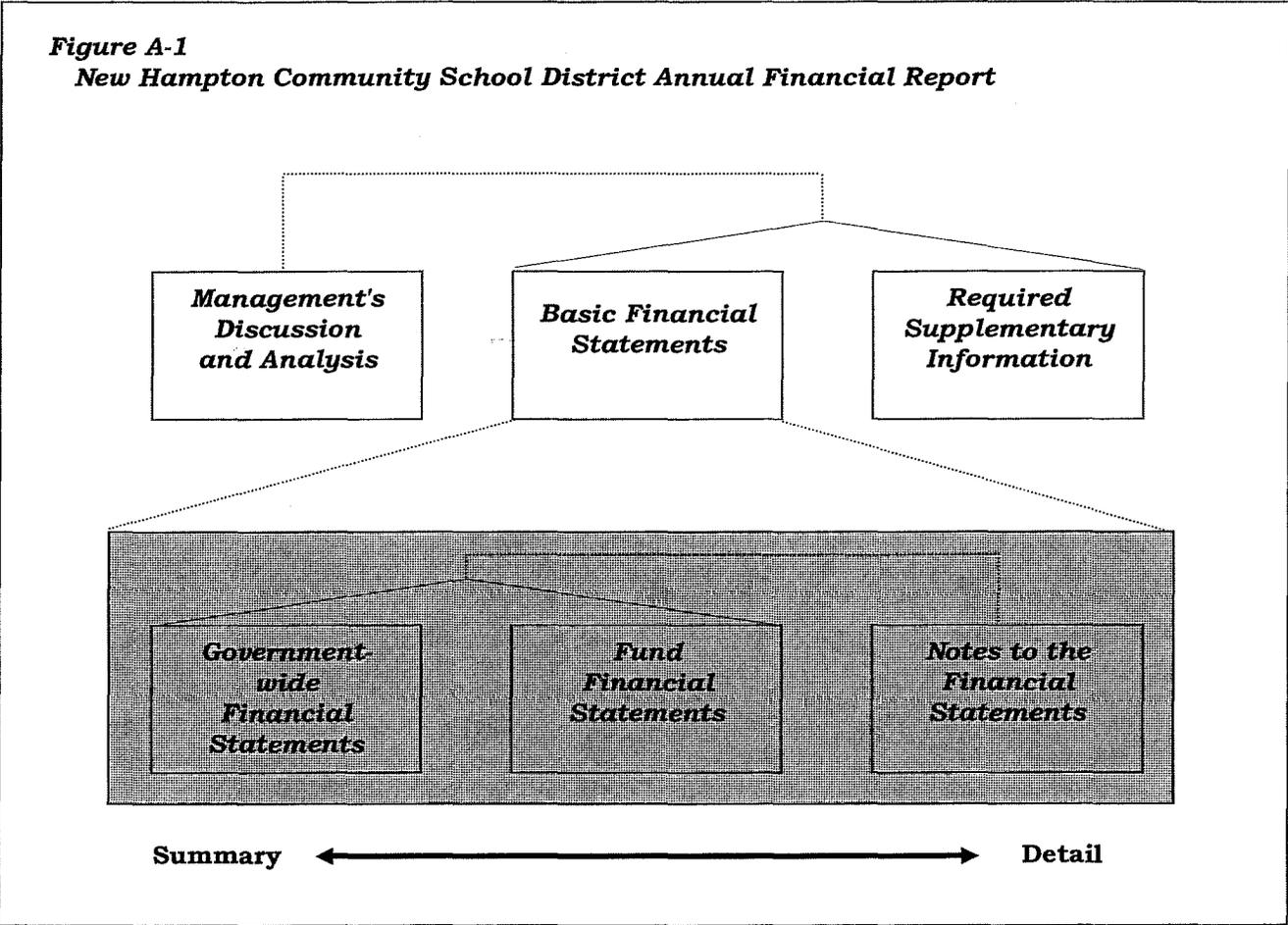


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

Figure A-2 Major Features of the Government-wide and Fund Financial Statements			
	District-wide Statements	Fund Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: food services and adult education
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • 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 Assets • Statement of revenues, expenses and changes in net assets • Statement of cash flows
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
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term
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

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 Assets includes all of the District’s assets and liabilities. All of the current year’s revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

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

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

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

Fund Financial Statements

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

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

The District has two kinds of funds:

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

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

The required financial statements for the governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

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

The required financial statements for the proprietary funds include a statement of revenues, expenses and changes in net assets and a statement of cash flows.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's total net assets at June 30, 2009 compared to June 30, 2008.

Figure A-3
Condensed Statement of Net Assets

	Governmental		Business Type		Total		Total Change June 30, 2008-09
	Activities		Activities		School District		
	June 30, 2009	2008	June 30, 2009	2008	June 30, 2009	2008	
Current and other assets	\$ 9,903,737	7,662,870	82,048	85,463	9,985,785	7,748,333	28.88%
Capital assets	8,826,426	7,341,315	40,722	32,831	8,867,148	7,374,146	20.25%
Total assets	18,730,163	15,004,185	122,770	118,294	18,852,933	15,122,479	24.67%
Long-term obligations	3,247,552	672,848	0	0	3,247,552	672,848	382.66%
Other liabilities	4,699,425	4,084,740	6,285	7,686	4,705,710	4,092,426	14.99%
Total liabilities	7,946,977	4,757,588	6,285	7,686	7,953,262	4,765,274	66.90%
Net assets:							
Invested in capital assets, net of related debt	7,454,393	6,711,315	40,722	32,831	7,495,115	6,744,146	11.14%
Restricted	2,247,468	2,266,017	0	0	2,247,468	2,266,017	-0.82%
Unrestricted	1,081,325	1,269,265	75,763	77,777	1,157,088	1,347,042	-14.10%
Total net assets	\$ 10,783,186	10,246,597	116,485	110,608	10,899,671	10,357,205	5.24%

The District's combined net assets increased by 5.24%, or \$542,466, over the prior year. The largest portion of the District's net assets is the invested in capital assets, net of related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets decreased \$18,549, or .82% over the prior year. The decrease was primarily the result of the decrease in the Special Revenue: Physical Plant and Equipment Levy fund balance.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased \$189,954, or 14.10%. This increase in unrestricted net assets was a result of the District's increase in the General Fund balance.

Figure A-4 shows the changes in net assets for the years ended June 30, 2009 compared to June 30, 2008.

Figure A-4
Changes of Net Assets

	Governmental		Business Type		Total		Total
	Activities		Activities		School District		Change
	June 30,	June 30,	June 30,	June 30,	June 30,	June 30,	2008-09
	2009	2008	2009	2008	2009	2008	
Revenues and Transfers:							
Program revenues:							
Charges for services	\$ 785,348	807,040	282,277	268,842	1,067,625	1,075,882	-0.77%
Operating grants and contributions and restricted interest	1,601,254	1,315,964	171,342	166,239	1,772,596	1,482,203	19.59%
General revenues:							
Local tax	4,415,212	4,288,242	0	0	4,415,212	4,288,242	2.96%
Statewide sales and service tax	760,275	705,472	0	0	760,275	705,472	7.77%
Unrestricted state grants	3,954,319	4,078,642	0	0	3,954,319	4,078,642	-3.05%
Other	232,721	197,492	916	2,456	233,637	199,948	16.85%
Transfer	0	(34,794)	0	34,794	0	0	0.00%
Total revenues	11,749,129	11,358,058	454,535	472,331	12,203,664	11,830,389	3.16%
Program expenses:							
Governmental activities:							
Instructional	7,637,707	6,726,998	0	0	7,637,707	6,726,998	13.54%
Support services	2,686,320	2,733,356	10,366	10,015	2,696,686	2,743,371	-1.70%
Non-instructional programs	0	0	438,292	417,044	438,292	417,044	5.09%
Other expenses	888,513	744,124	0	0	888,513	744,124	19.40%
Total expenses	11,212,540	10,204,478	448,658	427,059	11,661,198	10,631,537	9.68%
Change in net assets	536,589	1,153,580	5,877	45,272	542,466	1,198,852	-54.75%
Net assets beginning of year	10,246,597	9,093,017	110,608	65,336	10,357,205	9,158,353	13.09%
Net assets end of year	\$ 10,783,186	10,246,597	116,485	110,608	10,899,671	10,357,205	5.24%

In fiscal 2009, local tax, statewide sales and service tax and unrestricted state grants accounted for 77.55% of the revenue from governmental activities while charges for services and operating grants and contributions account for 99.80% of the revenue from business type activities.

The District's total revenues were approximately \$12.20 million of which \$11.75 million was for governmental activities and \$.45 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced an increase of 3.16% in revenues and a 9.68% increase in expenses. The increase in expenses was related to the increase in instructional costs during the year.

Governmental Activities

Revenues for governmental activities were \$11,749,129 and expenses were \$11,212,540.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services and other expenses.

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2009	2008	Change 2008-09	2009	2008	Change 2008-09
Instruction	\$ 7,637,707	6,726,998	13.54%	5,723,352	5,057,360	13.17%
Support services	2,686,320	2,733,356	-1.72%	2,634,759	2,681,684	-1.75%
Other expenses	888,513	744,124	19.40%	467,827	342,430	36.62%
Totals	<u>\$ 11,212,540</u>	<u>10,204,478</u>	<u>9.88%</u>	<u>8,825,938</u>	<u>8,081,474</u>	<u>9.21%</u>

- The cost financed by users of the District's programs was \$785,348.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,601,254.
- The net cost of governmental activities was financed with \$4,415,212 in local tax, \$760,275 in statewide sales and services tax, \$3,954,319 in unrestricted state grants, \$45,018 in interest income and \$187,703 in other general revenues.

Business type Activities

Revenues of the District's business type activities were \$454,535 and expenses were \$448,658. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$4,909,760, above last year's ending fund balances of \$3,257,315. However, the primary reason for the increase in combined fund balances in fiscal 2009 is due to the increase in the Capital Projects Fund.

Governmental Fund Highlights

- The District's decrease in the General Fund financial position from \$1,067,210 to \$971,906 is the product of many factors:
 - Increases in local taxes and federal and state grant revenue during the year resulted in an increase in revenues.
 - The increase in negotiated salary and benefits settlement, as well as existing expenditure commitments of the District, resulted in an increase in expenditures. Total expenditures increased in 2009 by \$797,169 or approximately 8.66% from 2008.
- The Capital Projects Fund balance increased from \$841,996 in fiscal 2008 to \$3,018,343 in fiscal 2009. The balance increased due to the District issuing revenue bonds during the year.

Proprietary Fund Highlights

The School Nutrition Fund net assets increased from \$110,608 at June 30, 2008 to \$116,485 at June 30, 2009, representing an increase of 5.31%.

BUDGETARY HIGHLIGHTS

Over the course of the year, New Hampton Community School District amended its annual budget one time to reflect additional expenditures associated with the support services and non-instructional budgeted functions.

The District's revenues were \$578,637 more than budgeted revenues, a variance of 4.99%. The most significant variance resulted from the District receiving more in federal sources than originally anticipated.

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

The District, during the year ended June 30, 2009, adopted one budget amendment increasing total budgeted expenditures by \$2,583,777.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2009, the District had invested \$8,867,148, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$465,260.

The original cost of the District's capital assets was \$16.02 million. Governmental funds account for \$15.89 million with the remainder of \$0.13 million in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress was \$1,372,033 at June 30, 2009, compared to \$0 reported at June 30, 2008. This increase is the result of energy conservation project being started but not completed during the year.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental Activities		Business Type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2009	2008	2009	2008	2009	2008	2008-09
Land	\$ 381,700	381,700	0	0	381,700	381,700	0.00%
Construction on progress	1,372,033	0	0	0	1,372,033	0	100.00%
Buildings	6,011,834	6,115,952	0	0	6,011,834	6,115,952	-1.70%
Improvements other than buildings	505,418	454,154	0	0	505,418	454,154	11.29%
Machinery and equipment	555,441	389,509	40,722	32,831	596,163	422,340	41.16%
Total	\$ 8,826,426	7,341,315	40,722	32,831	8,867,148	7,374,146	20.25%

Long-Term Debt

At June 30, 2009, the District had \$3,247,552 in revenue bonds and early retirement benefits outstanding. This represents an increase of 382.66% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 5 to the financial statements.

The District had total outstanding Revenue Bonds payable of \$3,120,000 at June 30, 2009.

The District had total outstanding Early Retirement payable from the Special Revenue, Management Fund of \$127,552 at June 30, 2009.

Figure A-7
Outstanding Long-Term Obligations

	Total School District		Total Change
	June 30,		June 30,
	2009	2008	2008-09
General obligation bonds	\$ 0	630,000	-100.00%
Revenue bonds	3,120,000	0	100.00%
Early retirement	127,552	42,848	197.68%
Totals	\$ 3,247,552	672,848	382.66%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

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

-
- The FY 2010 state budget cut of 10% results in a significant decrease in General Fund revenue, shifting funding on property taxes and other revenue sources. As a result of these lost revenues, the District will explore all opportunities to reduce expenditures and/or increase revenues.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

BASIC FINANCIAL STATEMENTS

NEW HAMPTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2009

	Governmental Activities	Business type Activities	Total
Assets			
Cash and pooled investments	\$ 5,012,528	67,200	5,079,728
Receivables:			
Property tax:			
Delinquent	46,297	0	46,297
Succeeding year	4,217,556	0	4,217,556
Income surtax	306,323	0	306,323
Accounts	7,133	12	7,145
Due from other governments	313,900	0	313,900
Inventories	0	14,836	14,836
Capital assets, net of accumulated depreciation	8,826,426	40,722	8,867,148
Total Assets	18,730,163	122,770	18,852,933
Liabilities			
Accounts payable	417,497	151	417,648
Salaries and benefits payable	4,999	0	4,999
Interest payable	11,771	0	11,771
Deferred revenue:			
Succeeding year property tax	4,217,556	0	4,217,556
Other	42,746	0	42,746
Due to other governments	4,856	0	4,856
Unearned revenue	0	6,134	6,134
Long-term liabilities:			
Portion due within one year:			
Early retirement payable	35,942	0	35,942
Portion due after one year:			
Revenue bonds payable	3,120,000	0	3,120,000
Early retirement payable	91,610	0	91,610
Total Liabilities	7,946,977	6,285	7,953,262
Net Assets			
Invested in capital assets, net of related debt	7,454,393	40,722	7,495,115
Restricted for:			
Categorical funding	185,133	0	185,133
Debt service	111,024	0	111,024
Capital projects	1,270,376	0	1,270,376
Management levy	466,489	0	466,489
Physical plant and equipment levy	123,688	0	123,688
Other special revenue purposes	90,758	0	90,758
Unrestricted	1,081,325	75,763	1,157,088
Total Net Assets	\$ 10,783,186	116,485	10,899,671

SEE NOTES TO FINANCIAL STATEMENTS.

NEW HAMPTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2009

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		Total
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	
Functions/Programs:						
Governmental activities:						
Instruction:						
Regular	\$ 4,879,476	156,864	1,070,342	(3,652,270)	0	(3,652,270)
Special	1,267,225	113,413	60,605	(1,093,207)	0	(1,093,207)
Other	1,491,006	513,131	0	(977,875)	0	(977,875)
	<u>7,637,707</u>	<u>783,408</u>	<u>1,130,947</u>	<u>(5,723,352)</u>	<u>0</u>	<u>(5,723,352)</u>
Support services:						
Student	191,075	0	0	(191,075)	0	(191,075)
Instructional staff	310,387	0	0	(310,387)	0	(310,387)
Administration	1,020,598	0	0	(1,020,598)	0	(1,020,598)
Operation and maintenance of plant	719,964	0	0	(719,964)	0	(719,964)
Transportation	444,296	1,940	49,621	(392,735)	0	(392,735)
	<u>2,686,320</u>	<u>1,940</u>	<u>49,621</u>	<u>(2,634,759)</u>	<u>0</u>	<u>(2,634,759)</u>
Other expenditures:						
Facilities acquisition	154,863	0	0	(154,863)	0	(154,863)
Long-term debt interest	33,171	0	0	(33,171)	0	(33,171)
AEA flowthrough	420,686	0	420,686	0	0	0
Depreciation(unallocated)*	279,793	0	0	(279,793)	0	(279,793)
	<u>888,513</u>	<u>0</u>	<u>420,686</u>	<u>(467,827)</u>	<u>0</u>	<u>(467,827)</u>
Total governmental activities	<u>11,212,540</u>	<u>785,348</u>	<u>1,601,254</u>	<u>(8,825,938)</u>	<u>0</u>	<u>(8,825,938)</u>
Business Type activities:						
Support services:						
Administration	1,092	0	0	0	(1,092)	(1,092)
Operation and maintenance of plant	9,274	0	0	0	(9,274)	(9,274)
Non-instructional programs:						
Nutrition services	438,292	282,277	171,342	0	15,327	15,327
Total business type activities	<u>448,658</u>	<u>282,277</u>	<u>171,342</u>	<u>0</u>	<u>4,961</u>	<u>4,961</u>
Total	<u>\$ 11,661,198</u>	<u>1,067,625</u>	<u>1,772,596</u>	<u>(8,825,938)</u>	<u>4,961</u>	<u>(8,820,977)</u>
General Revenues:						
Property tax levied for:						
General purposes				\$ 3,753,907	0	3,753,907
Capital outlay				110,229	0	110,229
Debt service				171,186	0	171,186
Income surtax				379,890	0	379,890
Statewide sales and services tax				760,275	0	760,275
Unrestricted state grants				3,954,319	0	3,954,319
Unrestricted investment earnings				45,018	916	45,934
Other general revenues				187,703	0	187,703
Total general revenues				<u>9,362,527</u>	<u>916</u>	<u>9,363,443</u>
Changes in net assets				536,589	5,877	542,466
Net assets beginning of year				10,246,597	110,608	10,357,205
Net assets end of year				<u>\$ 10,783,186</u>	<u>116,485</u>	<u>10,899,671</u>

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

SEE NOTES TO FINANCIAL STATEMENTS.

NEW HAMPTON COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2009

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
Assets				
Cash and pooled investments	\$ 877,966	3,213,703	920,859	5,012,528
Receivables:				
Property tax:				
Delinquent	40,528	0	5,769	46,297
Succeeding year	3,857,790	0	359,766	4,217,556
Income surtax	306,323	0	0	306,323
Accounts	6,134	0	999	7,133
Due from other governments	151,007	162,893	0	313,900
Total Assets	\$ 5,239,748	3,376,596	1,287,393	9,903,737
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 51,128	358,253	8,116	417,497
Salaries and benefits payable	4,999	0	0	4,999
Deferred revenue:				
Succeeding year property tax	3,857,790	0	359,766	4,217,556
Income surtax	306,323	0	0	306,323
Other	42,746	0	0	42,746
Due to other governments	4,856	0	0	4,856
Total liabilities	4,267,842	358,253	367,882	4,993,977
Fund balances:				
Reserved:				
Construction	0	1,747,967	0	1,747,967
Debt service	0	0	111,024	111,024
Categorical funding	185,133	0	0	185,133
Unreserved	786,773	1,270,376	808,487	2,865,636
Total fund balances	971,906	3,018,343	919,511	4,909,760
Total Liabilities and Fund Balances	\$ 5,239,748	3,376,596	1,287,393	9,903,737

SEE NOTES TO FINANCIAL STATEMENTS.

NEW HAMPTON COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET ASSETS
 JUNE 30, 2009

Total fund balances of governmental funds (page 16)	\$	4,909,760
 <i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.		8,826,426
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.		306,323
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.		(11,771)
Long-term liabilities, including bonds payable and early retirement, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		<u>(3,247,552)</u>
Net assets of governmental activities (page 14)		<u><u>\$ 10,783,186</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

NEW HAMPTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2009

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
Revenues:				
Local sources:				
Local tax	\$ 3,926,690	760,275	507,214	5,194,179
Tuition	270,277	0	0	270,277
Other	142,676	38,190	499,570	680,436
Intermediate sources	14,848	0	0	14,848
State sources	5,136,687	0	369	5,137,056
Federal sources	418,517	0	0	418,517
Total revenues	9,909,695	798,465	1,007,153	11,715,313
Expenditures:				
Current:				
Instruction:				
Regular	4,711,119	1,712	105,018	4,817,849
Special	1,267,225	0	0	1,267,225
Other	990,120	0	500,886	1,491,006
	<u>6,968,464</u>	<u>1,712</u>	<u>605,904</u>	<u>7,576,080</u>
Support services:				
Student	191,075	0	0	191,075
Instructional staff	310,387	0	0	310,387
Administration	1,016,613	0	3,985	1,020,598
Operation and maintenance of plant	620,578	0	105,677	726,255
Transportation	477,196	0	103,664	580,860
	<u>2,615,849</u>	<u>0</u>	<u>213,326</u>	<u>2,829,175</u>
Other expenditures:				
Facilities acquisitions	0	1,671,639	82,196	1,753,835
Long-term debt:			0	
Principal	0	0	630,000	630,000
Interest and fiscal charges	0	0	25,600	25,600
AEA flowthrough	420,686	0	0	420,686
	<u>420,686</u>	<u>1,671,639</u>	<u>737,796</u>	<u>2,830,121</u>
Total expenditures	10,004,999	1,673,351	1,557,026	13,235,376
Deficiency of revenues under expenditures	(95,304)	(874,886)	(549,873)	(1,520,063)
Other financing sources(uses):				
Transfers in	0	0	121,275	121,275
Transfers out	0	(121,275)	0	(121,275)
Issuance of bonds	0	3,120,000	0	3,120,000
Premium on bonds	0	52,508	0	52,508
Total other financing sources(uses)	<u>0</u>	<u>3,051,233</u>	<u>121,275</u>	<u>3,172,508</u>
Net change in fund balances	(95,304)	2,176,347	(428,598)	1,652,445
Fund balance beginning of year	1,067,210	841,996	1,348,109	3,257,315
Fund balance end of year	<u>\$ 971,906</u>	<u>3,018,343</u>	<u>919,511</u>	<u>4,909,760</u>

SEE NOTES TO FINANCIAL STATEMENTS.

NEW HAMPTON COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 JUNE 30, 2009

Net change in fund balances - total governmental funds (page 18) \$ 1,652,445

*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 reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures, depreciation expense and loss on disposal of assets in the current year are as follows:

Expenditures for capital assets	\$ 1,980,520	
Depreciation expense	(461,488)	
Loss on disposal of assets	(33,921)	1,485,111

Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds. (18,692)

Proceeds of long-term debt liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets. Issuances and repayments are as follows:

Repaid	630,000	
Issued	(3,120,000)	(2,490,000)

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. (7,571)

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.

Early Retirement		(84,704)

Changes in net assets of governmental activities (page 15) \$ 536,589

SEE NOTES TO FINANCIAL STATEMENTS.

NEW HAMPTON COMMUNITY SCHOOL DISTRICT
 STATEMENT OF NET ASSETS
 PROPRIETARY FUND
 JUNE 30, 2009

	<u>School Nutrition</u>
Assets	
Cash and pooled investments	\$ 67,200
Accounts receivable	12
Inventories	14,836
Capital assets, net of accumulated depreciation	40,722
Total Assets	<u>122,770</u>
Liabilities	
Accounts payable	151
Unearned revenue	6,134
Total Liabilities	<u>6,285</u>
Net Assets	
Invested in capital assets	40,722
Unrestricted	75,763
Total Net Assets	<u>\$ 116,485</u>

SEE NOTES TO FINANCIAL STATEMENTS.

NEW HAMPTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2009

	School Nutrition
OPERATING REVENUE:	
Local sources:	
Charges for services	\$ 278,458
Miscellaneous	3,819
TOTAL OPERATING REVENUES	282,277
OPERATING EXPENSES:	
Support services:	
Administration:	
Benefits	1,092
Operation and maintenance of plant:	
Supplies	9,274
	10,366
Non-instructional programs:	
Food service operations:	
Salaries	169,437
Benefits	61,773
Services	6,947
Supplies	196,363
Depreciation	3,772
	438,292
TOTAL OPERATING EXPENSES	448,658
OPERATING LOSS	(166,381)
NON-OPERATING REVENUES:	
State sources	5,622
Federal sources	165,720
Interest income	916
TOTAL NON-OPERATING REVENUES	172,258
Change in net assets	5,877
Net assets beginning of year	110,608
Net assets end of year	\$ 116,485

SEE NOTES TO FINANCIAL STATEMENTS.

NEW HAMPTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2009

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 277,979
Cash received from miscellaneous sources	3,819
Cash payments to employees for services	(232,302)
Cash payments to suppliers for goods or services	(174,839)
Net cash used in operating activities	(125,343)
Cash flows from non-capital financing activities:	
State grants received	5,622
Federal grants received	127,105
Net cash provided by non-capital financing activities	132,727
Cash flows from investing activities:	
Interest on investments	916
Cash flows from capital financing activities	
Purchase of assets	(11,663)
Net decrease in cash and cash equivalents	(3,363)
Cash and cash equivalents at beginning of year	70,563
Cash and cash equivalents at end of year	\$ 67,200
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (166,381)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	38,772
Depreciation	3,772
Increase in inventories	(573)
Decrease in accounts receivable	468
Decrease in accounts payable	(454)
Decrease in unearned revenue	(947)
Net cash used in operating activities	\$ (125,343)

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2009, the District received Federal commodities valued at \$38,772.

SEE NOTES TO FINANCIAL STATEMENTS.

NEW HAMPTON COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

(1) **Summary of Significant Accounting Policies**

The New Hampton Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the City of New Hampton, Iowa, and the predominate agricultural territory in Howard and Chickasaw Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

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

A. Reporting Entity

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

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

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets 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 Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

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

Restricted net assets result when constraints placed on net assets use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net asset consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

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

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

The District reports the following major governmental funds:

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

The Capital Projects Fund is utilized to account for all resources used in the acquisition and construction of capital facilities, with the exception of those that are financed through enterprise funds.

The District reports the following proprietary fund:

The District's proprietary fund is the Enterprise, School Nutrition Fund. This fund is used to account for the food service operations of the District.

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 assets 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.

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for

enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

D. Assets, Liabilities and Fund Balances

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

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

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2007 assessed property valuations; is for the tax accrual period July 1, 2008 through June 30, 2009 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2008.

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

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government

commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

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

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

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

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

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

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

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

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

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

Fund Balances - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgeting and Budgetary Control

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

(2) **Cash and Pooled Investments**

The District's deposits at June 30, 2009 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The District had no investments at June 30, 2009.

(3) **Transfers**

The detail of transfers for the year ended June 30, 2009 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects	<u>\$ 121,275</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

(4) Capital Assets

Capital assets activity for the year ended June 30, 2009 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 381,700	0	0	381,700
Construction in progress	0	1,372,033	0	1,372,033
Total capital assets not being depreciated	381,700	1,372,033	0	1,753,733
Capital assets being depreciated:				
Buildings	9,988,831	177,073	70,483	10,095,421
Land improvements	760,305	83,787	0	844,092
Machinery and equipment	3,052,267	347,627	200,241	3,199,653
Total capital assets being depreciated	13,801,403	608,487	270,724	14,139,166
Less accumulated depreciation for:				
Buildings	3,872,879	247,270	36,562	4,083,587
Land improvements	306,151	32,523	0	338,674
Machinery and equipment	2,662,758	181,695	200,241	2,644,212
Total accumulated depreciation	6,841,788	461,488	236,803	7,066,473
Total capital assets being depreciated, net	6,959,615	146,999	33,921	7,072,693
Governmental activities capital assets, net	\$ 7,341,315	1,519,032	33,921	8,826,426
Business type activities:				
Machinery and equipment	\$ 120,476	11,663	2,650	129,489
Less accumulated depreciation	87,645	3,772	2,650	88,767
Business type activities capital assets, net	\$ 32,831	7,891	0	40,722

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 56,784
Support services:	
Operation and maintenance of plant	2,576
Transportation	122,335
	181,695
Unallocated depreciation	279,793
Total governmental activities depreciation expense	\$ 461,488
Business type activities:	
Food services	\$ 3,772

(5) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2009 are summarized as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Revenue bonds	\$ 0	3,120,000	0	3,120,000	0
General obligation bonds	630,000	0	630,000	0	0
Early retirement	42,848	109,112	24,408	127,552	35,942
Total	\$ 672,848	3,229,112	654,408	3,247,552	35,942

Revenue Bonds Payable

Details of the District's June 30, 2009 revenue bonded indebtedness are as follows:

Year Ending June 30,	Interest Rate	Bond issue November 1, 2008		
		Principal	Interest	Total
2010	3.25	% \$ 0	153,021	153,021
2011	3.25	0	138,760	138,760
2012	3.25	100,000	137,135	237,135
2013	3.40	100,000	133,810	233,810
2014	3.55	130,000	129,802	259,802
2015-2019	3.75-4.25	730,000	567,920	1,297,920
2020-2024	4.60-5.10	905,000	392,771	1,297,771
2025-2028	5.20-5.50	1,155,000	147,820	1,302,820
Subtotal		\$ 3,120,000	1,801,039	4,921,039

The District has pledged future statewide sales and services tax revenues to repay the \$3,120,000 bonds issued in November 2008. The bonds were issued for the purpose of defraying a portion of the cost of school infrastructure. The bonds are payable solely from the proceeds of the statewide sales and services 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. The total principal and interest remaining to be paid on the notes is \$4,921,039. For the current year, no principal and interest payments were made.

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

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

Early Retirement

The District offered a voluntary early retirement plan to its certified employees. Eligible employees must be at least age

fifty-five and employees must have completed fifteen years of continuous service to the District. Voluntary early retirement is only available to the first twelve applicants. Employees must complete an application which is required to be approved by the Board of Education. Early retirement benefits paid during the year ended June 30, 2009, totaled \$24,408. A liability has been recorded in the Statement of Net Assets representing the District's commitment to fund non-current early retirement.

(6) Pension and Retirement Benefits

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

Plan members are required to contribute 4.10% of their annual salary and the District is required to contribute 6.35% of annual covered payroll for the years ended June 30, 2009, 2008 and 2007. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2009, 2008 and 2007 were \$388,358, \$354,238, and \$357,071 respectively, equal to the required contributions for each year.

(7) Risk Management

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

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

The District's contributions to the risk pool are recorded as expenditures from its General Fund at the time of payment to the risk pool. District contributions to NEIST for the year ended June 30, 2009 were \$1,240,018.

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

The District does not report a liability for losses in excess of stop loss insurance unless it is deemed probable that such losses have occurred and the amount of such a loss can be reasonably estimated. Accordingly, at June 30, 2009, no liability has been recorded in the District's financial statements. As of June 30, 2009, settled claims have not exceeded the risk pool or reinsurance company coverage.

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

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

(8) 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 \$420,686 for the year ended June 30, 2009 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(9) Construction Commitments

The District entered into contracts totaling \$3,098,903 for the Energy Conservation Project. As of June 30, 2009, \$1,372,033 had been incurred against the contract. The balance of \$1,726,870 remaining at June 30, 2009 will be paid as work on the project progresses.

(10) Categorical Funding

The District's ending balances for categorical funding by project as of the year ended June 30, 2009 are as follows:

Project	Amount
LEP weighting	\$ 20,372
Gifted and talented	47,613
Dropout prevention	33,769
Teacher quality	862
Professional development	61,937
Teacher mentoring	339
Nonpublic textbook services	3,498
Core curriculum	16,743
Total reserved for categorical funding	<u><u>\$ 185,133</u></u>

(11) Other Post-employment Benefits (OPEB)

GASB Statement No. 45, Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions, issued June 2004, will be effective for the District beginning with its year ending June 30, 2010. This Statement establishes standards for the measurement, recognition and display of other post-employment benefits expenses and related liabilities or assets, note disclosures and, if applicable, required supplementary information in the financial reports. The District is in the process of obtaining an actuarial opinion to be in compliance with GASB No. 45.

REQUIRED SUPPLEMENTARY INFORMATION

NEW HAMPTON COMMUNITY SCHOOL DISTRICT
 BUDGETARY COMPARISON OF REVENUES, EXPENDITURES/EXPENSES AND
 CHANGES IN BALANCES -
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
 AND PROPRIETARY FUNDS
 REQUIRED SUPPLEMENTARY INFORMATION
 YEAR ENDED JUNE 30, 2009

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to
	Funds	Fund		Original	Final	Actual
	Actual	Actual				Variance
Revenues:						
Local sources	\$ 6,144,892	283,193	6,428,085	6,132,978	6,132,978	295,107
Intermediate sources	14,848	0	14,848	24,853	24,853	(10,005)
State sources	5,137,056	5,622	5,142,678	5,008,898	5,008,898	133,780
Federal sources	418,517	165,720	584,237	424,482	424,482	159,755
Total revenues	11,715,313	454,535	12,169,848	11,591,211	11,591,211	578,637
Expenditures/Expenses:						
Instruction	7,576,080	0	7,576,080	7,456,390	7,747,939	171,859
Support services	2,829,175	10,366	2,839,541	2,753,577	3,341,940	502,399
Non-instructional programs	0	438,292	438,292	357,150	504,527	66,235
Other expenditures	2,830,121	0	2,830,121	1,822,471	3,378,959	548,838
Total expenditures/expenses	13,235,376	448,658	13,684,034	12,389,588	14,973,365	1,289,331
Excess(deficiency) of revenues over(under) expenditures/expenses	(1,520,063)	5,877	(1,514,186)	(798,377)	(3,382,154)	1,867,968
Other financing sources, net	3,172,508	0	3,172,508	0	0	3,172,508
Excess(deficiency) of revenues and other financing sources over(under) expenditures/expenses	1,652,445	5,877	1,658,322	(798,377)	(3,382,154)	5,040,476
Balance beginning of year	3,257,315	110,608	3,367,923	1,758,261	1,758,261	1,609,662
Balance end of year	\$ 4,909,760	116,485	5,026,245	959,884	(1,623,893)	6,650,138

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NEW HAMPTON COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2009

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

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

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

During the year, the District adopted one budget amendment increasing budgeted expenditures by \$2,583,777.

OTHER SUPPLEMENTARY INFORMATION

NEW HAMPTON COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2009

	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Total	Debt Service	Other Nonmajor Governmental Funds
Assets						
Cash and pooled investments	\$ 591,586	97,736	122,422	811,744	109,115	920,859
Receivables:						
Property tax						
Current year delinquent	2,594	0	1,266	3,860	1,909	5,769
Succeeding year	240,000	0	119,766	359,766	0	359,766
Accounts	0	999	0	999	0	999
Total Assets	\$ 834,180	98,735	243,454	1,176,369	111,024	1,287,393
Liabilities and Fund Balances						
Liabilities:						
Accounts payable	\$ 139	7,977	0	8,116	0	8,116
Deferred revenue:						
Succeeding year property tax	240,000	0	119,766	359,766	0	359,766
Total liabilities	240,139	7,977	119,766	367,882	0	367,882
Fund equity:						
Fund balances:						
Reserved for debt service	0	0	0	0	111,024	111,024
Unreserved fund balances	594,041	90,758	123,688	808,487	0	808,487
	594,041	90,758	123,688	808,487	111,024	919,511
Total Liabilities and Fund Balances	\$ 834,180	98,735	243,454	1,176,369	111,024	1,287,393

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

NEW HAMPTON COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2009

	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Total	Debt Service	Other Nonmajor Governmental Funds
Revenues:						
Local sources:						
Local tax	\$ 225,799	0	110,229	336,028	171,186	507,214
Other	28,687	469,083	1,800	499,570	0	499,570
State sources	166	0	81	247	122	369
Total revenues	254,652	469,083	112,110	835,845	171,308	1,007,153
Expenditures						
Current:						
Instruction:						
Regular	105,018	0	0	105,018	0	105,018
Other	0	500,886	0	500,886	0	500,886
Support services:						
Administration	3,985	0	0	3,985	0	3,985
Operation and maintenance of plant	105,677	0	0	105,677	0	105,677
Transportation	0	0	103,664	103,664	0	103,664
Other expenditures:						
Facilities acquisition	0	0	82,196	82,196	0	82,196
Long-term debt:						
Principal	0	0	0	0	630,000	630,000
Interest and fiscal charges	0	0	0	0	25,600	25,600
Total expenditures	214,680	500,886	185,860	901,426	655,600	1,557,026
Excess(deficiency) of revenues over(under) expenditures	39,972	(31,803)	(73,750)	(65,581)	(484,292)	(549,873)
Other financing sources:						
Transfers in	0	0	0	0	121,275	121,275
Net change in fund balance	39,972	(31,803)	(73,750)	(65,581)	(363,017)	(428,598)
Fund balances beginning of year	554,069	122,561	197,438	874,068	474,041	1,348,109
Fund balances end of year	\$ 594,041	90,758	123,688	808,487	111,024	919,511

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

NEW HAMPTON COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2009

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Academic Award Letter	\$ 2,476	250	250	2,476
Camp EWALU	1	0	1	0
Drama	0	1,243	1,158	85
Speech	0	960	756	204
National Honor Society	218	4,163	3,093	1,288
Annual	0	12,956	25,953	(12,997)
Chieftain	284	0	0	284
Advance Placement Exam	0	38	114	(76)
Vocal Music	362	1,624	2,254	(268)
Instrumental Music	2,591	2,161	2,685	2,067
Swing Choir	0	4,564	4,260	304
Trapshooting	1,042	90,419	88,526	2,935
Trapshoot Education Center	2,000	0	2,000	0
Future Educators	131	150	150	131
Art Club	81	0	0	81
Writers Club	3,845	59	1,137	2,767
Science Achievement Club	8	0	0	8
BAC	902	359	110	1,151
FFA	1,915	21,155	22,530	540
SADD	4,938	0	2,167	2,771
Student Senate	10,640	1,824	5,245	7,219
Class of 2008	588	0	0	588
Class of 2009	1,662	2,550	4,076	136
Class of 2010	5,907	295	1,195	5,007
Class of 2011	0	7,393	4,224	3,169
Class of 2012	0	358	309	49
Class of 2013	9,947	67,371	65,178	12,140
Class of 2014	10,598	742	0	11,340
Class of 2015	3,287	3,448	0	6,735
Class of 2016	0	16	0	16
Activity Tickets	268	13,562	10,585	3,245
Lettermen	7,447	5,527	6,131	6,843
Letterette	46	1,110	568	588
Pom Pon	0	10,191	12,133	(1,942)
Pep Club	10	0	0	10

NEW HAMPTON COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2009

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Athletics	974	148,396	175,146	(25,776)
HS Cheerleaders	562	3,666	2,858	1,370
MS Cheerleaders	0	197	197	0
Flags	0	1,914	1,443	471
NEIC Athletic Directors	218	7,442	7,254	406
Student Senate Vending	14,848	24,647	18,937	20,558
Miscellaneous	219	1,182	0	1,401
Vocal Music	31	562	189	404
MS Musical	7,750	1,686	1,891	7,545
Annual	6,287	2,592	2,795	6,084
MS Music	3,108	396	589	2,915
Student Senate	0	10,073	8,346	1,727
OM/DI Activity	152	2,600	2,625	127
MS Athletic Pop	53	0	0	53
Elementary Student Council Books	18	0	0	18
Lounge	0	100	116	(16)
Early Carde	0	1,220	734	486
Elementary Carnival	15,790	6,222	10,785	11,227
Student Assistance	844	1,700	193	2,351
Book Fair	659	0	0	659
Elementary Playground	(146)	0	0	(146)
Total	\$ 122,561	469,083	500,886	90,758

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Modified Accrual Basis					
	Years Ended June 30,					
	2009	2008	2007	2006	2005	2004
Revenues:						
Local sources:						
Local tax	\$ 5,194,179	4,953,087	4,821,855	4,917,484	4,912,351	4,760,526
Tuition	270,277	322,300	304,574	265,997	247,581	223,477
Other	680,436	693,055	626,836	869,245	1,037,269	591,796
Intermediate sources	14,848	3,358	3,549	550	3,284	4,234
State sources	5,137,056	5,074,795	4,484,444	4,239,464	4,123,898	4,000,492
Federal sources	418,517	305,630	423,440	260,368	588,581	921,733
Total	\$ 11,715,313	11,352,225	10,664,698	10,553,108	10,912,964	10,502,258
Expenditures:						
Instruction:						
Regular	\$ 4,817,849	3,855,343	4,063,778	3,733,483	3,833,556	3,812,527
Special	1,267,225	2,119,604	1,914,412	1,653,993	1,423,451	1,356,551
Other	1,491,006	747,391	663,723	670,400	792,932	877,351
Support services:						
Student	191,075	207,230	293,211	216,995	175,843	241,523
Instructional staff	310,387	327,543	309,447	325,272	292,364	280,984
Administration	1,020,598	945,006	879,822	834,580	785,261	751,760
Operation and maintenance of plant	726,255	700,117	673,648	698,543	647,956	637,681
Transportation	580,860	567,357	461,793	436,484	458,782	467,772
Other expenditures:						
Facilities acquisitions	1,753,835	362,875	213,697	106,513	735,832	1,611,810
Long-term debt:						
Principal	630,000	605,000	580,000	560,000	535,000	510,000
Interest	25,600	49,497	72,118	93,957	114,772	134,357
AEA flow-through	420,686	401,694	372,616	350,551	347,827	353,290
Total	\$ 13,235,376	10,888,657	10,498,265	9,680,771	10,143,576	11,035,606

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 the
New Hampton Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of New Hampton Community School District as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 22, 2010. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered New Hampton Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of New Hampton Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of New Hampton Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we consider to be material weaknesses.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects New Hampton Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of New Hampton Community School District's financial statements that is more than inconsequential will not be prevented or detected by New Hampton Community School District's internal control. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by New Hampton Community School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe item I-A-09 is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether New Hampton Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters 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, 2009 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

New Hampton Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit New Hampton Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of New Hampton Community School District and other parties to whom New Hampton Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

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


NOLTE, CORNMAN & JOHNSON, P.C.

March 22, 2010

NEW HAMPTON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2009

Part I: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

SIGNIFICANT DEFICIENCIES:

I-A-09 Segregation of Duties - 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. We noted that the cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal were all done by the same person.

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

Response - We will consider other alternatives and implement as possible.

Conclusion - Response accepted.

I-B-09 Student Activity Fund-Fundraisers- We noted during our audit that the District maintains fundraisers in the Student Activity Fund. All fundraisers are not being approved by the board.

Recommendation- The District should review procedures in place. The board should approve fundraisers.

Response- The Board will approve all fundraisers in the future.

Conclusion- Response accepted.

NEW HAMPTON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2009

Part II: Other Findings Related to Statutory Reporting

- II-A-09 Certified Budget - District expenditures for the year ended June 30, 2009 did not exceed the amounts budgeted.
- II-B-09 Questionable Disbursements - We noted no expenditures that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- II-C-09 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-09 Business Transactions - Business transactions between the District and District officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Anita Quirk, Teacher Spouse owns New Hampton Electric	Repairs/Supplies	\$11,347
Terry Phillips, Cook Spouse owns Phillips Refrigeration	Repairs	\$769
Linda Schwickerath, Secretary Spouse owns Office World	Office Supplies	\$36,954
Jeanette Laures, Teacher Father-in-law owns Vern Laures	Vehicle and repairs	\$14,759

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

- II-E-09 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- II-F-09 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.
- II-G-09 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.
- II-H-09 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-I-09 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-J-09 Categorical Funding - No instance were noted of categorical funding being used to supplant rather than supplement other funds.
- II-K-09 Statewide Sales and Services Tax - No instances of non-compliance with the use of the statewide sales and services tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.3 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales and services tax. For the year ended June 30, 2009, the District's financial activity and other required information for the statewide sales and services tax are as follows:

Beginning Balance		\$	0
Statewide sales and service tax revenue			760,275
Expenditures/transfers out:			
School Infrastructure			
Other improvements	\$	639,000	
Debt service for school infrastructure			
Revenue debt		121,275	760,275
			<hr/>
Ending Balance		\$	<u>0</u>

- II-L-09 Officiating Contracts - We noted during our audit that the Athletic Director was signing Activity Fund officiating contracts. According to 291.1 of the Code of Iowa, the Board President shall sign all contracts entered into by the District.

Recommendation - The District should have the Board President sign all contracts entered into by the District.

Response - We will use a signature stamp and have a Board Motion to approve its use for officiating contracts only.

Conclusion - Response accepted.

- II-M-09 Payroll Authorization - We noted during our audit, the District does not have written authorization to mail employee's payroll checks. Chapter 91A.3 of the Code of Iowa requires that an employer have a written request from an employee before wages can be sent to an employee by mail.

Recommendation - The District should obtain written authorization from each employee who desires to receive a payroll check by mail.

Response - We will have written authorizations for each employee who desires to receive a payroll check by mail.

Conclusion - Response accepted.

- II-N-09 PPEL Expenditures - We noted that the District is currently making purchases from Special Revenue, Physical Plant and Equipment Levy(PPEL) Fund which do not appear

to be in compliance with Chapter 298.3 of the Code of Iowa. The District purchased chairs which were below the single unit price of \$500.

Recommendation - The District should review their procedures to ensure that purchases made from these funds are in compliance with Chapter 298.3 of the Code of Iowa. We also recommend that a corrective transfer of \$2,736 be made from the General fund to the PPEL fund.

Response - We will review our procedures to ensure that expenditures will comply with Chapter 298.3 of the Code of Iowa.

Conclusion - Response accepted.

II-O-09 Student Activity Fund - During our audit issues arose about the properness of certain accounts or certain receipts and expenditures collected/paid from the Student Activity Fund. Inappropriate expenditures would include any expenditure more appropriate to other funds. Per Chapter 9 of the LEA Financial Accounting Manual, "The student activity fund shall not be used as a clearing account for any other fund. This is not an appropriate fund to use for public tax funds, trust funds, state and federal grants or aids, textbook/library book fines, fees, rents, or sales, textbook/library book purchases, sales of school supplies, curricular activities, or any other revenues or expenditures more properly included in another fund. Moneys in this fund shall be used to support only the cocurricular program defined in department of education administrative rules (298A.8)." Fundraisers and donations made to the school should be recorded in the fund in which they could be expended.

Recommendation - The purpose of the Student Activity Fund is to account for financial transactions related to the cocurricular and extracurricular activities offered as a part of the education program for the students established under Iowa Administrative Code 281-12.6(1). More specific examples of these instances of questioned items and recommendations are as follows:

We noted an old class account (2008) that should be closed. We also noted several accounts that would be better handled in the General Fund. These accounts include the AP Exam Account, Elementary Student Council, and Books.

We noted during our audit PSAT expenses in the Student Senate. This appears to be instructional in nature and would be better handled in the General Fund.

We noted a balance in the interest account at year end. The interest should be allocated among the various accounts within the Student Activity Fund at least once a year.

We noted during our audit of the Student Activity Fund that the District purchased student's meals for trips without any documentation. The District should document who receives cash when going on trips. The District should have a list of who received the cash and the amount. The students should sign off upon receiving cash for the trip. The District should review procedures in place and implement controls to ensure documentation is gathered to support the check written for cash needed for the trip.

The NEIC Athletic Directors Account should be in an agency fund as this is not the District's Money.

Response - We will move accounts for AP Exams, Elementary Student Council, Books, and PSAT to the general fund. We will allocate the interest yearly. We will have students sign for their meal money to document disbursements of those funds and reconcile to the check written. We will establish an agency fund for the NEIC Athletic Directors Account to receive and disburse funds as required.

Conclusion - Response accepted.

II-P-09 Financial Condition - We noted 14 individual accounts in the Student Activity Fund that have negative balances totaling \$46,131.14.

Recommendation - The District should review purchase approval procedures for the Student Activity Fund and may wish to require additional approval before ordering goods or services from these accounts. The District should investigate alternatives to eliminate these deficit balances.

Response - Account balances will be reviewed on a regular basis to eliminate deficits in the Activity Fund.

Conclusion - Response accepted.