

NEW HAMPTON COMMUNITY SCHOOL DISTRICT  
INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2010

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New Hampton Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education (Before September 2009 Election)</b>		
Deb Larsen	President	2009
Terry Anderson	Vice President	2009
Damian Baltes	Board Member	2011
Kevin Rieck	Board Member	2009
Tom Rasmussen	Board Member	2011
<b>Board of Education (After September 2009 Election)</b>		
Terry Anderson	President	2013
Damian Baltes	Vice President	2011
Jean Swenson	Board Member	2013
Joe Rosonke	Board Member	2013
Tom Rasmussen	Board Member	2011
<b>School Officials</b>		
Stephen Nicholson	Superintendent	2010
Bob Ayers	District Secretary/ Treasurer and Business Manager	2010
Swisher & Cohrt, P.L.C.	Attorney	2010

**New Hampton Community School District**

# **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, 2010, 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, 2010, 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 28, 2011 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, Budgetary Comparison Information and Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 15 and 40 through 42 are not required parts of the basic financial statements, but are supplementary 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 six years ended June 30, 2009 (which are not presented herein) and expressed an unqualified opinion on those financial statements. Other supplementary information included in Schedules 1 through 5, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, 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 28, 2011

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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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, 2010. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### **2010 FINANCIAL HIGHLIGHTS**

- General Fund revenues decreased from \$9,909,695 in fiscal 2009 to \$9,877,191 in fiscal 2010, while General Fund expenditures decreased from \$10,004,999 in fiscal 2009 to \$9,962,239 in fiscal 2010. This resulted in a decrease in the District's General Fund balance from \$971,906 in fiscal 2009 to \$886,858 in fiscal 2010, which represents a decrease of 8.75% from the prior year.
- The decrease in General Fund revenues was attributable to the decrease in funding received from the state due to the 10% across the board budget cut. The decrease in expenditures was due primarily by efforts by the District to cut expenditures in light of the 10% budget cut by the state.
- The District's solvency ratio (unreserved-undesignated fund balance/general fund revenues) decreased from 7.94% for fiscal year 2009 to 5.59% for fiscal year 2010. The State School Budget Review Committee recommends a solvency ratio between 5% and 10%.

### **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, as well as presenting the schedule of funding progress for the retiree health plan.

Other Supplementary Information provides detailed information about the nonmajor funds. In addition, the Schedule of Expenditures of Federal Awards provides detail of various programs benefiting the District.

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

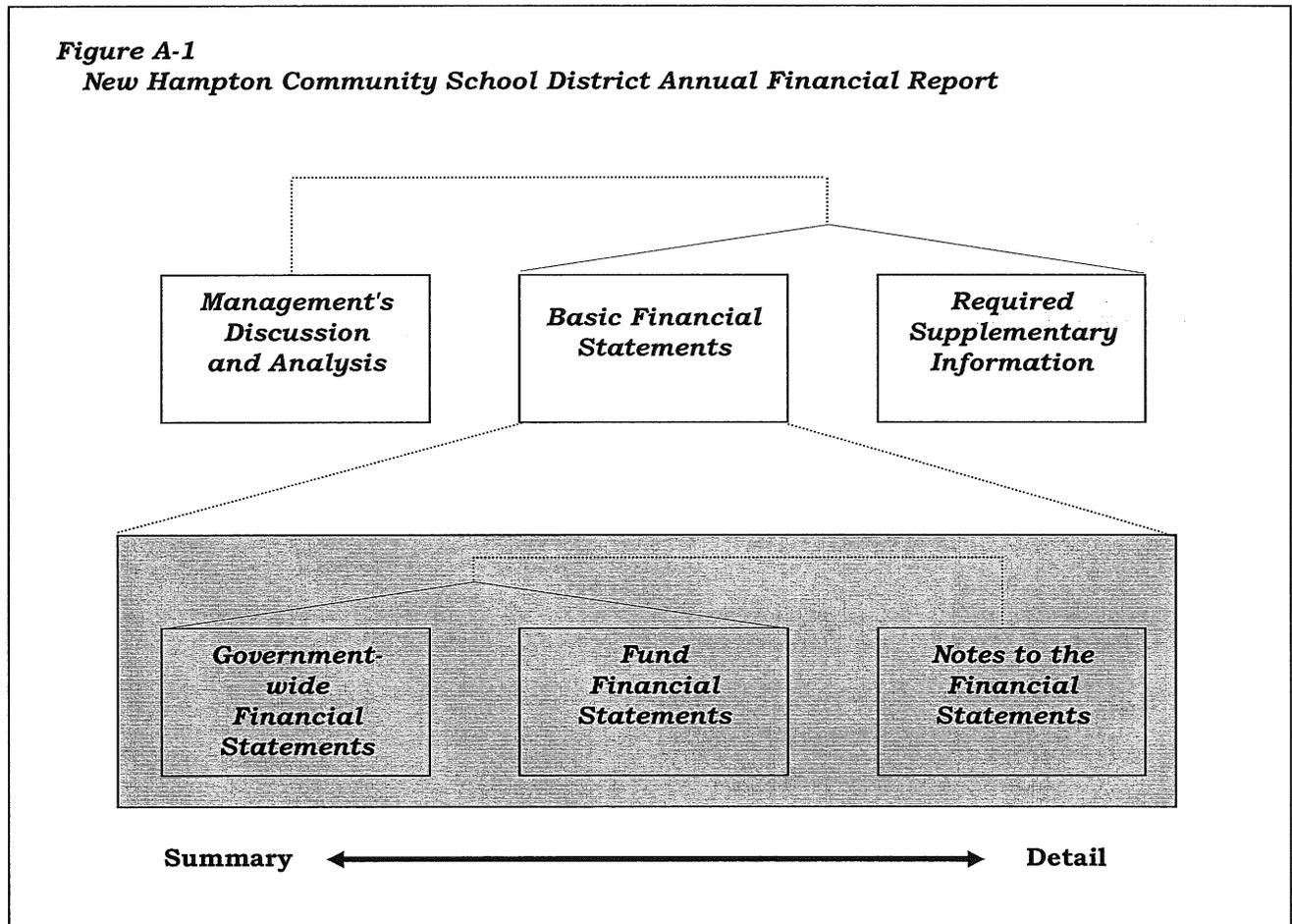


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

<b>Figure A-2 Major Features of the Government-wide and Fund Financial Statements</b>			
	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"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of Net Assets</li> <li>• Statement of revenues, expenses and changes in net assets</li> <li>• Statement of cash flows</li> </ul>
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

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## 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, 2010 compared to June 30, 2009.

Figure A-3  
Condensed Statement of Net Assets

	Governmental		Business Type		Total		Total
	Activities		Activities		School District		Change
	June 30,		June 30,		June 30,		June 30,
	2010	2009	2010	2009	2010	2009	2009-10
Current and other assets	\$ 8,297,822	9,903,737	68,233	82,048	8,366,055	9,985,785	-16.22%
Capital assets	10,311,388	8,826,426	37,010	40,722	10,348,398	8,867,148	16.70%
Total assets	18,609,210	18,730,163	105,243	122,770	18,714,453	18,852,933	-0.73%
Long-term obligations	3,301,720	3,247,552	0	0	3,301,720	3,247,552	1.67%
Other liabilities	4,603,387	4,699,425	7,103	6,285	4,610,490	4,705,710	-2.02%
Total liabilities	7,905,107	7,946,977	7,103	6,285	7,912,210	7,953,262	-0.52%
Net assets:							
Invested in capital assets, net of related debt	7,191,388	7,454,393	37,010	40,722	7,228,398	7,495,115	-3.56%
Restricted	2,718,857	2,247,468	0	0	2,718,857	2,247,468	20.97%
Unrestricted	793,858	1,081,325	61,130	75,763	854,988	1,157,088	-26.11%
Total net assets	\$ 10,704,103	10,783,186	98,140	116,485	10,802,243	10,899,671	-0.89%

The District's combined net assets decreased by 0.89%, or \$97,428, 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 increased \$471,389, or 20.97% over the prior year. The increase was primarily the result of the increase in the Physical Plant and Equipment Levy and Management Levy fund balances. The amount of funds carried over for state categorical funding also led to the increase in restricted net assets.

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 \$302,100, or 26.11%. The decrease in unrestricted fund balance can be due in part to the decrease in fund balance for the General Fund.

Figure A-4 shows the changes in net assets for the years ended June 30, 2010 compared to June 30, 2009.

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,	June 30,
	2010	2009	2010	2009	2010	2009	2009-10
Revenues:							
Program revenues:							
Charges for services	\$ 955,848	785,348	264,660	282,277	1,220,508	1,067,625	14.32%
Operating grants and contributions and restricted interest	2,089,060	1,601,254	213,197	171,342	2,302,257	1,772,596	29.88%
General revenues:							
Local tax	4,667,383	4,415,212	0	0	4,667,383	4,415,212	5.71%
Statewide sales, service and use tax	736,484	760,275	0	0	736,484	760,275	-3.13%
Unrestricted state grants	3,033,576	3,954,319	0	0	3,033,576	3,954,319	-23.28%
Other	144,568	232,721	3,935	916	148,503	233,637	-36.44%
Total revenues	11,626,919	11,749,129	481,792	454,535	12,108,711	12,203,664	-0.78%
Program expenses:							
Governmental activities:							
Instructional	7,608,504	7,637,707	0	0	7,608,504	7,637,707	-0.38%
Support services	2,898,899	2,686,320	14,932	10,366	2,913,831	2,696,686	8.05%
Non-instructional programs	0	0	485,205	438,292	485,205	438,292	10.70%
Other expenses	1,198,599	888,513	0	0	1,198,599	888,513	34.90%
Total expenses	11,706,002	11,212,540	500,137	448,658	12,206,139	11,661,198	4.67%
Change in net assets	(79,083)	536,589	(18,345)	5,877	(97,428)	542,466	-117.96%
Net assets beginning of year	10,783,186	10,246,597	116,485	110,608	10,899,671	10,357,205	5.24%
Net assets end of year	\$ 10,704,103	10,783,186	98,140	116,485	10,802,243	10,899,671	-0.89%

In fiscal 2010, local tax, statewide sales, service and use tax and unrestricted state grants accounted for 72.57% of the revenue from governmental activities while charges for services and operating grants and contributions account for 99.18% of the revenue from business type activities.

The District's total revenues were approximately \$12.11 million of which approximately \$11.63 million was for governmental activities and approximately \$0.48 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a decrease of 0.78% in revenues and a 4.67% increase in expenses. The increase in expenses was related to increases in negotiated salaries and benefits received by District employees.

### Governmental Activities

Revenues for governmental activities were \$11,626,919 and expenses were \$11,706,002.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services and other expenses for the year ended June 30, 2010 compared to the year ended June 30, 2009.

Figure A-5  
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2010	2009	Change 2009-10	2010	2009	Change 2009-10
Instruction	\$ 7,608,504	7,637,707	-0.38%	5,086,164	5,723,352	-11.13%
Support services	2,898,899	2,686,320	7.91%	2,831,979	2,634,759	7.49%
Other expenses	1,198,599	888,513	34.90%	742,951	467,827	58.81%
Totals	\$ 11,706,002	11,212,540	4.40%	8,661,094	8,825,938	-1.87%

- The cost financed by users of the District’s programs was \$955,848.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$2,089,060.
- The net cost of governmental activities was financed with \$4,667,383 in local tax, \$736,484 in statewide sales, services and use tax, \$3,033,576 in unrestricted state grants, \$52,986 in interest income and \$91,582 in other general revenues.

**Business type Activities**

Revenues of the District’s business type activities were \$481,792 and expenses were \$500,137. 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 \$3,452,694, above last year’s ending fund balances of \$4,909,760. However, the primary reason for the decrease in combined fund balances in fiscal 2010 is due to the decrease in the Capital Projects Fund.

**Governmental Fund Highlights**

- The District’s decrease in the General Fund financial position is the product of many factors:
  - The difference between fiscal 2010 revenues of \$9,877,191 and expenses of \$9,962,239 results in a net decrease in fund balance of \$85,048. As a result, the District’s General Fund balance decreased from \$971,906 in fiscal 2009 to a balance of \$556,858 in fiscal 2010. This represents an 8.75% decrease from the prior year.
  - The decrease in funding from the state due to the 10% across the board budget cut led to the decrease in General Fund revenues. The decrease in expenditures was due to efforts by the District to curb expenditures in light of the budget cut.
- The Capital Projects Fund balance decreased from \$3,108,343 in fiscal 2009 to \$1,661,396 in fiscal 2010. The Capital Projects fund balance decreased due to the increased expenditures from construction projects in the District.

## Proprietary Fund Highlights

The School Nutrition Fund net assets increased from \$116,485 at June 30, 2009 to \$98,140 at June 30, 2010, representing a decrease of 15.75%.

## BUDGETARY HIGHLIGHTS

The District's revenues were \$3,748,596 less than budgeted revenues, a variance of 23.64%. The most significant variance resulted from the District receiving less in local 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.

In spite of the District's budgetary practice, expenditures in the instructional function exceeded the amount budgeted.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2010, the District had invested \$10,348,398, 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 \$911,865.

The original cost of the District's capital assets was \$18.34 million. Governmental funds account for \$18.23 million with the remainder of \$0.11 million in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the buildings category. The District's buildings were \$6,011,834 at June 30, 2009, compared to \$7,675,390 reported at June 30, 2010. This increase is the result of the energy conservation project that was 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,
	2010	2009	2010	2009	2010	2009	2009-10
Land	\$ 381,700	381,700	0	0	381,700	381,700	0.00%
Construction on progress	1,268,235	1,372,033	0	0	1,268,235	1,372,033	-7.57%
Buildings	7,675,390	6,011,834	0	0	7,675,390	6,011,834	27.67%
Land improvements	473,582	505,418	0	0	473,582	505,418	-6.30%
Machinery and equipment	512,481	555,441	37,010	40,722	549,491	596,163	-7.83%
Total	\$ 10,311,388	8,826,426	37,010	40,722	10,348,398	8,867,148	16.70%

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## Long-Term Debt

At June 30, 2010, the District had \$3,301,720 in revenue bonds and early retirement benefits outstanding. This represents an increase of 1.67% 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, 2010.

The District had total outstanding Early Retirement payable from the Special Revenue, Management Fund of \$181,720 at June 30, 2010.

Figure A-7  
Outstanding Long-Term Obligations

	Total School District		Total Change
	June 30,		June 30,
	2010	2009	2009-10
Revenue bonds	\$ 3,120,000	3,120,000	100.00%
Early retirement	181,720	127,552	42.47%
Totals	<u>\$ 3,301,720</u>	<u>3,247,552</u>	<u>1.67%</u>

## ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- 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.

## 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.

**New Hampton Community School District**

BASIC FINANCIAL STATEMENTS

NEW HAMPTON COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
JUNE 30, 2010

	Governmental Activities	Business type Activities	Total
<b>Assets</b>			
Cash and pooled investments	\$ 3,174,762	45,271	3,220,033
Receivables:			
Property tax:			
Delinquent	42,363	0	42,363
Succeeding year	4,430,145	0	4,430,145
Income surtax	306,323	0	306,323
Accounts	5,637	0	5,637
Due from other governments	333,794	0	333,794
Inventories	0	22,760	22,760
Net OPEB asset	4,798	202	5,000
Capital assets, net of accumulated depreciation	10,311,388	37,010	10,348,398
<b>Total Assets</b>	<b>18,609,210</b>	<b>105,243</b>	<b>18,714,453</b>
<b>Liabilities</b>			
Accounts payable	60,705	0	60,705
Salaries and benefits payable	2,830	28	2,858
Interest payable	69,380	0	69,380
Deferred revenue:			
Succeeding year property tax	4,430,145	0	4,430,145
Other	40,327	0	40,327
Unearned revenue	0	7,075	7,075
Long-term liabilities:			
Portion due within one year:			
Early retirement payable	54,940	0	54,940
Portion due after one year:			
Revenue bonds payable	3,120,000	0	3,120,000
Early retirement payable	126,780	0	126,780
<b>Total Liabilities</b>	<b>7,905,107</b>	<b>7,103</b>	<b>7,912,210</b>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	7,191,388	37,010	7,228,398
Restricted for:			
Categorical funding	334,741	0	334,741
Capital projects	1,661,396	0	1,661,396
Management levy	462,230	0	462,230
Physical plant and equipment levy	172,563	0	172,563
Other special revenue purposes	87,927	0	87,927
Unrestricted	793,858	61,130	854,988
<b>Total Net Assets</b>	<b>\$ 10,704,103</b>	<b>98,140</b>	<b>10,802,243</b>

SEE NOTES TO FINANCIAL STATEMENTS.

NEW HAMPTON COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2010

	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	
<b>Functions/Programs:</b>						
Governmental activities:						
Instruction:						
Regular	\$ 4,700,737	307,647	1,125,680	(3,267,410)	0	(3,267,410)
Special	1,340,964	49,097	313,297	(978,570)	0	(978,570)
Other	1,566,803	599,104	127,515	(840,184)	0	(840,184)
	<u>7,608,504</u>	<u>955,848</u>	<u>1,566,492</u>	<u>(5,086,164)</u>	<u>0</u>	<u>(5,086,164)</u>
Support services:						
Student	261,500	0	0	(261,500)	0	(261,500)
Instructional staff	258,892	0	0	(258,892)	0	(258,892)
Administration	1,062,697	0	649	(1,062,048)	0	(1,062,048)
Operation and maintenance of plant	716,250	0	0	(716,250)	0	(716,250)
Transportation	599,560	0	66,271	(533,289)	0	(533,289)
	<u>2,898,899</u>	<u>0</u>	<u>66,920</u>	<u>(2,831,979)</u>	<u>0</u>	<u>(2,831,979)</u>
Other expenditures:						
Facilities acquisition	138,674	0	0	(138,674)	0	(138,674)
Long-term debt interest	280,010	0	0	(280,010)	0	(280,010)
AEA flowthrough	455,648	0	455,648	0	0	0
Depreciation (unallocated)*	324,267	0	0	(324,267)	0	(324,267)
	<u>1,198,599</u>	<u>0</u>	<u>455,648</u>	<u>(742,951)</u>	<u>0</u>	<u>(742,951)</u>
Total governmental activities	<u>11,706,002</u>	<u>955,848</u>	<u>2,089,060</u>	<u>(8,661,094)</u>	<u>0</u>	<u>(8,661,094)</u>
Business Type activities:						
Support services:						
Administration	6,628	0	0	0	(6,628)	(6,628)
Operation and maintenance of plant	8,304	0	0	0	(8,304)	(8,304)
Non-instructional programs:						
Nutrition services	485,205	264,660	213,197	0	(7,348)	(7,348)
Total business type activities	<u>500,137</u>	<u>264,660</u>	<u>213,197</u>	<u>0</u>	<u>(22,280)</u>	<u>(22,280)</u>
Total	<u>\$ 12,206,139</u>	<u>1,220,508</u>	<u>2,302,257</u>	<u>(8,661,094)</u>	<u>(22,280)</u>	<u>(8,683,374)</u>
<b>General Revenues:</b>						
Property tax levied for:						
General purposes				\$ 4,067,482	0	4,067,482
Capital outlay				119,648	0	119,648
Income surtax				480,253	0	480,253
Statewide sales, services and use tax				736,484	0	736,484
Unrestricted state grants				3,033,576	0	3,033,576
Unrestricted investment earnings				52,986	699	53,685
Other general revenues				91,582	3,236	94,818
Total general revenues				<u>8,582,011</u>	<u>3,935</u>	<u>8,585,946</u>
Changes in net assets				(79,083)	(18,345)	(97,428)
Net assets beginning of year				<u>10,783,186</u>	<u>116,485</u>	<u>10,899,671</u>
Net assets end of year				<u>\$ 10,704,103</u>	<u>98,140</u>	<u>10,802,243</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, 2010

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
<b>Assets</b>				
Cash and pooled investments	\$ 787,193	1,490,063	897,506	3,174,762
Receivables:				
Property tax:				
Delinquent	38,748	0	3,615	42,363
Succeeding year	4,163,634	0	266,511	4,430,145
Income surtax	306,323	0	0	306,323
Accounts	1,078	0	4,559	5,637
Due from other governments	155,325	178,469	0	333,794
<b>Total Assets</b>	<b>\$ 5,452,301</b>	<b>1,668,532</b>	<b>1,172,191</b>	<b>8,293,024</b>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts payable	\$ 52,329	7,136	1,240	60,705
Salaries and benefits payable	2,830	0	0	2,830
Deferred revenue:				
Succeeding year property tax	4,163,634	0	266,511	4,430,145
Income surtax	306,323	0	0	306,323
Other	40,327	0	0	40,327
Due to other governments	0	0	0	0
Total liabilities	4,565,443	7,136	267,751	4,840,330
Fund balances:				
Reserved:				
Categorical funding	334,741	0	0	334,741
Unreserved	552,117	1,661,396	904,440	3,117,953
Total fund balances	886,858	1,661,396	904,440	3,452,694
<b>Total Liabilities and Fund Balances</b>	<b>\$ 5,452,301</b>	<b>1,668,532</b>	<b>1,172,191</b>	<b>8,293,024</b>

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, 2010

<b>Total fund balances of governmental funds (page 20)</b>	\$ 3,452,694
 <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.	10,311,388
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.	306,323
Other postemployment benefits are not yet available to finance expenditures of the current fiscal period.	4,798
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.	(69,380)
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>(3,301,720)</u>
<b>Net assets of governmental activities (page 18)</b>	<u><u>\$ 10,704,103</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, 2010

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
<b>Revenues:</b>				
Local sources:				
Local tax	\$ 4,307,964	736,484	359,419	5,403,867
Tuition	330,890	0	0	330,890
Other	127,600	29,334	624,246	781,180
Intermediate sources	13,354	0	0	13,354
State sources	4,229,376	0	245	4,229,621
Federal sources	868,007	0	0	868,007
<b>Total revenues</b>	<b>9,877,191</b>	<b>765,818</b>	<b>983,910</b>	<b>11,626,919</b>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular	4,470,196	61,816	135,798	4,667,810
Special	1,342,425	0	0	1,342,425
Other	1,005,948	0	561,193	1,567,141
	<b>6,818,569</b>	<b>61,816</b>	<b>696,991</b>	<b>7,577,376</b>
Support services:				
Student	261,650	0	0	261,650
Instructional staff	259,004	0	0	259,004
Administration	1,051,976	4,592	6,503	1,063,071
Operation and maintenance of plant	608,941	0	104,565	713,506
Transportation	506,451	0	77,898	584,349
	<b>2,688,022</b>	<b>4,592</b>	<b>188,966</b>	<b>2,881,580</b>
Other expenditures:				
Facilities acquisitions	0	1,944,980	2,000	1,946,980
Long-term debt:			0	
Interest and fiscal charges	0	0	222,401	222,401
AEA flowthrough	455,648	0	0	455,648
	<b>455,648</b>	<b>1,944,980</b>	<b>224,401</b>	<b>2,625,029</b>
<b>Total expenditures</b>	<b>9,962,239</b>	<b>2,011,388</b>	<b>1,110,358</b>	<b>13,083,985</b>
Deficiency of revenues under expenditures	(85,048)	(1,245,570)	(126,448)	(1,457,066)
Other financing sources(uses):				
Transfers in	0	0	111,377	111,377
Transfers out	0	(111,377)	0	(111,377)
Total other financing sources(uses)	<b>0</b>	<b>(111,377)</b>	<b>111,377</b>	<b>0</b>
Net change in fund balances	(85,048)	(1,356,947)	(15,071)	(1,457,066)
Fund balance beginning of year	971,906	3,018,343	919,511	4,909,760
Fund balance end of year	<b>\$ 886,858</b>	<b>1,661,396</b>	<b>904,440</b>	<b>3,452,694</b>

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, 2010

Net change in fund balances - total governmental funds (page 22) \$ (1,457,066)

*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	\$ 2,524,764	
Depreciation expense	(908,153)	
Loss on disposal of assets	(131,649)	1,484,962

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. (57,609)

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	\$ (54,168)	
Other postemployment benefits	4,798	(49,370)

Changes in net assets of governmental activities (page 19) \$ (79,083)

NEW HAMPTON COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
PROPRIETARY FUND  
JUNE 30, 2010

	School Nutrition
<b>Assets</b>	
Cash and pooled investments	\$ 45,271
Inventories	22,760
Net OPEB asset	202
Capital assets, net of accumulated depreciation	37,010
<b>Total Assets</b>	105,243
<b>Liabilities</b>	
Salaries and benefits payable	28
Unearned revenue	7,075
<b>Total Liabilities</b>	7,103
<b>Net Assets</b>	
Invested in capital assets	37,010
Unrestricted	61,130
<b>Total Net Assets</b>	\$ 98,140

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, 2010

	School Nutrition
OPERATING REVENUE:	
Local sources:	
Charges for services	\$ 264,660
Miscellaneous	3,236
TOTAL OPERATING REVENUES	267,896
OPERATING EXPENSES:	
Support services:	
Administration:	
Benefits	6,628
Operation and maintenance of plant:	
Supplies	8,304
	14,932
Non-instructional programs:	
Food service operations:	
Salaries	185,367
Benefits	70,646
Services	6,935
Supplies	218,545
Depreciation	3,712
	485,205
TOTAL OPERATING EXPENSES	500,137
OPERATING LOSS	(232,241)
NON-OPERATING REVENUES:	
State sources	5,137
Federal sources	208,060
Interest income	699
TOTAL NON-OPERATING REVENUES	213,896
Change in net assets	(18,345)
Net assets beginning of year	116,485
Net assets end of year	\$ 98,140

SEE NOTES TO FINANCIAL STATEMENTS.

NEW HAMPTON COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2010

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 265,613
Cash received from miscellaneous sources	3,236
Cash payments to employees for services	(262,815)
Cash payments to suppliers for goods or services	(189,888)
Net cash used in operating activities	(183,854)
Cash flows from non-capital financing activities:	
State grants received	5,137
Federal grants received	156,089
Net cash provided by non-capital financing activities	161,226
Cash flows from investing activities:	
Interest on investments	699
Net decrease in cash and cash equivalents	(21,929)
Cash and cash equivalents at beginning of year	67,200
Cash and cash equivalents at end of year	\$ 45,271
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (232,241)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	51,971
Depreciation	3,712
Increase in inventories	(7,924)
Decrease in accounts receivable	12
Decrease in accounts payable	(151)
Increase in salaries and benefits payable	28
Increase in unearned revenue	941
Decrease in other postemployment benefits	(202)
Net cash used in operating activities	\$ (183,854)

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2010, the District received Federal commodities valued at \$51,971.

SEE NOTES TO FINANCIAL STATEMENTS.

NEW HAMPTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

(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, 2008 assessed property valuations; is for the tax accrual period July 1, 2009 through June 30, 2010 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2009.

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

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

Capital Assets - Capital assets, which include property, machinery and equipment and intangibles, are reported in the applicable governmental or business type activities columns

in the government-wide Statement of Net 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
Intangibles	25,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	500

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

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

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. During the year ended June 30, 2010, expenditures in the instructional function exceeded the amount budgeted.

(2) **Cash and Pooled Investments**

The District's deposits at June 30, 2010 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, 2010.

(3) **Transfers**

The detail of transfers for the year ended June 30, 2010 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects	<u>\$ 111,377</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, 2010 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	1,372,033	1,852,189	1,955,987	1,268,235
Total capital assets not being depreciated	<u>1,753,733</u>	<u>1,852,189</u>	<u>1,955,987</u>	<u>1,649,935</u>
Capital assets being depreciated:				
Buildings	10,095,421	1,955,987	0	12,051,408
Land improvements	844,092	0	0	844,092
Machinery and equipment	3,199,653	672,575	186,679	3,685,549
Total capital assets being depreciated	<u>14,139,166</u>	<u>2,628,562</u>	<u>186,679</u>	<u>16,581,049</u>
Less accumulated depreciation for:				
Buildings	4,083,587	292,431	0	4,376,018
Land improvements	338,674	31,836	0	370,510
Machinery and equipment	2,644,212	583,886	55,030	3,173,068
Total accumulated depreciation	<u>7,066,473</u>	<u>908,153</u>	<u>55,030</u>	<u>7,919,596</u>
Total capital assets being depreciated, net	<u>7,072,693</u>	<u>1,720,409</u>	<u>131,649</u>	<u>8,661,453</u>
Governmental activities capital assets, net	<u>\$ 8,826,426</u>	<u>3,572,598</u>	<u>2,087,636</u>	<u>10,311,388</u>

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business type activities:				
Machinery and equipment	\$ 129,489	0	17,351	112,138
Less accumulated depreciation	88,767	3,712	17,351	75,128
Business type activities capital assets, net	<u>\$ 40,722</u>	<u>(3,712)</u>	<u>0</u>	<u>37,010</u>

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 531,672
Support services:	
Operation and maintenance of plant	2,962
Transportation	49,252
	<u>583,886</u>
Unallocated depreciation	<u>324,267</u>
Total governmental activities depreciation expense	<u>\$ 908,153</u>
Business type activities:	
Food services	<u>\$ 3,712</u>

5) **Long-Term Liabilities**

Changes in long-term liabilities for the year ended June 30, 2010 are summarized as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Governmental Activities:					
Revenue bonds	\$ 3,120,000	0	0	3,120,000	0
Early retirement	127,552	100,500	46,332	181,720	35,942
Total	\$ 3,247,552	100,500	46,332	3,301,720	35,942

Revenue Bonds Payable

Details of the District's June 30, 2010 revenue bonded indebtedness are as follows:

Year Ending June 30,	Interest Rate	Bond issue November 1, 2008		
		Principal	Interest	Total
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	3.75	135,000	124,964	259,964
2016-2020	3.95-4.35	760,000	537,373	1,297,373
2021-2025	4.45-4.85	950,000	349,999	1,299,999
2026-2028	4.90-4.95	945,000	96,175	1,041,175
Total		\$ 3,120,000	1,648,018	4,768,018

The District has pledged future statewide sales, services and use 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, services and use tax revenues received by the District and are payable through 2028. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. The total principal and interest remaining to be paid on the notes is \$4,768,018. For the current year, no principal and interest of \$153,021 was paid on the revenue bonds.

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

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

### 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, 2010, totaled \$46,332. A liability has been recorded in the Statement of Net Assets representing the District's commitment to fund non-current early retirement.

### **(6) Other Postemployment Benefits (OPEB)**

The District implemented GASB Statement No.45, Accounting and Financial Reporting by Employers for Postemployment Benefits other Than Pensions during the year ended June 30, 2010.

Plan Description - The District operates a single-employer retiree benefit plan which provides medical/prescription drug and dental benefits for retirees and their spouses. There are 144 active and 14 retired members in the plan. Employees must be age 59 or older at retirement and have fifteen or more years of continuous service to the District.

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

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

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

The following table shows the components of the District's annual OPEB cost for June 30, 2010, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 38,000
Interest on net OPEB obligation	0
Adjustment to annual required contribution	0
Annual OPEB cost	38,000
Contributions made	(43,000)
Increase in net OPEB obligation	(5,000)
Net OPEB obligation - beginning of year	0
Net OPEB obligation - end of year	<u>\$ (5,000)</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of the year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the plans actual contributions for the year ended June 30, 2010.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of June 30, 2010 are summarized as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2010	\$ 38,000	113.16%	\$ (5,000)

Funded Status and Funding Progress - As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2009 through June 30, 2010, the actuarial accrued liability was \$486,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$486,000. The covered payroll (annual payroll of active employees covered by the plan) was \$5,486,521, and the ratio of the UAAL to the covered payroll was 8.9%. As of June 30, 2010, there were no trust fund assets.

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

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

As of July 1, 2009 actuarial valuation date, the projected unit credit cost method was used. The actuarial assumptions include a 4.5% discount rate based on the District's funding policy.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement assumptions were developed from the IPERS Actuarial Valuation Report as of June 30, 2007.

The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years. The salary increase rate is 3.5.

**(7) 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 4.30% of their annual salary and the District is required to contribute 6.65% of annual covered payroll for the years ended June 30, 2010, 2009 and 2008. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2010, 2009 and 2008 were \$409,209, \$388,358, and \$354,238 respectively, equal to the required contributions for each year.

**(8) 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, 2010 were \$1,140,402.

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, 2010, no liability has been recorded in the District's financial statements. As of June 30, 2010, 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.

**(9) Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$455,648 for the year ended June 30, 2010 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**(10) Construction Commitments**

The District has entered into various contracts for various projects within the District. As of June 30, 2010, costs of \$1,268,235 had been incurred against the contracts. The balance remaining at June 30, 2010 will be paid as work on the projects progresses.

**(11) Budget Overexpenditure**

During the year ended June 30, 2010, expenditures in the instructional function exceeded the amount budgeted.

**(12) Categorical Funding**

The District's ending balances for categorical funding by project as of the year ended June 30, 2010 are as follows:

Project	Amount
LEP weighting	\$ 27,773
Gifted and talented	39,006
Dropout prevention	88,947
Teacher salary supplement	57,181
Professional development	81,865
Beginning teacher mentoring	339
Nonpublic textbook services	4,841
Model core curriculum	34,789
Total	<u>\$ 334,741</u>

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, 2010

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to Actual Variance
	Funds	Fund		Original	Final	
	Actual	Actual				
<b>Revenues:</b>						
Local sources	\$ 6,515,937	268,595	6,784,532	10,268,102	10,268,102	(3,483,570)
Intermediate sources	13,354	0	13,354	3,358	3,358	9,996
State sources	4,229,621	5,137	4,234,758	5,385,847	5,385,847	(1,151,089)
Federal sources	868,007	208,060	1,076,067	200,000	200,000	876,067
Total revenues	<u>11,626,919</u>	<u>481,792</u>	<u>12,108,711</u>	<u>15,857,307</u>	<u>15,857,307</u>	<u>(3,748,596)</u>
<b>Expenditures/Expenses:</b>						
Instruction	7,577,376	0	7,577,376	7,445,598	7,445,598	(131,778)
Support services	2,881,580	14,932	2,896,512	3,547,144	3,547,144	650,632
Non-instructional programs	0	485,205	485,205	565,381	565,381	80,176
Other expenditures	2,625,029	0	2,625,029	4,637,889	4,637,889	2,012,860
Total expenditures/expenses	<u>13,083,985</u>	<u>500,137</u>	<u>13,584,122</u>	<u>16,196,012</u>	<u>16,196,012</u>	<u>2,611,890</u>
Excess(deficiency) of revenues over(under) expenditures/expenses	(1,457,066)	(18,345)	(1,475,411)	(338,705)	(338,705)	(1,136,706)
Other financing sources, net	0	0	0	(230,621)	(230,621)	230,621
Excess(deficiency) of revenues and other financing sources over(under) expenditures/expenses	(1,457,066)	(18,345)	(1,475,411)	(569,326)	(569,326)	(906,085)
Balance beginning of year	4,909,760	116,485	5,026,245	3,289,587	3,289,587	1,736,658
Balance end of year	<u>\$ 3,452,694</u>	<u>98,140</u>	<u>3,550,834</u>	<u>2,720,261</u>	<u>2,720,261</u>	<u>830,573</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NEW HAMPTON COMMUNITY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING  
YEAR ENDED JUNE 30, 2010

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

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

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

During the year ended June 30, 2010, District expenditures in the instructional function exceeded the amount budgeted.

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

REQUIRED SUPPLEMENTARY INFORMATION

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial		Funded Ratio (a/b)	Covered Payroll (c)	UAAAL as a Percentage of Covered Payroll ((b-a)/c)
			Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)			
2010	July 1, 2009	\$ -	\$486,000	\$486,000	0.0%	\$5,486,521	8.9%

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

OTHER SUPPLEMENTARY INFORMATION

NEW HAMPTON COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2010

	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Other Nonmajor Governmental Funds
<b>Assets</b>				
Cash and pooled investments	\$ 641,523	89,008	166,975	897,506
Receivables:				
Property tax				
Delinquent	2,427	0	1,188	3,615
Succeeding year	141,000	0	125,511	266,511
Accounts	0	159	4,400	4,559
<b>Total Assets</b>	<b>\$ 784,950</b>	<b>89,167</b>	<b>298,074</b>	<b>1,172,191</b>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts payable	\$ 0	1,240	0	1,240
Deferred revenue:				
Succeeding year property tax	141,000	0	125,511	266,511
Total liabilities	141,000	1,240	125,511	267,751
Unreserved fund balances	643,950	87,927	172,563	904,440
<b>Total Liabilities and Fund Balances</b>	<b>\$ 784,950</b>	<b>89,167</b>	<b>298,074</b>	<b>1,172,191</b>

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, 2010

	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Total	Debt Service	Other Nonmajor Governmental Funds
<b>Revenues:</b>						
Local sources:						
Local tax	\$ 239,771	0	119,648	359,419	0	359,419
Other	56,839	558,362	9,045	624,246	0	624,246
State sources	165	0	80	245	0	245
<b>Total revenues</b>	<b>296,775</b>	<b>558,362</b>	<b>128,773</b>	<b>983,910</b>	<b>0</b>	<b>983,910</b>
<b>Expenditures</b>						
Current:						
Instruction:						
Regular	135,798	0	0	135,798	0	135,798
Other	0	561,193	0	561,193	0	561,193
Support services:						
Administration	6,503	0	0	6,503	0	6,503
Operation and maintenance of plant	104,565	0	0	104,565	0	104,565
Transportation	0	0	77,898	77,898	0	77,898
Other expenditures:						
Facilities acquisition	0	0	2,000	2,000	0	2,000
Long-term debt:						
Interest and fiscal charges	0	0	0	0	222,401	222,401
<b>Total expenditures</b>	<b>246,866</b>	<b>561,193</b>	<b>79,898</b>	<b>887,957</b>	<b>222,401</b>	<b>1,110,358</b>
Excess(deficiency) of revenues over(under) expenditures	49,909	(2,831)	48,875	95,953	(222,401)	(126,448)
Other financing sources:						
Transfers in	0	0	0	0	111,377	111,377
Net change in fund balance	49,909	(2,831)	48,875	95,953	(111,024)	(15,071)
Fund balances beginning of year	594,041	90,758	123,688	808,487	111,024	919,511
Fund balances end of year	\$ 643,950	87,927	172,563	904,440	0	904,440

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, 2010

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Drama	\$ 85	8,832	8,694	223
Speech	204	395	563	36
H.S. Vocal Music	(268)	1,894	1,640	(14)
M.S. Vocal Music	404	0	361	43
Instrumental Music	2,067	29,682	30,934	815
MS Music	2,915	492	1,967	1,440
MS Musical	7,545	1,717	3,657	5,605
Swing Choir	304	1,465	1,750	19
Cross Country	0	9,138	8,232	906
HS Cheerleaders	1,370	6,154	7,446	78
MS Cheerleaders	0	214	214	0
Flags	471	682	1,150	3
Trapshooting	2,935	53,941	47,623	9,253
Trapshoot Education Center	0	4,000	4,000	0
Athletics	(25,776)	162,355	137,973	(1,394)
Sports Camps	0	32,732	25,506	7,226
Academic Award Letter	2,476	0	0	2,476
National Honor Society	1,288	9,130	10,315	103
Annual	(12,997)	13,925	18,379	(17,451)
Chieftain	284	108	108	284
Advance Placement Exam	(76)	76	0	0
Future Educators	131	0	0	131
Art Club	81	0	0	81
Writers Club	2,767	334	570	2,531
Science Achievement Club	8	1,795	0	1,803
BAC	1,151	436	1	1,586
FFA	540	26,272	24,903	1,909
SADD	2,771	50	115	2,706
Student Senate	7,219	3,371	8,841	1,749
Class of 2008	588	0	588	0
Class of 2009	136	0	0	136
Class of 2010	5,007	35	4,735	307
Class of 2011	3,169	542	762	2,949
Class of 2012	49	7,999	4,259	3,789
Class of 2013	12,140	851	168	12,823
Class of 2014	11,340	74,752	92,116	(6,024)
Class of 2015	6,735	6,207	0	12,942
Class of 2016	16	6,069	0	6,085
Class of 2017	0	6,028	0	6,028
HS Lounge	0	0	10	(10)
Picture	0	0	323	(323)
Activity Tickets	3,245	14,836	18,000	81
Lettermen	6,843	7,268	9,763	4,348
Letterette	588	500	1,075	13
Pom Pon	(1,942)	7,726	8,832	(3,048)
Pep Club	10	0	0	10
NEIC Athletic Directors	406	8,510	5,689	3,227
Student Senate Vending	20,558	22,497	42,782	273
Miscellaneous	1,401	1,045	1,030	1,416
M.S. Annual	6,084	2,796	2,441	6,439
M.S. Student Senate	1,727	7,356	10,748	(1,665)
OM/DI Activity	127	361	0	488
MS Athletic Pop	53	0	0	53
Elementary Student Council Books	18	0	18	0
Lounge	(16)	84	94	(26)
Early Carde	486	0	37	449
Elementary Carnival	11,227	10,149	10,029	11,347
Student Assistance	2,351	3,411	2,752	3,010
Book Fair	659	0	0	659
Elementary Playground	(146)	150	0	4
Total	\$ 90,758	558,362	561,193	87,927

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 SEVEN YEARS

	Modified Accrual Basis						
	Years Ended June 30,						
	2010	2009	2008	2007	2006	2005	2004
Revenues:							
Local sources:							
Local tax	\$ 5,403,867	5,194,179	4,953,087	4,821,855	4,917,484	4,912,351	4,760,526
Tuition	330,890	270,277	322,300	304,574	265,997	247,581	223,477
Other	781,180	680,436	693,055	626,836	869,245	1,037,269	591,796
Intermediate sources	13,354	14,848	3,358	3,549	550	3,284	4,234
State sources	4,229,621	5,137,056	5,074,795	4,484,444	4,239,464	4,123,898	4,000,492
Federal sources	868,007	418,517	305,630	423,440	260,368	588,581	921,733
<b>Total</b>	<b>\$ 11,626,919</b>	<b>11,715,313</b>	<b>11,352,225</b>	<b>10,664,698</b>	<b>10,553,108</b>	<b>10,912,964</b>	<b>10,502,258</b>
Expenditures:							
Instruction:							
Regular	\$ 4,667,810	4,817,849	3,855,343	4,063,778	3,733,483	3,833,556	3,812,527
Special	1,342,425	1,267,225	2,119,604	1,914,412	1,653,993	1,423,451	1,356,551
Other	1,567,141	1,491,006	747,391	663,723	670,400	792,932	877,351
Support services:							
Student	261,650	191,075	207,230	293,211	216,995	175,843	241,523
Instructional staff	259,004	310,387	327,543	309,447	325,272	292,364	280,984
Administration	1,063,071	1,020,598	945,006	879,822	834,580	785,261	751,760
Operation and maintenance							
of plant	713,506	726,255	700,117	673,648	698,543	647,956	637,681
Transportation	584,349	580,860	567,357	461,793	436,484	458,782	467,772
Other expenditures:							
Facilities acquisitions	1,946,980	1,753,835	362,875	213,697	106,513	735,832	1,611,810
Long-term debt:							
Principal	0	630,000	605,000	580,000	560,000	535,000	510,000
Interest	222,401	25,600	49,497	72,118	93,957	114,772	134,357
AEA flow-through	455,648	420,686	401,694	372,616	350,551	347,827	353,290
<b>Total</b>	<b>\$ 13,083,985</b>	<b>13,235,376</b>	<b>10,888,657</b>	<b>10,498,265</b>	<b>9,680,771</b>	<b>10,143,576</b>	<b>11,035,606</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NEW HAMPTON COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2010

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	PROGRAM EXPENDITURES
INDIRECT:			
DEPARTMENT OF AGRICULTURE:			
IOWA DEPARTMENT OF EDUCATION:			
SCHOOL NUTRITION CLUSTER PROGRAMS:			
SCHOOL BREAKFAST PROGRAM	10.553	FY 10	\$ 12,500
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY 10	195,560 *
			<u>208,060</u>
DEPARTMENT OF EDUCATION:			
IOWA DEPARTMENT OF EDUCATION:			
TITLE I CLUSTER PROGRAMS:			
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	4043-G	93,331
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES, RECOVERY ACT	84.389	FY 09	10,306
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES, RECOVERY ACT	84.389	FY 10	11,348
			<u>114,985</u>
SAFE AND DRUG FREE SCHOOLS AND COMMUNITIES - STATE GRANTS	84.186	FY 10	<u>2,934</u>
IMPROVING TEACHER QUALITY STATE GRANTS(TITLE IIA)	84.367	FY 10	<u>44,880</u>
GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES(TITLE VIA)	84.369	FY 10	<u>6,975</u>
STATE FISCAL STABILIZATION FUND(SFSF)			
EDUCATION STATE GRANTS, RECOVERY ACT	84.394	FY 10	<u>467,886</u>
KEYSTONE AREA EDUCATION AGENCY:			
SPECIAL EDUCATION CLUSTER PROGRAMS:			
SPECIAL EDUCATION - GRANTS TO STATES(PART B)	84.027	FY 10	59,317
SPECIAL EDUCATION - GRANTS TO STATES(PART B), RECOVERY ACT	84.391	FY 09	32,440
SPECIAL EDUCATION - GRANTS TO STATES(PART B), RECOVERY ACT	84.391	FY 10	129,758
			<u>221,515</u>
CAREER AND TECHNICAL EDUCATION - BASIC GRANTS TO STATES	84.048	FY 10	<u>791</u>
TOTAL			<u>\$ 1,068,026</u>

\* - Includes \$51,971 of non-cash awards.

**Basis of Presentation** - The Schedule of Expenditures of Federal Awards includes the federal grant activity of the New Hampton Community School District and is presented in conformity with the accrual or modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

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, 2010, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 28, 2011. 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting we consider to be a material weakness and other deficiencies we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatement on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-A-10 to be material weakness.

A significant deficiency is a deficiency or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-B-10 to be significant deficiency.

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 IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2010 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 and Questioned Costs. 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 28, 2011

**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 Compliance with Requirements Applicable  
to Each Major Program and on Internal Control over Compliance  
in Accordance with OMB Circular A-133

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

Compliance

We have audited the compliance of New Hampton Community School District with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2010. New Hampton Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of New Hampton Community School District's management. Our responsibility is to express an opinion on New Hampton Community School District's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about New Hampton Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on New Hampton Community School District's compliance with those requirements.

In our opinion, New Hampton Community School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

The management of New Hampton Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered New Hampton Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of New Hampton Community School District's internal control over compliance.

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

A deficiency in the District's internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-A-10 to be a material weakness.

New Hampton Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. 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.



NOLTE, CORNMAN & JOHNSON, P.C.

March 28, 2011

NEW HAMPTON COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2010

Part I: Summary of the Independent Auditor's Results

- (a) Unqualified opinions were issued on the financial statements.
- (b) A significant deficiency and a material weakness in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) A material weakness in internal control over the major programs was disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) The major programs were the following:
- Clustered
    - CFDA Number 10.553 - School Breakfast Program
    - CFDA Number 10.555 - National School Lunch Program
  - Individual
    - CFDA Number 84.391 - State Fiscal Stabilization Fund (SFSF)  
Education State Grants, Recovery Act
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) New Hampton Community School District did not qualify as a low-risk auditee.

NEW HAMPTON COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2010

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

II-A-10 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.

II-B-10 Early Retirement - The District's early retirement policy stipulates that any employee under the age of 65 who has worked a minimum of fifteen years of services as a full-time certified employee and who is between the ages of 55-64 as of June 30 of that school year can elect to take early retirement and the costs of that retirement can be paid from the Management Levy Fund. The District's early retirement policy is compliant with Chapter 279.46 of the Code of Iowa; however, one retiree took the early retirement incentive but was not age 55 at the time of retirement. The District paid the early retirement incentive from the Management Levy Fund when it should have been paid from the General Fund.

Recommendation - We recommend that the District make a corrective transfer from the General Fund to the Management Levy Fund for \$5,000 for the amount of early retirement that was paid to the retiree who retired, but was not at least age 55. Future payments for this individual must also be paid from the General Fund.

Response - The District will make a corrective transfer from the General Fund to the Management Levy Fund and all future payments to those retirees that were younger than 55 years of age at time of retirement.

Conclusion - Response accepted.

OTHER MATTERS:

II-C-10 Student Activity Fund Interest - We noted during our audit that the Student Activity Fund has an interest account. It appears that interest earned during the year has not been allocated to individual accounts in the Student Activity Fund for several years.

Recommendation - Interest earned each year should be allocated out on an annual basis to the individual activity accounts.

Response - The District will allocate the interest earned to individual accounts on a prorated formula.

Conclusion - Response accepted.

II-D-10 Intangible Asset Policy - Although the District implemented Governmental Accounting Standards Board Statement No. 51 with regard to intangible assets, the District does not have a board policy addressing capitalization of intangible assets.

Recommendation - The District's Board of Directors should adopt an intangible asset policy addressing the capitalization of intangible assets.

Response - The Board will adopt an intangible asset policy addressing the capitalization of intangible assets.

Conclusion - Response accepted.

NEW HAMPTON COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2010

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

CFDA Number 10.553 - School Breakfast Program  
CFDA Number 10.555 - National School Lunch Program  
Federal Award Year: 2010  
U.S. Department of Agriculture  
Passed through the Iowa Department of Education

CFDA Number 84.394 - State Fiscal Stabilization Fund(SFSF)  
Education State Grants, Recovery Act  
Federal Award Year: 2010  
U.S. Department of Education  
Passed through the Iowa Department of Education

III-A-10 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.

NEW HAMPTON COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 YEAR ENDED JUNE 30, 2010

Part IV: Other Findings Related to Statutory Reporting:

IV-A-10 Certified Budget - District disbursements for the year ended June 30, 2010 exceeded the amount budgeted in the other expenditures program area.

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

Response - We will amend the budget if necessary in the future.

Conclusion - Response accepted.

IV-B-10 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.

IV-C-10 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.

IV-D-10 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	\$2,981
Terry Phillips, Cook Spouse owns Phillips Refrigeration	Repairs	\$1,544
Linda Schwickerath, Secretary Spouse owns Office World	Office Supplies	\$50,729
Jeanette Laures, Teacher Father-in-law owns Vern Laures	Vehicle Repairs	\$3,096

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.

IV-E-10 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.

IV-F-10 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board. However, we noted that the minutes were not always published in a timely manner.

Recommendation - The District should publish the minutes within two weeks of the Board meeting, as required by 279.35 of the Code of Iowa.

Response - We will provide the minutes within the time period required, however, we are unable to control the publishing dates.

Conclusion- Response accepted.

IV-G-10 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.

IV-H-10 Supplementary Weighting - We noted no variances regarding the supplementary weighting certified to the Iowa Department of Education.

IV-I-10 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.

IV-J-10 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.

IV-K-10 Categorical Funding - No instance were noted of categorical funding being used to supplant rather than supplement other funds.

IV-L-10 Statewide Sales, Services and Use Tax- No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of 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, services and use tax. For the year ended June 30, 2010, the District's financial activity and other required information for the statewide sales, services and use tax are as follows:

Beginning Balance		\$	0
Statewide sales and service tax revenue			736,484
Expenditures/transfers out:			
School Infrastructure			
Equipment	\$	86,682	
Other improvements		538,425	
Debt service for school infrastructure			
Revenue debt		111,377	736,484
Ending Balance		\$	<u>0</u>

As a result of the statewide sales, services and use tax revenues received during the year ended June 30, 2010, the District reduced the following levies:

	<u>Per \$1,000 of Taxable Valuation</u>	<u>Property Tax Dollars</u>
Physical Plant & Equipment Levy	\$ 1.34000	\$ 486,321

IV-M-10 Financial Condition - We noted nine individual accounts in the Student Activity Fund that have negative balances totaling \$29,955.

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 - The District will review purchase order approval procedures for the Student Activity Fund and monitor individual account balances and not allow any account to be negative at year end.

Conclusion - Response accepted.

IV-N-10 Student Activity Fund - In accordance with Chapter 298A.8 of the Code of Iowa and Iowa Administrative Code 281-12.6(1), 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 students. More specific examples of these instances of questioned items and recommendations are as follows:

**Questionable Accounts:** We noted during our audit the Advance Placement Exam, Elementary Student Council Books, Elementary Playground and Class of 2009 accounts in the Student Activity Fund.

Recommendation - It would appear that the Advance Placement Exam and Elementary Student Council Books accounts are instructional in nature and would be more appropriately handled in the General Fund. The Elementary Playground account appears to be for the maintenance or purchasing of new playground equipment and would be more appropriately handled through the General Fund or the Physical Plant and Equipment Levy Fund. With regard to the Class of 2009, once classes have graduated, the account should be closed and reclassified to another account in the Student Activity Fund.

The District should review these accounts and reclassify/transfer to the appropriate accounts in the Student Activity Fund or to other funds to be in compliance with Chapter 298A.8 of the Code of Iowa and Iowa Administrative Code 281-12.6(1).

Response - The District will move the Advance Placement Exam account and the Elementary Student Council Books account from the Activity Fund to the General Fund. The Elementary Playground account will be closed. The class of 2009 account will be closed and reclassified to another account in the Student Activity Fund.

Conclusion - Response accepted.

**NEIC Athletic Directors Account:** We noted during our audit that the funds in this account are collected by the District from other schools in the conference for the benefit of all Athletic Directors in the conference to attend meetings and pay for subsequent expenses. It would appear that this account would be more appropriately handled as an agency fund.

Recommendation - According to Chapter 9 of the LEA Administrative Manual, "Agency funds are used to account for assets received and held as an agent for individuals, private organizations, or other governments. The District acts as a custodian of the assets and not an owner. Agency Funds may be created when an organization which is related to the operation of the District places certain assets into the custody of the District. The District renders a service, as custodian, for the organization providing the assets. Agency funds typically involve only the receipt, temporary investment and remittance of assets to their rightful owners.

The District should take the remaining monies in the NEIC Athletic Directors Account and place them in an Agency Fund.

Response - The District will create an Agency Fund for the NEIC Athletic Directors account and deposit the funds received from members of the conference schools in that Agency Fund account. All expenditures related to the NEIC Athletic Directors will be from the same Agency Fund account.

Conclusion - Response accepted.