NEWELL-FONDA
COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2011

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NEWELL-FONDA COMMUNITY SCHOOL DISTRICT

Officials

Name	Title	Term Expires
	Board of Education	
Roger Sarchet	President	2011
Greg Baskerville	Vice President	2013
Gordon Grau		2013
Geoff Smith		2011
Kyle Scheidegger		2011
	School Officials	
Jeff Dicks	Superintendent	
Marcia Johnson	District Secretary/ Treasurer	

BRUCE D. FRINK
Certified Public Accountant

Member:

- American Institute of Certified Public Accountants
- Iowa Society of Certified Public Accountants

Services:

- Individual, Partnership and Corporate Tax Preparation
- Year Round Tax Planning
- Payroll & Sales Tax Preparation
- I.R.S. Representation
- Monthly/Quarterly Write-Up
- Data Processing Services
- Payroll Preparation
- Financial Statement Preparation
- Bank Loan Assistance

Plus:

- Over 30 years of Expertise and Experience
- Evenings & Saturdays Available by Appointment
- Extended Hours During Tax Season

Independent Auditor's Report

To the Board of Education of
Newell-Fonda Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities and each major fund of Newell-Fonda Community School District, Newell, Iowa, as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements 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 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 and each major fund of Newell-Fonda Community School District at June 30, 2011, 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 7, 2012 on our consideration of Newell-Fonda 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 the Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 15 and 39 through 41 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 required supplementary information. We did not audit the information and express no opinion on it.

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Clarion, IA 50525

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bruce@frinkcpa.com

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Newell-Fonda 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 seven years ended June 30, 2010 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Bruce D. Frink

BRUCE D. FRINK
Certified Public Accountant

March 7, 2012

NEWELL-FONDA COMMUNITY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

Newell-Fonda 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, 2011. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2011 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from $4,133,436 in fiscal year 2010 to $4,323,265 in fiscal year 2011. Expenditures increased from $4,022,866 in fiscal year 2010 to $4,267,023 in fiscal year 2011.

- General Fund district tax rates decreased from 11.06247% in fiscal year 2010 to 10.43411% in fiscal year 2011. However, even though the tax rate went down, the tax revenue actually went up due to increase property valuations. Several other factors also affected revenues. Federal revenues decreased due mainly to American Recovery and Restoration Act (ARRA) funds that were received in fiscal year 2010 but not in fiscal year 2011. State revenues increased (the 10% across the board cut had reduced revenues in fiscal year 2010). Open enrollment and miscellaneous revenues were up. Enrollment numbers remained steady, therefore having no significant effect on revenues for fiscal year 2011.

- Expenditures increased, due to several factors. Salaries remained steady, but benefits increased due to an IPERS contribution rate increase and health insurance cost increases. Also, purchased services, and equipment and supply purchases increased, mainly due to start up costs of our new building addition, as well as some higher costs incurred from the addition of the 1:1 laptop initiative for grades 5-8. The middle school facility in Fonda was closed and all grades were served in one facility in Newell. The goal of this change is to save costs for duplicate services; however, during this first year of operating in one facility, there were significant costs associated with the move.

- The Management Fund revenues increased slightly from $85,446 in fiscal year 2010 to $147,613 in fiscal year 2011. Management expenditures also increased from $86,523 in fiscal year 2010 to $153,979 in fiscal year 2011. In fiscal year 2011, there were several employees who took early retirement which required a higher tax rate in the Management Fund.

- Statewide sales, services and use tax revenues increased from $271,065 in fiscal year 2010 to $306,235 in fiscal year 2011. Actual statewide tax cash expenditures decreased dramatically from $1,399,118 in fiscal year 2010 to $253,198 in fiscal year 2011. The increase in revenue was due to higher sales tax revenues. A new building addition was constructed during fiscal year 2010; as this project reached completion, a good portion of the final costs associated with this project were paid in fiscal year 2011 from the PPEL Fund. This was done to maintain an acceptable cash balance in each fund. Therefore, expenditures in the Capital Projects Fund decreased. A construction project for a new weight room was started in fiscal year 2011, but most construction costs will be paid in the next fiscal year. The 1:1 laptop lease payments were run through the capital projects fund, but these payments were reported in the debt services fund, and therefore are not included in the total statewide tax expenditures.

- PPEL revenues remained fairly steady from $154,434 in fiscal year 2010 to $158,394 in fiscal year 2011. Expenditures increased significantly from $178,992 in fiscal year 2010 to $381,617 in fiscal year 2011. As mentioned earlier, a good portion of the final construction costs from the 2010 project were paid out of the PPEL Fund in fiscal year 2011 in order to maintain cash balances in both PPEL and Capital Projects Funds.

- The Nutrition Fund revenues increased, with revenues of $215,223 in fiscal year 2010 to $237,326 in fiscal year 2011. Expenditures were fairly steady, from $210,896 in fiscal year 2010 to $212,016 in fiscal year 2011. An increase in meal prices and increased federal and state reimbursements due to a higher free and reduced price meal count were responsible for the increased revenues. While grocery prices continue to increase, the savings from having the food service operations in one building were a significant factor in the increased balance in the Nutrition Fund.

- Activity Fund receipts increased from $200,078 in fiscal year 2010 to $219,726 in fiscal year 2011. Expenditures also increased from $204,381 in fiscal year 2010 to $234,111 in fiscal year 2011.

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 Newell-Fonda 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 Newell-Fonda 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 Newell-Fonda Community School District acts solely as an agent or custodian for the benefit of those outside of the District.

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

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year as well as the Schedule of Funding Progress for the Retiree Health Plan.

Other Supplementary Information provides detailed information about the Student Activity and fiduciary funds and a multiyear comparison of revenues and expenses.

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

Figure A-1
Newell-Fonda Community School District Annual Financial Report

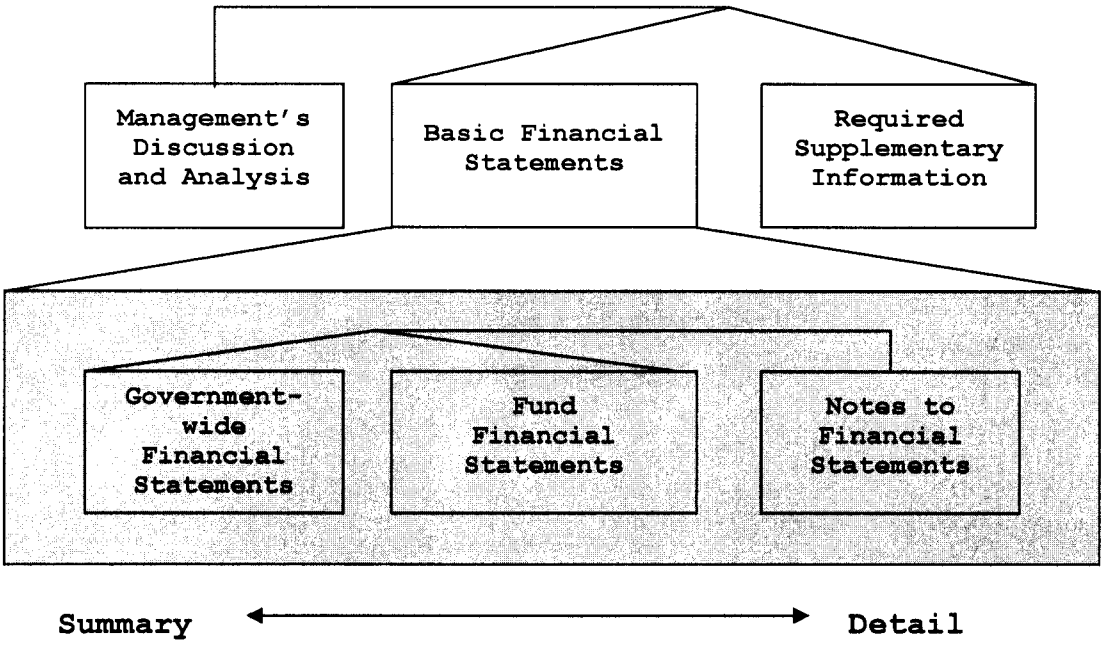

Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2
Major Features of the Government-wide and Fund Financial Statements

	Government-wide Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activity the District operates similar to private businesses: food services	Instances in which the district administers resources on behalf of someone else, such as scholarship programs
Required financial statements	• Statement of net assets • Statement of activities	• Balance sheet • Statement of revenues, expenditures, and changes in fund balances	• Statement of net assets • Statement of revenues, expenses and changes in fund net assets • Statement of cash flows	• Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/ liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net 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 - is one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating, respectively. 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. The District has elected to present all funds as "major" for clarity of presentation.

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

The District has three kinds of funds:

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

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

   The required financial statements for 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 statements. The District's Enterprise Fund, one type of proprietary fund, are the same as its business type activities but provides more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund.

The Internal Service Fund is used only to collect, hold and pay out money for the District's employee group health insurance plan. Revenues come from the Board of Education's allocation of funds for the health insurance employee benefit, payroll deductions from employee's checks and checks brought in by retiree's that continue to stay on the plan.

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

3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trusts.

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

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

The required financial statements for fiduciary funds include a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

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 net assets for the year ended June 30, 2011 compared to the year ended June 30, 2010.

Figure A-3
Condensed Statement of Net Assets
(Expressed in Thousands)

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2011	2010	2011	2010	2011	2010	2010-2011
Current assets	$ 3,509	3,495	73	48	3,582	3,543	1.10%
Capital assets	2,194	1,959	2	2	2,196	1,961	11.98%
Total assets	5,703	5,454	75	50	5,778	5,504	4.98%
Current liabilities	2,272	2,272	-	-	2,272	2,272	0.00%
Non-current liabilities	239	262	-	-	239	262	0.00%
Total liabilities	2,511	2,534	-	-	2,511	2,534	-0.91%
Net Assets							
Invested in capital assets, net of related debt	2,052	1,722	2	2	2,054	1,724	19.14%
Restricted	552	397	-	-	552	397	39.04%
Unrestricted	588	801	73	48	661	849	-22.14%
Total net assets	$ 3,192	2,920	75	50	3,267	2,970	10.00%

The District's combined net assets increased 10%, or approximately $97,000 from the prior year. This increase was due primarily to an increase in the Capital Projects Fund.

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 by 22%. This decrease in unrestricted net assets was a result of increased early retirement obligations that will eventually be paid from future Management Fund levies, but are required to be fully included in liabilities in the current year.

Figure A-4 shows the changes in net assets for the year ended June 30, 2011 compared to the year ended June 30, 2010.

Figure A-4
Changes in Net Assets
(Expressed in Thousands)

	Governmental Activities		Business Type Activities		Total District		Total Change
	2011	2010	2011	2010	2011	2010	2010-2011
Revenues:							
Program revenues:							
Charges for service and sales	$ 147	118	111	105	258	223	15.70%
Operating grants, contributions and restricted interest	1,188	1,272	126	110	1,314	1,382	-4.92%
General revenues:							
Property tax	1,886	1,751	-	-	1,886	1,751	7.71%
Income surtax	164	160	-	-	164	160	2.50%
Statewide sales, service and use tax	305	258	-	-	305	258	18.22%
Unrestricted state grants	1,382	1,204	-	-	1,382	1,204	14.78%
Unrestricted investment earnings	13	23	-	-	13	23	-43.48%
Other	106	71	-	-	106	71	49.30%
Total revenues	5,191	4,857	237	215	5,428	5,072	7.02%
Program expenses:							
Governmental activities:							
Instruction	3,143	3,038	-	-	3,143	3,038	3.46%
Support services	1,362	1,380	-	-	1,362	1,380	-1.30%
Non-instructional programs	-	-	212	211	212	211	0.47%
Other expenses	222	363	-	-	222	363	-38.84%
Total expenses	4,727	4,781	212	211	4,939	4,992	-1.06%
Change in net assets	$ 464	76	25	4	489	80	611.25%

Property tax and unrestricted state grants account for 60% of the total revenue. The District's expenses primarily relate to instruction and support services which account for 91% of the total expenses. The District continues to spend the majority of its resources in those areas most directly effecting the students.

Governmental Activities

Revenues for governmental activities were $4,856,976 and expenses were $4,781,115 for the year ended June 30, 2011.

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, 2011 compared to the year ended June 30, 2010.

Figure A-5
Total and Net Cost of Governmental Activities
(Expressed in Thousands)

	Total Cost of Services			Net Cost of Services		
	2011	2010	Change 2010-2011	2011	2010	Change 2010-2011
Instruction	$ 3,143	3,038	3.46%	2,005	1,857	7.97%
Support services	1,362	1,380	-1.30%	1,344	1,360	-1.18%
Other expenses	222	363	-38.84%	43	174	-75.29%
Totals	$ 4,727	4,781	-1.13%	3,392	3,391	0.03%

For the year ending June 30, 2011:

- The cost financed by users of the District's programs was $146,700.
- Federal and state governments subsidized certain programs with grants and contributions totaling $743,764.
- The net cost of governmental activities was financed with $1,885,480 in property and other taxes and $1,382,330 in unrestricted state grants.

Business Type Activities

Revenues for School Nutrition were $237,326 and expenses were $212,016. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

During the year ended June 30, 2011, the District once again increased meal prices from the previous year to assist the food services program in maintaining high quality services to students while taking on additional costs for groceries and supplies. There was also an increase in federal revenues which contributed to the increase in revenues in fiscal year 2011. Grocery costs increased, but consolidating into one facility resulted in more efficient operations, keeping overall costs of food service operation steady from fiscal year 2010 to fiscal year 2011.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As previously noted, Newell-Fonda 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 a combined fund balance of $1,249,800, a slight decrease from last year's ending fund balances of $1,251,849.

Governmental Fund Highlights

- General Fund revenues increased from $4,133,436 in fiscal year 2010 to $4,323,265 in fiscal year 2011. Expenditures increased from $4,022,866 in fiscal year 2010 to $4,267,023 in fiscal year 2011.

- General Fund district tax rates decreased from 11.06247% in fiscal year 2010 to 10.43411% in fiscal year 2011. However, even though the tax rate went down, the tax revenue actually went up due to increase property valuations. Several other factors also affected revenues. Federal revenues decreased due mainly to American Recovery and Restoration Act (ARRA) funds that were received in fiscal year 2010 but not in fiscal year 2011. State revenues increased (the 10% across the board cut had reduced revenues in fiscal year 2010). Open enrollment and miscellaneous revenues were up, while interest income went down, due to very low interest rates. Enrollment numbers remained steady, therefore having no significant effect on revenues for fiscal year 2011.

- Expenditures increased, due to several factors. Salaries remained steady, but benefits increased due to an IPERS contribution rate increase and health insurance cost increases. Also, purchased services, and equipment and supply purchases increased, mainly due to start up costs of our new building addition, as well as some higher costs incurred from the addition of the 1:1 laptop initiative for grades 5-8. The middle school facility in Fonda was closed and all grades were served in one facility in Newell. The goal of this change is to save costs for duplicate services; however, during this first year of operating in one facility, there were significant costs associated with the move.

- The Management Fund revenues increased slightly from $85,446 in fiscal year 2010 to $147,613 in fiscal year 2011. Management expenditures also increased from $86,523 in fiscal year 2010 to $153,979 in fiscal year 2011. In fiscal year 2011, there were several employees who took early retirement which required a higher tax rate in the Management Fund.

- Statewide sales, services and use tax revenues increased from $271,065 in fiscal year 2010 to $306,235 in fiscal year 2011. Actual statewide tax cash expenditures decreased dramatically from $1,399,118 in fiscal year 2010 to $253,198 in fiscal year 2011. The increase in revenue was due to higher sales tax revenues. A new building addition was constructed during fiscal year 2010; as this project reached completion, a good portion of the final costs associated with this project were paid in fiscal year 2011 from the PPEL Fund. This was done to maintain an acceptable cash balance in each fund. Therefore, expenditures in the Capital Projects Fund decreased. A construction project for a new weight room was started in fiscal year 2011, but most construction costs will be paid in the next fiscal year. The 1:1 laptop lease payments were run through the capital projects fund, but these payments were reported in the debt services fund, and therefore are not included in the total statewide tax expenditures.

- PPEL revenues remained fairly steady from $154,434 in fiscal year 2010 to $158,394 in fiscal year 2011. Expenditures increased significantly from $178,992 in fiscal year 2010 to $381,617 in fiscal year 2011. As mentioned earlier, a good portion of the final construction costs from the 2010 project were paid out of the PPEL Fund in fiscal year 2011 in order to maintain cash balances in both PPEL and Capital Projects Funds.

- Activity Fund receipts increased from $200,078 in fiscal year 2010 to $219,726 in fiscal year 2011. Expenditures also increased from $204,381 in fiscal year 2010 to $234,111 in fiscal year 2011.

Proprietary Fund Highlights

The Nutrition Fund revenues increased, with revenues of $215,223 in fiscal year 2010 to $237,326 in fiscal year 2011. Expenditures were fairly steady, from $210,896 in fiscal year 2010 to $212,016 in fiscal year 2011. An increase in meal prices and increased federal and state reimbursements due to a higher free and reduced price meal count were responsible for the increased revenues. While grocery prices continue to increase, the savings from having the food service operations in one building were a significant factor in the increased balance in the Nutrition Fund.

BUDGETARY HIGHLIGHTS

The District's receipts were $30,228 less than budgeted receipts, a variance of 1%. The most significant variance resulted from the District receiving less state aid than anticipated for the second consecutive year; however, additional local source revenues partially compensated for this.

Total expenditures were $477,451 less than budgeted overall. Expenditures did not exceed the amounts budgeted in any of the four functions. The District did not exceed its unspent authorized budget.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2011, the District had invested $2,195,987, 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) This represents a net increase of $235,000 from last year. More detailed information about the District's capital assets is presented in Note 3 to the financial statements. Depreciation expense for the year was $177,861.

The original cost of the District's capital assets was $4,026,454. Governmental funds account for $4,000,941, with the remainder of $25,513 accounted for in the Proprietary School Nutrition Fund.

Figure A-6
Capital Assets, net of Depreciation
(Expressed in Thousands)

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2011	2010	2011	2010	2011	2010	2010-2011
Land	$ 2	2	-	-	2	2	0.00%
Buildings	1,881	1,564	-	-	1,881	1,564	20.27%
Furniture and equipment	311	393	2	3	313	396	-20.96%
Totals	$ 2,194	1,959	2	3	2,196	1,962	11.93%

Long-Term Debt

The District one semi-annual payment of $32,258 remaining on the lease purchase of 165 laptop computers purchased in 2008. In 2010, the District purchased additional laptops that will require eight semi-annual payments of $20,000 each. There are four payments remaining as of June 30, 2011.

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- The District completed the final work on the new addition to the school building. The addition houses four classrooms, the high school office suite, a commons area and kitchen facilities. All students PK-12 now attend school in one facility in Newell. This transition should bring cost savings in the long run, due to reduction in duplicate services, utility costs and transportation savings. However, during fiscal year 2011 there were additional costs as equipment and supplies were purchased to facilitate the transition for grades 4-8, and to equip the new facility. These extra costs are not recurring expenditures and the savings for the grade realignment should be seen in the future.

- During fiscal year 2012 the District will construct a new weight room addition. This project should be completed and occupied by December 2011. This project will be completed in part due to the distribution of funds from the Don Anderson Trust, a local scholarship program that expired after the 2010 graduation. All funds in the trust are to be distributed equally between the athletic, art, music and speech programs. The athletic portion of approximately $92,000 will be used to help fund the weight room construction. PPEL and Statewide Sales Tax money will fund the balance of the project.

- The federal American Recovery and Restoration Act (ARRA) funding has all been spent; however, the federal Ed Jobs money will continue to be spent during fiscal year 2012. In addition to the continued employment of a technology assistant, one additional elementary teacher will be hired in fiscal year 2012 using this one-time federal funding. Due to increased technology needs and higher enrollment numbers in elementary, the District anticipates retaining these employees in fiscal year 2013, and one more class will be added to accommodate the additional elementary students. The transitional kindergarten class will be expanded from half days to full days in fiscal year 2012. An additional part time teacher will be hired for middle school as staff is reassigned from middle school to transitional kindergarten.

- Preschool funding has been added as part of the funding formula at .5 per student weighting. This weighting is down from .6 and will decrease our revenues for our preschool program.

- Enrollment numbers increase significantly from 2009-10 to 2010-11, so funding for fiscal year 2012 will increase by just over $216,000. The District is hopeful the trend of increased enrollment will continue. Staff needs for Ed Jobs, ELL, Dropout Prevention, technology and special education services will remain at a higher level than in previous years. These staffing needs will cause salary and benefit cost to increase. While this increases expenditures, it is a necessary change in order to provide valuable services to our students.

- In 2011-12, the first 1:1 Apple laptop lease will be paid off. The District plans to lease to purchase another 205 Macbooks to update the inventory. Older laptop computers will be placed with the elementary grades for continued use. There are many educational benefits of the 1:1 laptop program, and the District plans to continue this program and expand the use of technology from year to year.

- Tax valuations have increased, and further increases are anticipated as wind generators expand in our area. This trend should continue for the next seven years in a staggered fashion. The windmills are represented in three different expansion projects, and their assessed value increase 5% per year until they reach 30% taxable valuation. this is a positive, long-term increase to our tax base.

- The levy for our voted PPEL has decreased as valuations have increased. The District's voted PPEL is a flat amount of $100,000. As valuations increase, the amount the District is able to tax will continue to decrease. The voted PPEL levy expires in fiscal year 2014.

- In fiscal year 2011 the State's allowable growth rate was set by the legislature at 0%. The allowable growth for fiscal year 2012 has been set at 2%. As the District looks ahead to the future, there will continue to be an increased cost in IPERS due to rate increases. There is uncertainty in the state budget which makes accurate predictions for the future somewhat difficult. The District will strive to adjust as new budget numbers are known.

- A long-term facility planning committee has been formed and is meeting periodically to assess the future needs of the District's facilities. This committee has assessed the needs for possible future construction of new facilities to replace two aging buildings. In the near future, this committee plans to make a recommendation to the board, and a possible bond issue may be sent to the voters of the District.

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 Marcia Johnson, District Secretary/Treasurer, Newell-Fonda Community School District, 205 Clark Street, Newell, Iowa 50568.

Basic Financial Statements

NEWELL-FONDA COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2011

	Governmental Activities	Business Type Activities	Total
Assets			
Cash and pooled investments	$ 1,281,803	70,543	1,352,346
Receivables:			
Property tax:			
Current year	22,758	-	22,758
Succeeding year	1,919,316	-	1,919,316
Income surtax	147,352	-	147,352
Due from other governments	61,361	-	61,361
Other receivables	76,577	-	76,577
Inventories	-	2,685	2,685
Capital assets, net of accumulated depreciation	2,194,230	1,757	2,195,987
Total assets	5,703,397	74,985	5,778,382
Liabilities			
Accounts payable	121,384	-	121,384
Deferred revenue:			
Succeeding year property tax	1,919,316	-	1,919,316
Federal programs	41,263	-	41,263
Long-term liabilities:			
Portion due within one year:			
Early retirement	44,857	-	44,857
Capital lease	66,539	-	66,539
Portion due after one year:			
Early retirement	51,709	-	51,709
Capital lease	75,258	-	75,258
Total liabilities	2,320,326	-	2,320,326
Net assets			
Invested in capital assets	2,052,433	1,757	2,054,190
Restricted for:			
Health benefits	30,052	-	30,052
Categorical funding	217,989	-	217,989
Student activities	91,538	-	91,538
Management levy	55,402	-	55,402
School infrastructure	102,357	-	102,357
Physical plant and equipment levy	54,504	-	54,504
Unrestricted	778,796	73,228	852,024
Total net assets	$ 3,383,071	74,985	3,458,056

See notes to financial statements.

NEWELL-FONDA COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2011

		Program Revenues		Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
Functions/Programs:						
Governmental activities:						
Instruction	$ 3,143,139	146,700	991,495	(2,004,944)	-	(2,004,944)
Support services:						
Student services	116,236	-	-	(116,236)	-	(116,236)
Instructional staff services	243,785	-	-	(243,785)	-	(243,785)
Administration services	496,908	-	-	(496,908)	-	(496,908)
Operation and maintenance of plant services	238,961	-	18,078	(220,883)	-	(220,883)
Transportation services	266,392	-	-	(266,392)	-	(266,392)
	1,362,282	-	18,078	(1,344,204)	-	(1,344,204)
Other expenditures:						
AEA flowthrough	177,753	-	177,753	-	-	-
Interest on long-term debt	9,465	-	-	(9,465)	-	(9,465)
Facilities acquisition and construction	4,559	-	1,066	(3,493)	-	(3,493)
Depreciation (unallocated)*	29,729	-	-	(29,729)	-	(29,729)
	221,506	-	178,819	(42,687)	-	(42,687)
Total governmental activities	4,726,927	146,700	1,188,392	(3,391,835)	-	(3,391,835)

NEWELL-FONDA COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2011

		Program Revenues		Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
Business type activities:						
Non-instructional programs:						
Proprietary funds	212,359	111,246	126,080	-	24,967	24,967
Total	$ 4,939,286	257,946	1,314,472	(3,391,835)	24,967	(3,366,868)
General Revenues:						
Property tax levied for:						
General purposes				$ 1,597,551	-	1,597,551
Management				135,205	-	135,205
Capital outlay				152,724	-	152,724
Income surtax				163,712	-	163,712
Statewide sales, services and use tax				305,169	-	305,169
Unrestricted state grants				1,382,330	-	1,382,330
Unrestricted investment earnings				13,191	-	13,191
Other				105,650	-	105,650
Total general revenues				3,855,532	-	3,855,532
Change in net assets				463,697	24,967	488,664
Net assets beginning of year				2,919,374	50,018	2,969,392
Net assets end of year				$ 3,383,071	74,985	3,458,056

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

See notes to financial statements.

NEWELL-FONDA COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2011

				Capital Projects		
	General	Student Activity	Management Levy	Statewide Sales Services and Use Tax	Property Plant and Equipment Levy	Total
Assets						
Cash and pooled investments	$ 1,011,203	91,538	55,490	40,996	52,524	1,251,751
Receivables:						
Property tax:						
Current year	18,494	-	2,284	-	1,980	22,758
Succeeding year	1,631,834	-	135,000	-	152,482	1,919,316
Income surtax	147,352	-	-	-	-	147,352
Due from other governments	-	-	-	61,361	-	61,361
Other receivables	76,577	-	-	-	-	76,577
Accrued interest receivable	-	-	-	-	-	-
Total assets	$ 2,885,460	91,538	192,774	102,357	206,986	3,479,115

NEWELL-FONDA COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2011

				Capital Projects		
	General	Student Activity	Management Levy	Statewide Sales Services and Use Tax	Property Plant and Equipment Levy	Total
Liabilities and Fund Balance						
Liabilities:						
Accounts payable	$ 119,012	-	2,372	-	-	121,384
Deferred revenue:						
Succeeding year property tax	1,631,834	-	135,000	-	152,482	1,919,316
Succeeding year income surtax	147,352	-	-	-	-	147,352
Federal programs	41,263	-	-	-	-	41,263
Total liabilities	1,939,461	-	137,372	-	152,482	2,229,315
Fund balances:						
Restricted for:						
Categorical funding	217,989	-	-	-	-	217,989
Student activities	-	91,538	-	-	-	91,538
Management levy	-	-	55,402	-	-	55,402
School infrastructure	-	-	-	102,357		102,357
Physical plant and equipment levy	-	-	-	-	54,504	54,504
Unassigned	728,010	-	-	-	-	728,010
Total fund balances	945,999	91,538	55,402	102,357	54,504	1,249,800
Total liabilities and fund balances	$ 2,885,460	91,538	192,774	102,357	206,986	3,479,115

See notes to financial statements.

NEWELL-FONDA COMMUNITY SCHOOL DISTRICT

Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Assets

June 30, 2011

Total fund balances of governmental funds (Exhibit C)		$ 1,249,800
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Income surtax receivable at June 30, 2011 is not recognized as income until received in the governmental funds, however it is shown as a revenue in the Statement of Activities.		147,352
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.		2,194,230
Internal Service fund assets that are to be included with governmental funds.		30,052
Long-term liabilities, including compensated absences and early retirement, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		
Early retirement	$ (96,566)	
Capital lease	(141,797)	(238,363)
Net assets of governmental activities (Exhibit A)		$ 3,383,071

See notes to financial statements.

NEWELL-FONDA COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds

Year ended June 30, 2011

				Capital Projects			
	General	Student Activity	Management Levy	Statewide Sales Services and Use Tax	Property Plant and Equipment Levy	Debt Service	Total
Revenues:							
Local sources:							
Local tax	$ 1,725,872	-	135,205	305,169	152,724	-	2,318,970
Tuition	146,700	-	-	-	-	-	146,700
Other	146,999	219,726	12,336	1,066	2,088	-	382,215
State sources	1,983,716	-	72	-	81	-	1,983,869
Federal sources	319,978	-	-	-	-	-	319,978
Total revenues	4,323,265	219,726	147,613	306,235	154,893	-	5,151,732
Expenditures:							
Current:							
Instruction	2,864,452	234,111	89,933	8,670	46,164	-	3,243,330
Support services:							
Student services	116,236	-	-	-	-	-	116,236
Instructional staff services	123,775	-	-	-	880	-	124,655
Administration services	470,729	-	21,595	2,292	2,292	-	496,908
Operation and maintenance of plant services	287,433	-	31,364	-	16,931	-	335,728
Transportation services	226,646	-	11,087	-	-	-	237,733
	1,224,819	-	64,046	2,292	20,103	-	1,311,260
Other expenditures:							
AEA flowthrough	177,753	-	-	-	-	-	177,753
Long term debt:							
Principal	-	-	-	-	-	95,051	95,051
Interest	-	-	-	-	-	9,465	9,465
Facilities acquisition and construction	-	-	-	5,069	315,350	-	320,419
	177,753	-	-	5,069	315,350	104,516	602,688
Total expenditures	4,267,024	234,111	153,979	16,031	381,617	104,516	5,157,278

NEWELL-FONDA COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds

Year ended June 30, 2011

				Capital Projects			
	General	Student Activity	Management Levy	Statewide Sales Services and Use Tax	Property Plant and Equipment Levy	Debt Service	Total
Excess (deficiency) of revenues over (under) expenditures	56,241	(14,385)	(6,366)	290,204	(226,724)	(104,516)	(5,546)
Other financing sources(uses):							
Sale of property	-	-	-	-	3,501	-	3,501
Operating transfers in	-	-	-	-	-	104,516	104,516
Operating transfers (out)	-	-	-	(104,516)	-	-	(104,516)
	-	-	-	(104,516)	3,501	104,516	3,501
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	56,241	(14,385)	(6,366)	185,688	(223,223)	-	(2,045)
Fund balances beginning of year	889,758	105,923	61,768	(83,331)	277,727	-	1,251,845
Fund balances end of year	$ 945,999	91,538	55,402	102,357	54,504	-	1,249,800

See notes to financial statements.

NEWELL-FONDA COMMUNITY SCHOOL DISTRICT

Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances - Governmental Funds
to the Statement of Activities

Year ended June 30, 2011

Net change in fund balances - total governmental funds (Exhibit E)		$ (2,045)
Amounts reported for governmental activities in the Statement of Activities are different because:		
Income surtaxes not collected for several months after the District's fiscal year ends are not considered "available" revenues in the governmental funds and are included as deferred revenues. They are, however, recorded as revenues in the Statement of Activities this represents the change from the prior fiscal year.		35,391
Internal Service Fund transactions are not reported in the General Fund as revenues and expenditures, however the General Fund is the source of these revenues and use of the expenditures.		30,052
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Net Activities and are allocated over their astimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures exceeded depreciation expense in the current year as follows:		
Expenditures for capital assets	$ 412,627	
Depreciation expense	(177,518)	235,109
Repayments of long-term liabilities is an expenditure in the government funds, but the repayments reduce long-term liabilities in the Statement of Net Assets.		95,051
Early retirement 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.		70,139
Change in net assets of governmental activities (Exhibit B)		$ 463,697

See notes to financial statements.

NEWELL-FONDA COMMUNITY SCHOOL DISTRICT

Statement of Net Assets
Proprietary Funds

Year ended June 30, 2011

	Business Type	Governmental Activities
	School Nutrition	Internal Service
Assets		
Cash and pooled investments	$ 70,543	30,052
Inventories	2,685	-
Capital assets, net of accumulated depreciation	1,757	-
Total assets	74,985	30,052
Net Assets		
Invested in capital assets, net of related debt	1,757	-
Restricted for health benefits	-	30,052
Unrestricted	73,228	-
Total net assets	$ 74,985	30,052

See notes to financial statements.

NEWELL-FONDA COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds

Year ended June 30, 2011

	Business Type	Governmental Activities
	School Nutrition	Internal Service
Operating revenue:		
Local sources:		
Charges for services	$ 111,246	30,666
Operating expenses:		
Non-instructional programs:		
Food service operations:		
Salaries	82,588	-
Benefits	12,045	-
Services	1,289	
Supplies	116,094	-
Depreciation	343	-
	212,359	-
Internal service programs:		
Benefits	-	614
Total operating expenses	212,359	614
Operating income (loss)	(101,113)	30,052
Non-operating revenues:		
Local sources	453	-
State sources	2,804	-
Federal sources	122,823	-
	126,080	-
Net change in fund net assets	24,967	30,052
Net assets beginning of year	50,018	-
Net assets end of year	$ 74,985	30,052

See notes to financial statements.

NEWELL-FONDA COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows
Proprietary Funds

Year ended June 30, 2011

	Business Type	Governmental Activities
	School Nutrition	Internal Service
Cash flows from operating activities:		
Cash received from sale of services	$ 111,639	30,666
Cash payments to employees for services	(94,633)	(614)
Cash payments to suppliers for goods or services	(106,490)	-
Net cash provided by (used in) operating activities	(89,484)	30,052
Cash flows from non-capital financing activities:		
State grants received	2,804	-
Federal grants received	111,930	-
Net cash provided by non-capital financing activities	114,734	-
Cash flows from capital financing activities:		
Interest on investments	453	-
Net (decrease) in cash and cash equivalents	25,703	30,052
Cash and cash equivalents beginning of year	44,840	-
Cash and cash equivalents end of year	$ 70,543	30,052
Reconciliation of operating income(loss) to net cash provided by(used in) operating activities:		
Operating income(loss)	$ (101,113)	30,052
Adjustments to reconcile operating income(loss) to net cash provided by (used in) operating activities:		
Depreciation	343	-
Commodities used	10,893	-
Decrease in other receivables	393	-
	$ (89,484)	30,052

Non-cash investing, capital and financing activities:

During the year ended June 30, 2011, the District received federal commodities valued at $10,893.

See notes to financial statements.

Exhibit J

NEWELL-FONDA COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Assets
Fiduciary Funds

June 30, 2011

	Private Purpose Trust Funds
Assets	
Cash	$ 389,040
Total assets	389,040
Net assets	
Reserved for scholarships	$ 389,040

See notes to financial statements.

Exhibit K

NEWELL-FONDA COMMUNITY SCHOOL DISTRICT

Statement of Changes in Fiduciary Net Assets
Fiduciary Funds

Year ended June 30, 2011

	Private Purpose Trust Scholarship
Additions:	
Local sources:	
Miscellaneous	$ 7,475
Total additions	7,475
Deductions:	
Support services:	
Scholarships	11,543
Total deductions	11,543
Change in net assets	(4,068)
Net assets beginning of year	393,108
Net assets end of year	$ 389,040

See notes to financial statements.

(1) Summary of Significant Accounting Policies

Newell-Fonda Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The geographic area served includes the Cities of Newell and Fonda, Iowa, and agricultural area in Buena Vista, Sac, Pocahontas and Calhoun 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, Newell-Fonda 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. Newell-Fonda Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

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

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 and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction, or improvement of those assets.

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

Unrestricted net assets consist of net assets not meeting the definition of the preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

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

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. The District has elected to present all funds as major funds for clarity of presentation

The District reports the following major governmental funds:

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

The Student Activity Fund is used to account for extra curricular activities conducted on behalf of the students.

The Management Levy Fund is utilized for the payment of insurance, unemployment and early retirement benefits.

The Debt Service Fund is utilized to account for the payment of interest and principal on the District's general long-term debt.

The Capital Projects Fund, Physical Plant and Equipment Levy is used to account for the purchase of equipment and the repairing, remodeling and construction of buildings and land improvements.

The Capital Projects Fund, Statewide Sales, Services and Use Tax is used to account for all resources used in the acquisition and construction of capital facilities.

The District's major proprietary funds are the Enterprise, School Nutrition Fund and Internal Service Fund. The School Nutrition Fund is used to account for the food service operations of the District. The Internal Service Fund is used to account for the District's medical insurance plan.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

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

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary 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 the 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.

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

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

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 Equity

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

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for 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, have a maturity date no longer than three months.

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

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Current 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, 2009 assessed property valuations; is for the tax accrual period July 1, 2010 through June 30, 2011 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2010.

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, furniture 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 repair 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. The District had no intangible assets meeting the capitalization threshold.

Asset Class	Amount
Land	$ 1,000
Buildings	10,000
Improvements other than buildings	10,000
Intangible assets	50,000
Furniture and equipment:	
School Nutrition Fund equipment	10,000
Other furniture and equipment	10,000

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

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Improvements other than buildings	20-50 years
Intangible assets	5-10 years
Furniture and equipment	5-15 years

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred 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 in 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 and unspent grant proceeds.

Compensated Absences - District employees accumulated a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability is deemed to be immaterial at June 30, 2011.

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

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

Unassigned - All amounts not included in other spendable classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2011, expenditures did not exceed the amount budgeted in any of the four functions. The District did not exceed its General Fund unspent authorized budget.

(2) Cash and Pooled Investments

The District's deposits in banks at June 30, 2011 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, 2011.

(3) Capital Assets

Capital assets activity for the year ended June 30, 2011 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	$ 2,000	-	-	2,000
Capital assets being depreciated:				
Buildings	2,414,105	365,860	-	2,779,965
Furniture and Equipment	1,172,209	46,767	-	1,218,976
Total capital assets being depreciated	3,586,314	412,627	-	3,998,941
Less accumulated depreciation for:				
Buildings	850,362	48,779	-	899,141
Furniture and Equipment	778,831	128,739	-	907,570
Total accumulated depreciation	1,629,193	177,518	-	1,806,711
Total capital assets being depreciated, net	1,957,121	235,109	-	2,192,230
Governmental activities, capital assets, net	$ 1,959,121	235,109	-	2,194,230
Business type activities:				
Furniture and equipment	$ 25,513	-	-	25,513
Less accumulated depreciation	23,413	343	-	23,756
Business type activities capital assets, net	$ 2,100	(343)	-	1,757

Depreciation expense was charged to the following functions:

Governmental activities:	
Instructional support	$ 119,130
Transportation services	28,659
Unallocated	29,729
	$ 177,518
Business type activities:	
Food service operations	$ 343

(4) 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, PO Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 4.50% of their annual salary and the District is required to contribute 6.95% of annual covered salary. Contribution requirements are established by state statute. The District's contribution to IPERS for the years ended June 30, 2011, 2010, and 2009 were $180,599, $188,645 and $135,732 respectively, equal to the required contributions for each year.

(5) Risk Management

Newell-Fonda 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.

(6) 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 $177,753 for year ended June 30, 2011 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(7) Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-nine and employees must have completed fifteen years of continuous service to the District. Employees must complete an application which is required to be approved by the Board of Education. The early retirement incentive is equal to the difference between the employee's base salaries calculated by using the current year regular salary schedule less the beginning base salary using the same schedule. Early retirement benefits paid during the year ended June 30, 2011 totaled $15,065.

(8) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2011 are summarized as follows:

	Balance Beginning Year	Additions	Reductions	Balance End of Year	Due Within One Year
Lease Payable	$236,848	-	95,051	141,797	66,539
Early Retirement	166,705	-	70,139	96,566	44,857
Total	$403,553	-	165,190	238,363	111,396

In fiscal year 2008, the District entered into a four year lease purchase with Apple Inc. for the acquisition of 165 laptop computers. Payments of $32,257.93 are made every six months. In fiscal year 2010, the District entered into a four year lease purchase with Apple Inc. for the acquisition of laptop computers. Payments of $20,000 semiannually are required.

Details at June 30, 2011 are as follows:

Year Ending June 30,	2008 Lease			2010 Lease			
	Interest Rate	Principal	Interest	Interest Rate	Principal	Interest	Total
2012	4.19%	$1,597	661	4.98%	$ 34,942	5,058	72,258
2013		-	-	4.98	36,704	3,296	40,000
2014		-	-	4.98	38,554	1,446	40,000
Total		$31,597	661		$110,200	9,800	152,258

(9) Component Unit

The Newell-Fonda Educational Foundation was formed during 2009. Financial activities of the Foundation will be included in future reports as money begins to be collected and spent.

(10) Other Postemployment Benefits (OPEB)

Plan Description - The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 75 active and 9 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which result 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 benefits 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 (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding which, 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 the year ended June 30, 2011, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	$ 40,000
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost	40,000
Contributions made	(40,000)
Increase in net OPEB obligation	-
Net OPEB obligation beginning of year	-
Net OPEB obligation end of year	$ -

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 actual contributions for the year ended June 30, 2011.

For the year ended June 30, 2011, the District contributed $41,000 to the medical plan.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2011 are summarized as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2010	$40,000	100.00%	$ -
June 30, 2011	$40,000	100.00%	$ -

Funded Status and Funding Progress - As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2010 through June 30, 2011, the actuarial accrued liability was $434,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of $434,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately $2,793,000 and the ratio of the UAAL to covered payroll was 15.5%. As of June 30, 2011, 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 health care 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 Financial Statements, 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 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 the July 1, 2009 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions includes a 4.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 11%. The ultimate medical trend rate is 5%. The medical trend rate is reduce 0.5% each year until reaching the 5% ultimate trend rate.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed using table 1 in GASB 45 paragraph 35(b).

Projected claim costs of the medical plan are $773 per month for retirees less than age 65. The salary increase rate was assumed to be 3.5% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(11) Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, was implemented during the year ended June 30, 2011. The effect of fund type reclassifications is as follows:

	Capital Projects, Physical Plant and Equipment Levy	Special Revenue, Physical Plant and Equipment Levy
Balances June 30, 2010, as previously reported	$ -	277,727
Change in fund type classification per implementation of GASB Statement No. 54	277,727	(277,727)
Balances July 1, 2010, as restated	$277,727	-

Required Supplementary Information

NEWELL-FONDA COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances -
Budget and Actual - All Governmental Funds and Proprietary Fund

Required Supplementary Information

Year ended June 30, 2011

	Governmental Fund Types Actual	Proprietary Fund Type Actual	Total Actual	Budgeted Amounts Original	Budgeted Amounts Final	Final to Actual Variance
Revenues:						
Local sources	$ 2,847,885	111,699	2,959,584	2,882,032	2,882,032	77,552
State sources	1,983,869	2,804	1,986,673	2,227,254	2,227,254	(240,581)
Federal sources	319,978	122,823	442,801	310,000	310,000	132,801
Total revenues	5,151,732	237,326	5,389,058	5,419,286	5,419,286	(30,228)
Expenditures/Expenses:						
Instruction	3,243,330	-	3,243,330	3,324,643	3,324,643	81,313
Support services	1,311,260	-	1,311,260	1,404,175	1,404,175	92,915
Non-instructional programs	-	212,359	212,359	239,150	239,150	26,791
Other expenditures	602,688	-	602,688	879,120	879,120	276,432
Total expenditures/expenses	5,157,278	212,359	5,369,637	5,847,088	5,847,088	477,451
Excess (deficiency) of revenues over (under) expenditures/expenses	(5,546)	24,967	19,421	(427,802)	(427,802)	447,223
Other financing sources (uses)	3,501	-	3,501	-	-	3,501
Excess (deficiency) of revenues and other financing sources over (under) expenditures/expenses and other financing uses	(2,045)	24,967	22,922	(427,802)	(427,802)	450,724
Balance beginning of year	1,251,845	50,018	1,301,863	1,076,362	1,076,362	225,501
Balance end of year	$ 1,249,800	74,985	1,324,785	648,560	648,560	676,225

See accompanying independent auditor's report.

NEWELL-FONDA COMMUNITY SCHOOL DISTRICT

Note to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2011

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

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

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

During the year ended June 30, 2011, expenditures did not exceed the amount budgeted in any of the four functions. The District did not exceed the General Fund unspent authorized budget.

NEWELL-FONDA COMMUNITY SCHOOL DISTRICT

Schedule of Funding Progress for the
Retiree Health Plan
(In Thousands)

Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	Jul 1, 2009	$0	$434	$434	0.0%	$2,717	16.0%
2011	Jul 1, 2009	$0	$434	$434	0.0%	$2,792	15.5%

See Note 10 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost and net OPEB obligation, funded status and funding progress.

See accompanying independent auditor's report.

Other Supplementary Information

NEWELL-FONDA COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2011

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Boys Basketball	$ 8,451	3,593	5,640	6,404
Football	-	10,469	10,469	-
Baseball	-	2,371	2,371	-
Co-ed Track	-	110	110	-
Co-ed Golf	-	882	882	-
Girls Basketball	8,002	7,656	13,434	2,224
Volleyball	-	3,102	3,102	-
Softball	-	5,479	5,479	-
General Athletics	10,877	40,678	51,070	485
Cheerleaders	9,667	10,672	8,698	11,641
Drill Team	3,643	5,152	4,238	4,557
Tech Club	-	1,260	1,260	-
National Honor Society	3,832	10,800	12,440	2,192
All School Play	2,228	1,077	1,481	1,824
Speech	749	226	726	249
Foreign Language Club	478	-	-	478
MS TA - Nielsen	7,206	753	3,085	4,874
Student Council	6,755	9,158	9,504	6,409
FCCLA	1,914	1,176	1,718	1,372
FFA	2,510	16,614	14,455	4,669
MS School Play	27	-	-	27
After Prom	417	6,146	6,122	441
Girls Basketball Fund Raiser	5,215	6,383	5,112	6,486
Boys Basketball Fund Raiser	1,040	2,643	2,338	1,345
Football Fund Raiser	1,152	13,946	12,882	2,216
Baseball Fund Raiser	158	9,448	7,640	1,966
Volleyball Fund Raiser	158	1,734	1,248	644
Softball Fund Raiser	3,375	8,175	8,059	3,491
Boys Track Fund Raiser	-	1,603	1,451	152
Girls Track Fund Raiser	22	389	400	11
Boys Golf Fund Raiser	112	371	483	-
Girls Golf Fund Raiser	-	738	738	-
Class of 2011	1,374	-	1,374	-
Class of 2012	3,043	1,272	2,792	1,523
Class of 2014	-	4,800	2,739	2,061
Class of 2015	206	-	206	-
Class of 2010	319	-	319	-
Class of 2013	1,949	465	-	2,414

NEWELL-FONDA COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2011

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Art	1,216	687	765	1,138
Shop	1,132	-	-	1,132
Music Fundraiser	3	2,536	838	1,701
Music Resale	-	979	939	40
Elementary PTF Funds	4,147	2,943	2,580	4,510
Special Projects	-	2,393		569
State Basketball Tourney Expense	-	10,737	11,510	(773)
Library	653	86	-	739
Postage	97	-	-	97
General Activity	338	478	708	108
Yearbook 11-12	15	-	15	-
Yearbook 10-11	-	8,130	6,625	1,505
Yearbook 09-10	3,742	-	3,742	-
Interest	9,701	1,416	500	10,617
Totals	$ 105,923	219,726	232,287	91,538

See accompanying independent auditor's report.

NEWELL-FONDA COMMUNITY SCHOOL DISTRICT

Combining Schedule of Fiduciary Net Assets

Year ended June 30, 2011

	Private Purpose Trust Funds		
	Cecil Rogers Scholarship	Don Anderson Trust	Total
Assets			
Cash	$ 6,571	382,469	389,040
	$ 6,571	382,469	389,040
Net Assets			
Reserved for scholarships	$ 6,571	382,469	389,040
	$ 6,571	382,469	389,040

See accompanying independent auditor's report.

NEWELL-FONDA COMMUNITY SCHOOL DISTRICT

Combining Schedule of Changes in Fiduciary Net Assets

Year ended June 30, 2011

	Private Purpose Trust Funds		
	Cecil Rogers Scholarship	Don Anderson Trust	Total
Additions:			
Local sources:			
Interest income	$ 81	7,394	7,475
Deductions:			
Support services:			
Scholarships awarded	-	11,543	11,543
Change in net assets	81	(4,149)	(4,068)
Net assets beginning of year	6,490	386,618	393,108
Net assets end of year	$ 6,571	382,469	389,040

See accompanying independent auditor's report.

NEWELL-FONDA COMMUNITY SCHOOL DISTRICT

Schedule of Revenues by Source and Expenditures by Function
All Governmental Funds

For the Last Eight Years

	Modified Accrual Basis							
	2011	2010	2009	2008	2007	2006	2005	2004
Revenues:								
Local sources:								
Local tax	$ 2,318,970	2,156,362	2,047,959	1,748,576	1,625,426	1,422,156	1,349,135	1,447,498
Tuition	146,700	118,116	101,302	107,348	77,647	67,130	69,206	75,455
Other	382,215	348,969	364,771	411,148	432,721	351,589	268,811	370,917
State sources	1,983,869	1,794,967	2,035,299	2,229,917	2,003,601	2,113,281	1,654,735	1,600,299
Federal sources	319,978	426,044	181,228	152,205	148,347	150,162	146,638	162,419
Total	$ 5,151,732	4,844,458	4,730,559	4,649,194	4,287,742	4,104,318	3,488,525	3,656,588
Expenditures:								
Instruction	$ 3,243,330	2,903,132	2,819,448	2,962,072	2,647,909	2,617,889	2,488,717	2,270,536
Support services:								
Student	116,236	90,417	83,268	96,602	71,298	74,057	71,142	90,776
Instructional staff	124,655	159,882	165,638	141,894	136,196	118,446	102,411	124,862
Administration	496,908	494,241	387,843	394,494	442,524	437,461	404,889	383,365
Operation and maintenance of plan	335,728	319,337	342,234	337,281	338,531	382,039	388,787	416,362
Transportation	237,733	276,333	250,916	216,805	229,711	275,661	268,411	181,539
Other expenditures:								
Facilities acquisition	320,419	1,540,756	175,241	89,479	57,465	30,629	8,071	6,252
Debt service:								
Principal	95,051	58,779	56,394	30,566	-	-	-	-
Interest	9,465	5,737	8,122	1,692	-	-	-	-
AEA flowthrough	177,753	175,916	162,268	160,842	153,999	151,340	135,465	138,167
Total	$ 5,157,278	6,024,530	4,451,372	4,431,727	4,077,633	4,087,522	3,867,893	3,611,859

See accompanying independent auditor's report.

BRUCE D. FRINK
Certified Public Accountant

Member:

- American Institute of Certified Public Accountants
- Iowa Society of Certified Public Accountants

Services:

- Individual, Partnership and Corporate Tax Preparation
- Year Round Tax Planning
- Payroll & Sales Tax Preparation
- I.R.S. Representation
- Monthly/Quarterly Write-Up
- Data Processing Services
- Payroll Preparation
- Financial Statement Preparation
- Bank Loan Assistance

Plus:

- Over 30 years of Expertise and Experience
- Evenings & Saturdays Available by Appointment
- Extended Hours During Tax Season

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
Newell-Fonda Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities and each major fund of Newell-Fonda Community School District as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 7, 2012. 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 Newell-Fonda 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 Newell-Fonda Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Newell-Fonda 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, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings as items I-A-11 and I-B-11 to be material weaknesses.

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 noted no items which we consider to be significant deficiencies.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether Newell-Fonda 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 instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

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

Newell-Fonda Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit Newell-Fonda 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 Newell-Fonda Community School District and other parties to whom Newell-Fonda Community School District may report, including federal awarding agencies and pass-through entities, and 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 Newell-Fonda 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.

Bruce D. Frink

BRUCE D. FRINK
Certified Public Accountant

March 7, 2012

NEWELL-FONDA COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2011

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

SIGNIFICANT DEFICIENCIES:

I-A-11 Segregation of Duties - During our review of the internal control structure, the existing procedures are evaluated in order to determine that incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and therefore maximizes the accuracy of the District's financial statements. We noted that one individual has custody of receipts and performs all record-keeping and reconciling functions for the office.

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

Response - We will review procedures and investigate available alternatives.

Conclusion - Response acknowledged.

I-B-11 Auditor Drafting of the Financial Statements and Related Footnote Disclosures - As in prior years, we were requested to draft the audited financial statements and related footnote disclosures as part of our regular audit services. SAS 115, an auditing standard from the American Institute of Certified Public Accountants, requires auditors to communicate this situation as an internal control deficiency. Ultimately, it is management's responsibility to provide for the preparation of the District's statements and footnotes, and the responsibility of the auditor to determine the fairness of the presentation of those statements. From a practical standpoint we do both for you at the same time in connection with our audit. This is not unusual for us to do this with organizations of your size. However, based on this auditing standard, it is our responsibility to inform you that this deficiency could result in a misstatement to the financial statements that could have been prevented or detected by the District's management. As in prior years, we have instructed management to review a draft of the auditor prepared financial statements in detail for their accuracy, we have answered any questions they might have, and encouraged research of any accounting guidance in connection with the adequacy and appropriateness of classification and disclosure in your financial statements. We are satisfied that the appropriate steps have been taken to provide you with the completed financial statements.

Recommendation - It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Response - We feel our review of the draft financials is adequate for us to accept this risk.

Conclusion - Response accepted.

NEWELL-FONDA COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2011

Part II: Other Findings Related to Required Statutory Reporting:

II-A-11 Certified Budget - Expenditures for the year ended June 30, 2011, did not exceed the certified budget amount in any of the four functions. The District did not exceed its unspent authorized budget for the year ended June 30, 2011.

II-B-11 Questionable Expenditures - No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979, were noted.

II-C-11 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

II-D-11 Business Transactions - No business transactions between the District and District officials or employees were noted.

II-E-11 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

II-F-11 Board Minutes - No transactions requiring Board approval which had not been approved by the Board were noted.

II-G-11 Deposits and Investments - No instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.

II-H-11 Certified Annual Report - The Certified Annual Report was certified timely to the Department of Education.

II-I-11 Certified Enrollment - No variances in the basic enrollment data certified to the Department of Education were noted.

II-J-11 Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

II-K-11 Categorical Funding - No instances were noted of categorical funding being used to supplant rather than supplement other funds.

Part II: Other Findings Related to Required Statutory Reporting:
(continued)

II-L-11 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.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2011, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		$(83,331)
Revenues/transfers in:		
Sales tax revenues	$305,169	
Other local revenues	1,066	306,235
		222,904
Expenditures/transfers out:		
School infrastructure construction	5,069	
Equipment	8,670	
Other	2,292	
Transfers to other funds:		
Debt service fund	104,516	120,547
Ending balance		$102,357

For the year ended June 30, 2011, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.