

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

JUNE 30, 2011

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New Hampton Community School District

Officials

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

New Hampton Community School District

# **NOLTE, CORNMAN & JOHNSON P.C.**

**Certified Public Accountants**

**(a professional corporation)**

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

**Telephone (641) 792-1910**

## **INDEPENDENT AUDITOR'S REPORT**

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

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the New Hampton Community School District, New Hampton, Iowa as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the New Hampton Community School District at June 30, 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 28, 2012 on our consideration of the New Hampton Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis, Budgetary Comparison Information and Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 15 and 42 through 44 are not required parts of the basic financial statements, but are supplementary information required

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

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise New Hampton Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the seven years ended June 30, 2010 (which are not presented herein) and expressed an unqualified opinion on those financial statements. Other supplementary information included in Schedules 1 through 7, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



NOLTE, CORNMAN & JOHNSON, P.C.

March 28, 2012

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

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New Hampton Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 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 \$9,877,191 in fiscal 2010 to \$10,444,790 in fiscal 2011, while General Fund expenditures increased from \$9,962,239 in fiscal 2010 to \$10,495,351 in fiscal 2011. This resulted in a decrease in the District's General Fund balance from \$886,858 in fiscal 2010 to \$836,297 in fiscal 2011, which represents a decrease of 5.70% from the prior year.
- The increase in General Fund revenues was attributable to increases in local and state sources. The increase in expenditures was due primarily to increases in the instruction functional area.
- The District's solvency ratio decreased from 5.59% for fiscal year 2010 to 5.26% for 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 New Hampton Community School District as a whole and present an overall view of the District's finances.

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

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

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

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

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

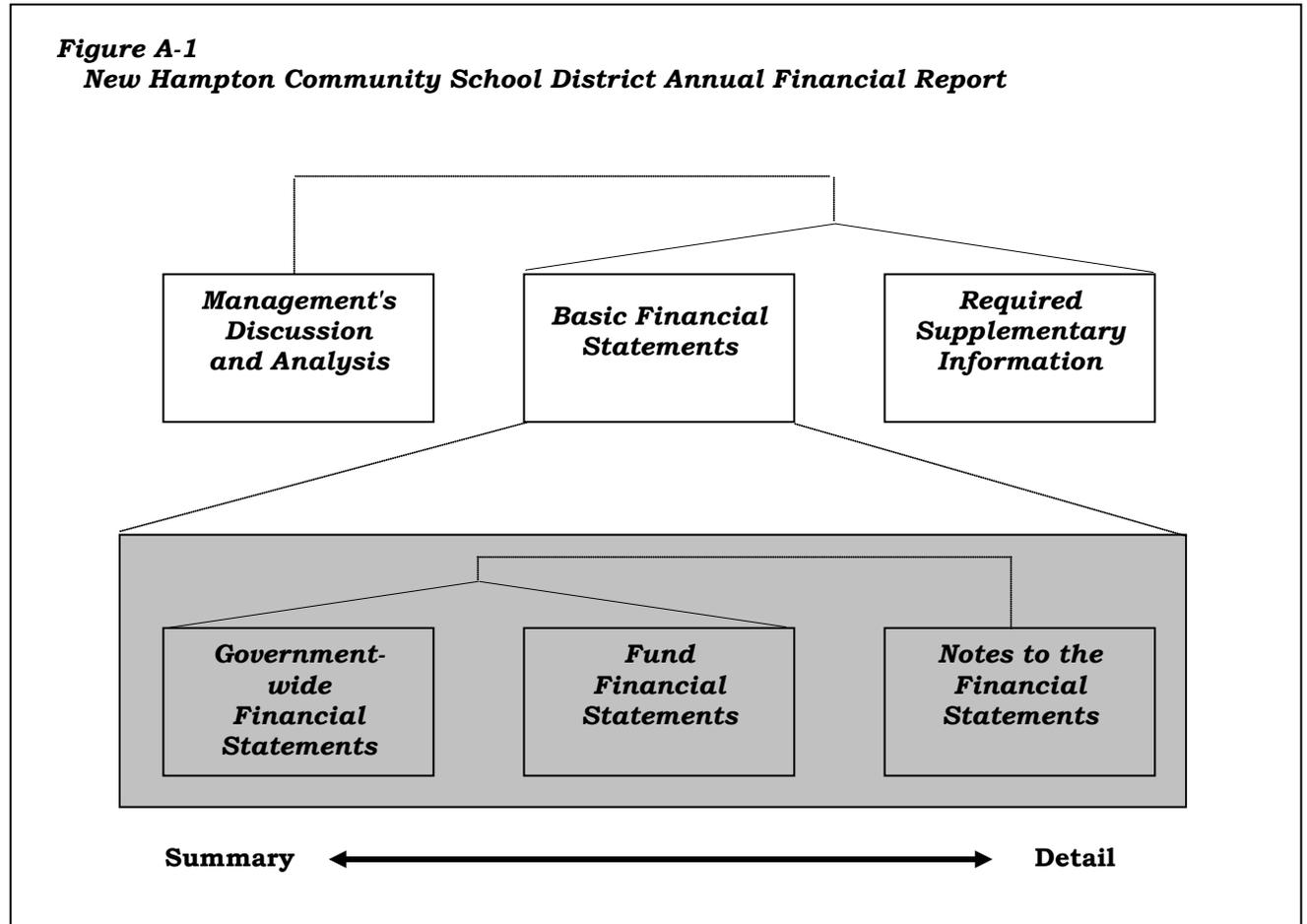


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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

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## **REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES**

### **Government-wide Financial Statements**

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

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

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

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

### **Fund Financial Statements**

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

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

The District has two kinds of funds:

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

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

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

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

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

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's total net assets at June 30, 2011 compared to June 30, 2010.

Figure A-3  
Condensed Statement of Net Assets

	Governmental		Business Type		Total		Total
	Activities		Activities		School District		Change
	June 30,		June 30,		June 30,		June 30,
	2011	2010	2011	2010	2011	2010	2010-11
Current and other assets	\$ 7,774,838	8,297,822	58,755	68,233	7,833,593	8,366,055	-6.36%
Capital assets	10,190,346	10,311,388	32,665	37,010	10,223,011	10,348,398	-1.21%
Total assets	17,965,184	18,609,210	91,420	105,243	18,056,604	18,714,453	-3.52%
Long-term obligations	3,346,280	3,301,720	0	0	3,346,280	3,301,720	1.35%
Other liabilities	3,731,561	4,603,387	9,624	7,103	3,741,185	4,610,490	-18.85%
Total liabilities	7,077,841	7,905,107	9,624	7,103	7,087,465	7,912,210	-10.42%
Net assets:							
Invested in capital assets, net of related debt	7,170,346	7,191,388	32,665	37,010	7,203,011	7,228,398	-0.35%
Restricted	2,853,320	2,718,857	0	0	2,853,320	2,718,857	4.95%
Unrestricted	863,677	793,858	49,131	61,130	912,808	854,988	6.76%
Total net assets	\$ 10,887,343	10,704,103	81,796	98,140	10,969,139	10,802,243	1.55%

The District's combined net assets increased by 1.55%, or \$166,896, over the prior year. The largest portion of the District's net assets is the invested in capital assets, net of related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased \$134,463, or 4.95% over the prior year. The increase was primarily the result of the increase in the Capital Projects: Statewide Sales, Services and Use Tax Fund balances.

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 – increased \$57,820, or 6.76%.

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

Figure A-4  
Changes of Net Assets

	Governmental		Business Type		Total		Total
	Activities		Activities		School District		Change
	June 30,	June 30,	June 30,	June 30,	June 30,	June 30,	2010-11
	2011	2010	2011	2010	2011	2010	
Revenues:							
Program revenues:							
Charges for services	\$ 891,092	955,848	259,413	264,660	1,150,505	1,220,508	-5.74%
Operating grants and contributions and restricted interest	1,283,066	2,089,060	221,545	213,197	1,504,611	2,302,257	-34.65%
Capital grants and contributions and restricted interest	170,000	0	0	0	170,000	0	100.00%
General revenues:							
Property tax	4,541,184	4,187,130	0	0	4,541,184	4,187,130	8.46%
Income surtax	298,940	480,253	0	0	298,940	480,253	-37.75%
Statewide sales, service and use tax	746,477	736,484	0	0	746,477	736,484	1.36%
Nonspecific program federal grants	117,909	0	0	0	117,909	0	100.00%
Unrestricted state grants	4,046,741	3,033,576	0	0	4,046,741	3,033,576	33.40%
Other	137,451	144,568	9,133	3,935	146,584	148,503	-1.29%
Total revenues	12,232,860	11,626,919	490,091	481,792	12,722,951	12,108,711	5.07%
Program expenses:							
Governmental activities:							
Instructional	8,145,889	7,608,504	0	0	8,145,889	7,608,504	7.06%
Support services	3,038,356	2,898,899	14,017	14,932	3,052,373	2,913,831	4.75%
Non-instructional programs	0	0	492,418	485,205	492,418	485,205	1.49%
Other expenses	865,375	1,198,599	0	0	865,375	1,198,599	-27.80%
Total expenses	12,049,620	11,706,002	506,435	500,137	12,556,055	12,206,139	2.87%
Change in net assets	183,240	(79,083)	(16,344)	(18,345)	166,896	(97,428)	-271.30%
Net assets beginning of year	10,704,103	10,783,186	98,140	116,485	10,802,243	10,899,671	-0.89%
Net assets end of year	\$ 10,887,343	10,704,103	81,796	98,140	10,969,139	10,802,243	1.55%

In fiscal 2011, local tax, statewide sales, service and use tax and unrestricted state grants accounted for 78.75% of the revenue from governmental activities while charges for services and operating grants and contributions account for 98.14% of the revenue from business type activities.

The District's total revenues were approximately \$12.72 million of which approximately \$12.23 million was for governmental activities and approximately \$0.49 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced an increase of 5.07% in revenues and a 2.87% increase in expenses. The increase in expenses was related to increases in negotiated salaries and benefits received by District employees.

## Governmental Activities

Revenues for governmental activities were \$12,232,860 and expenses were \$12,049,620.

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

	Total Cost of Services			Net Cost of Services		
	2011	2010	Change 2010-11	2011	2010	Change 2010-11
Instruction	\$ 8,145,889	7,608,504	7.06%	6,461,858	5,086,164	27.05%
Support services	3,038,356	2,898,899	4.81%	2,832,924	2,831,979	0.03%
Other expenses	865,375	1,198,599	-27.80%	410,680	742,951	-44.72%
Totals	<u>\$ 12,049,620</u>	<u>11,706,002</u>	<u>2.94%</u>	<u>9,705,462</u>	<u>8,661,094</u>	<u>12.06%</u>

- The cost financed by users of the District's programs was \$891,092.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,453,066.
- The net cost of governmental activities was financed with \$4,541,184 in property tax, \$298,940 in income surtax, \$746,477 in statewide sales, services and use tax, \$117,909 in nonspecific program federal funding, \$4,046,741 in unrestricted state grants, \$44,169 in interest income and \$93,282 in other general revenues.

## Business type Activities

Revenues of the District's business type activities were \$490,091 and expenses were \$506,435. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

## INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$3,700,037, above last year's ending fund balances of \$3,452,694. However, the primary reason for the increase in combined fund balances in fiscal 2011 is due to the increases in the Capital Projects: Statewide Sales, Services, and Use Tax Fund.

## Governmental Fund Highlights

- The District's decrease in the General Fund financial position is the product of many factors. The difference between fiscal 2011 revenues of \$10,444,790 and expenses of \$10,495,351 results in a net decrease in fund balance of \$50,561. As a result, the District's General Fund balance decreased from \$886,858 in fiscal 2010 to a balance of \$836,297 in fiscal 2011. This represents a 5.70% decrease from the prior year.
- The Management Fund balance decreased from \$643,950 at June 30, 2010 until \$609,380 at June 30, 2011. The difference between fiscal 2011 revenues of \$199,144 and expenses of \$233,714 results in a net decrease in fund balance of \$34,570. This represents a 5.37% decrease from the prior year.

- The Capital Projects Fund balance increased from \$1,833,959 in fiscal 2010 to \$2,137,407 in fiscal 2011. During the year ended June 30, 2011 the Physical Plant and Equipment Levy Fund was reclassified as a Capital Projects Fund due to GASB statement number 54. The Statewide Sales, Services and Use Tax fund balance increased from \$1,661,396 at June 30, 2010 to \$1,998,410 at June 30, 2011, while the Physical Plant and Equipment Levy fund balance decreased from \$172,563 at June 30, 2010 to \$138,997 at June 30, 2011.

### Proprietary Fund Highlights

The School Nutrition Fund net assets decreased from \$98,140 at June 30, 2010 to \$81,796 at June 30, 2011, representing a decrease of 16.65%.

### BUDGETARY HIGHLIGHTS

The District's revenues were \$46,150 more than budgeted revenues, a variance of 0.36%. The most significant variance resulted from the District receiving less in state sources than originally anticipated.

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

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

### CAPITAL ASSET AND DEBT ADMINISTRATION

#### Capital Assets

At June 30, 2011, the District had invested \$10,223,011, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$487,075.

The original cost of the District's capital assets was \$18.70 million. Governmental funds account for \$18.59 million with the remainder of \$0.11 million in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the machinery and equipment category. The District's construction in progress was \$1,268,235 at June 30, 2010, compared to \$0 reported at June 30, 2011.

Figure A-6  
Capital Assets, Net of Depreciation

	Governmental Activities		Business Type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2011	2010	2011	2010	2011	2010	2010-11
Land	\$ 381,700	381,700	0	0	381,700	381,700	0.00%
Construction on progress	0	1,268,235	0	0	0	1,268,235	-100.00%
Buildings	8,737,350	7,675,390	0	0	8,737,350	7,675,390	13.84%
Land improvements	442,210	473,582	0	0	442,210	473,582	-6.62%
Machinery and equipment	629,086	512,481	32,665	37,010	661,751	549,491	20.43%
Total	\$ 10,190,346	10,311,388	32,665	37,010	10,223,011	10,348,398	-1.21%

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## Long-Term Debt

At June 30, 2011, the District had \$3,346,280 in revenue bonds and early retirement benefits outstanding. This represents an increase of 1.35% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 5 to the financial statements.

The District had total outstanding Revenue Bonds payable of \$3,020,000 at June 30, 2011.

The District had total outstanding Early Retirement payable from the Special Revenue, Management Fund of \$326,280 at June 30, 2011.

Figure A-7  
Outstanding Long-Term Obligations

	Total School District		Total Change
	June 30,		June 30,
	2011	2010	2010-11
Revenue bonds	\$ 3,020,000	3,120,000	-3.21%
Early retirement	326,280	181,720	79.55%
Totals	<u>\$ 3,346,280</u>	<u>3,301,720</u>	<u>1.35%</u>

## ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

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

## CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

**New Hampton Community School District**

BASIC FINANCIAL STATEMENTS

NEW HAMPTON COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
JUNE 30, 2011

	Governmental Activities	Business type Activities	Total
<b>Assets</b>			
Cash and pooled investments	\$ 3,659,605	41,329	3,700,934
Receivables:			
Property tax:			
Delinquent	55,369	0	55,369
Succeeding year	3,478,884	0	3,478,884
Income surtax	320,181	0	320,181
Accounts	2,370	0	2,370
Due from other governments	235,370	0	235,370
Inventories	0	16,455	16,455
Net OPEB asset	23,059	971	24,030
Capital assets, net of accumulated depreciation	10,190,346	32,665	10,223,011
<b>Total Assets</b>	<b>17,965,184</b>	<b>91,420</b>	<b>18,056,604</b>
<b>Liabilities</b>			
Accounts payable	61,045	1,012	62,057
Salaries and benefits payable	2,280	0	2,280
Deferred revenue:			
Succeeding year property tax	3,478,884	0	3,478,884
Other	189,352	0	189,352
Unearned revenue	0	8,612	8,612
Long-term liabilities:			
Portion due within one year:			
Early retirement payable	86,780	0	86,780
Portion due after one year:			
Revenue bonds payable	3,020,000	0	3,020,000
Early retirement payable	239,500	0	239,500
<b>Total Liabilities</b>	<b>7,077,841</b>	<b>9,624</b>	<b>7,087,465</b>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	7,170,346	32,665	7,203,011
Restricted for:			
Categorical funding	287,129	0	287,129
Management levy	283,100	0	283,100
Student activities	145,684	0	145,684
School infrastructure	1,998,410	0	1,998,410
Physical plant and equipment	138,997	0	138,997
Unrestricted	863,677	49,131	912,808
<b>Total Net Assets</b>	<b>\$ 10,887,343</b>	<b>81,796</b>	<b>10,969,139</b>

SEE NOTES TO FINANCIAL STATEMENTS.

NEW HAMPTON COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2011

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
<b>Functions/Programs:</b>							
Governmental activities:							
Instruction:							
Regular	\$ 5,201,742	316,544	234,757	0	(4,650,441)	0	(4,650,441)
Special	1,318,265	33,588	428,501	0	(856,176)	0	(856,176)
Other	1,625,882	540,960	129,681	0	(955,241)	0	(955,241)
	<u>8,145,889</u>	<u>891,092</u>	<u>792,939</u>	<u>0</u>	<u>(6,461,858)</u>	<u>0</u>	<u>(6,461,858)</u>
Support services:							
Student	203,347	0	0	0	(203,347)	0	(203,347)
Instructional staff	165,011	0	0	0	(165,011)	0	(165,011)
Administration	1,066,466	0	0	0	(1,066,466)	0	(1,066,466)
Operation and maintenance							
of plant	1,075,762	0	0	170,000	(905,762)	0	(905,762)
Transportation	527,770	0	35,432	0	(492,338)	0	(492,338)
	<u>3,038,356</u>	<u>0</u>	<u>35,432</u>	<u>170,000</u>	<u>(2,832,924)</u>	<u>0</u>	<u>(2,832,924)</u>
Other expenditures:							
Long-term debt interest	69,380	0	0	0	(69,380)	0	(69,380)
AEA flowthrough	454,695	0	454,695	0	0	0	0
Depreciation(unallocated)*	341,300	0	0	0	(341,300)	0	(341,300)
	<u>865,375</u>	<u>0</u>	<u>454,695</u>	<u>0</u>	<u>(410,680)</u>	<u>0</u>	<u>(410,680)</u>
Total governmental activities	<u>12,049,620</u>	<u>891,092</u>	<u>1,283,066</u>	<u>170,000</u>	<u>(9,705,462)</u>	<u>0</u>	<u>(9,705,462)</u>
Business Type activities:							
Support services:							
Administration	4,896	0	0	0	0	(4,896)	(4,896)
Operation and maintenance							
of plant	9,121	0	0	0	0	(9,121)	(9,121)
Non-instructional programs:							
Nutrition services	492,418	259,413	221,545	0	0	(11,460)	(11,460)
Total business type activities	<u>506,435</u>	<u>259,413</u>	<u>221,545</u>	<u>0</u>	<u>0</u>	<u>(25,477)</u>	<u>(25,477)</u>
Total	<u>\$ 12,556,055</u>	<u>1,150,505</u>	<u>1,504,611</u>	<u>170,000</u>	<u>(9,705,462)</u>	<u>(25,477)</u>	<u>(9,730,939)</u>
<b>General Revenues:</b>							
Property tax levied for:							
General purposes					\$ 4,413,216	0	4,413,216
Capital outlay					127,968	0	127,968
Income surtax					298,940	0	298,940
Statewide sales, services and use tax					746,477	0	746,477
Nonspecific program federal grants					117,909	0	117,909
Unrestricted state grants					4,046,741	0	4,046,741
Unrestricted investment earnings					44,169	648	44,817
Other general revenues					93,282	8,485	101,767
Total general revenues					<u>9,888,702</u>	<u>9,133</u>	<u>9,897,835</u>
Changes in net assets					183,240	(16,344)	166,896
Net assets beginning of year					<u>10,704,103</u>	<u>98,140</u>	<u>10,802,243</u>
Net assets end of year					<u>\$ 10,887,343</u>	<u>81,796</u>	<u>10,969,139</u>

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

SEE NOTES TO FINANCIAL STATEMENTS.

NEW HAMPTON COMMUNITY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2011

	General	Manage- ment Levy	Capital Projects	Other Nonmajor Governmental Funds	Total
<b>Assets</b>					
Cash and pooled investments	\$ 912,621	607,725	2,009,773	129,486	3,659,605
Receivables:					
Property tax:					
Delinquent	52,087	1,755	1,527	0	55,369
Succeeding year	3,113,257	225,000	140,627	0	3,478,884
Income surtax	320,181	0	0	0	320,181
Accounts	1,744	0	0	626	2,370
Due from other governments	104,668	0	130,702	0	235,370
<b>Total Assets</b>	<b>\$ 4,504,558</b>	<b>834,480</b>	<b>2,282,629</b>	<b>130,112</b>	<b>7,751,779</b>
<b>Liabilities and Fund Balances</b>					
Liabilities:					
Accounts payable	\$ 43,191	100	4,595	13,159	61,045
Salaries and benefits payable	2,280	0	0	0	2,280
Deferred revenue:					
Succeeding year property tax	3,113,257	225,000	140,627	0	3,478,884
Income surtax	320,181	0	0	0	320,181
Other	189,352	0	0	0	189,352
Total liabilities	<b>3,668,261</b>	<b>225,100</b>	<b>145,222</b>	<b>13,159</b>	<b>4,051,742</b>
Fund balances:					
Restricted for:					
Categorical funding	287,129	0	0	0	287,129
Management levy purposes	0	609,380	0	0	609,380
Student activities	0	0	0	145,684	145,684
School infrastructure	0	0	1,998,410	0	1,998,410
Physical plant and equipment	0	0	138,997	0	138,997
Unassigned:					
General	549,168	0	0	0	549,168
Student activities	0	0	0	(28,731)	(28,731)
Total fund balances	<b>836,297</b>	<b>609,380</b>	<b>2,137,407</b>	<b>116,953</b>	<b>3,700,037</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 4,504,558</b>	<b>834,480</b>	<b>2,282,629</b>	<b>130,112</b>	<b>7,751,779</b>

SEE NOTES TO FINANCIAL STATEMENTS.

NEW HAMPTON COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF NET ASSETS  
 JUNE 30, 2011

<b>Total fund balances of governmental funds(page 20)</b>		\$ 3,700,037
 <i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and, therefore, are not report as assets in the governmental funds.		10,190,346
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.		320,181
Other postemployment benefits are not yet available to finance expenditures of the current fiscal period.		23,059
Long-term liabilities, including bonds payable and early retirement, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		(3,346,280)
		<hr style="border-top: 1px solid black;"/>
<b>Net assets of governmental activities(page 18)</b>		<b><u><u>\$ 10,887,343</u></u></b>

SEE NOTES TO FINANCIAL STATEMENTS.

NEW HAMPTON COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2011

	General	Management Levy	Capital Projects	Other Nonmajor Governmental Funds	Total
<b>Revenues:</b>					
Local sources:					
Local tax	\$ 4,554,430	143,868	874,445	0	5,572,743
Tuition	324,598	0	0	0	324,598
Other	128,711	55,189	191,786	508,760	884,446
Intermediate sources	1,983	0	0	0	1,983
State sources	4,756,344	87	77	0	4,756,508
Federal sources	678,724	0	0	0	678,724
<b>Total revenues</b>	<b>10,444,790</b>	<b>199,144</b>	<b>1,066,308</b>	<b>508,760</b>	<b>12,219,002</b>
<b>Expenditures:</b>					
Current:					
Instruction:					
Regular	4,853,935	131,066	4,595	0	4,989,596
Special	1,323,826	0	0	0	1,323,826
Other	1,203,672	0	0	479,734	1,683,406
	<b>7,381,433</b>	<b>131,066</b>	<b>4,595</b>	<b>479,734</b>	<b>7,996,828</b>
Support services:					
Student	210,279	0	0	0	210,279
Instructional staff	261,340	0	0	0	261,340
Administration	1,061,260	6,630	0	0	1,067,890
Operation and maintenance of plant	658,986	96,018	0	0	755,004
Transportation	467,358	0	88,000	0	555,358
	<b>2,659,223</b>	<b>102,648</b>	<b>88,000</b>	<b>0</b>	<b>2,849,871</b>
Other expenditures:					
Facilities acquisitions	0	0	431,505	0	431,505
Long-term debt:					
Principal	0	0	0	100,000	100,000
Interest and fiscal charges	0	0	0	138,760	138,760
AEA flowthrough	454,695	0	0	0	454,695
	<b>454,695</b>	<b>0</b>	<b>431,505</b>	<b>238,760</b>	<b>1,124,960</b>
<b>Total expenditures</b>	<b>10,495,351</b>	<b>233,714</b>	<b>524,100</b>	<b>718,494</b>	<b>11,971,659</b>
Excess(Deficiency) of revenues over(under) expenditures	(50,561)	(34,570)	542,208	(209,734)	247,343
Other financing sources(uses):					
Transfers in	0	0	0	238,760	238,760
Transfers out	0	0	(238,760)	0	(238,760)
Total other financing sources(uses)	<b>0</b>	<b>0</b>	<b>(238,760)</b>	<b>238,760</b>	<b>0</b>
Net change in fund balances	(50,561)	(34,570)	303,448	29,026	247,343
Fund balance beginning of year, as restated	886,858	643,950	1,833,959	87,927	3,452,694
Fund balance end of year	\$ 836,297	609,380	2,137,407	116,953	3,700,037

SEE NOTES TO FINANCIAL STATEMENTS.

NEW HAMPTON COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF ACTIVITIES  
 YEAR ENDED JUNE 30, 2011

Net change in fund balances - total governmental funds(page 22) \$ 247,343

**Amounts reported for governmental activities in the  
 statement of activities are different because:**

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures and depreciation expense in the current year are as follows:

Expenditures for capital assets	\$ 361,688	
Depreciation expense	<u>(482,730)</u>	(121,042)

Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds. 13,858

Repayment of long-term debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets. Issuances and repayments are as follows:  
 Repaid 100,000

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. 69,380

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Early Retirement	\$ (144,560)	
Other postemployment benefits	<u>18,261</u>	<u>(126,299)</u>

**Changes in net assets of governmental activities(page 19) \$ 183,240**

NEW HAMPTON COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
PROPRIETARY FUND  
JUNE 30, 2011

	<u>School Nutrition</u>
<b>Assets</b>	
Cash and pooled investments	\$ 41,329
Inventories	16,455
Net OPEB asset	971
Capital assets, net of accumulated depreciation	32,665
<b>Total Assets</b>	<u>91,420</u>
<b>Liabilities</b>	
Accounts payable	1,012
Unearned revenue	8,612
<b>Total Liabilities</b>	<u>9,624</u>
<b>Net Assets</b>	
Invested in capital assets	32,665
Unrestricted	49,131
<b>Total Net Assets</b>	<u>\$ 81,796</u>

SEE NOTES TO FINANCIAL STATEMENTS.

NEW HAMPTON COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2011

	School Nutrition
OPERATING REVENUE:	
Local sources:	
Charges for services	\$ 259,413
Miscellaneous	8,485
TOTAL OPERATING REVENUES	267,898
OPERATING EXPENSES:	
Support services:	
Administration:	
Benefits	4,896
Operation and maintenance of plant:	
Supplies	9,121
	14,017
Non-instructional programs:	
Food service operations:	
Salaries	186,773
Benefits	76,120
Services	3,842
Supplies	221,338
Depreciation	4,345
	492,418
TOTAL OPERATING EXPENSES	506,435
OPERATING LOSS	(238,537)
NON-OPERATING REVENUES:	
State sources	4,934
Federal sources	216,611
Interest income	648
TOTAL NON-OPERATING REVENUES	222,193
Change in net assets	(16,344)
Net assets beginning of year	98,140
Net assets end of year	\$ 81,796

SEE NOTES TO FINANCIAL STATEMENTS.

NEW HAMPTON COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2011

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 260,950
Cash received from miscellaneous sources	8,485
Cash payments to employees for services	(268,586)
Cash payments to suppliers for goods or services	(182,040)
Net cash used in operating activities	(181,191)
Cash flows from non-capital financing activities:	
State grants received	4,934
Federal grants received	171,667
Net cash provided by non-capital financing activities	176,601
Cash flows from investing activities:	
Interest on investments	648
Net decrease in cash and cash equivalents	(3,942)
Cash and cash equivalents at beginning of year	45,271
Cash and cash equivalents at end of year	\$ 41,329
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (238,537)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	44,944
Depreciation	4,345
Decrease in inventories	6,305
Increase in accounts payable	1,012
Decrease in salaries and benefits payable	(28)
Increase in unearned revenue	1,537
Decrease in other postemployment benefits liability	(769)
Net cash used in operating activities	\$ (181,191)

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2011, the District received Federal commodities valued at \$44,944.

SEE NOTES TO FINANCIAL STATEMENTS.

NEW HAMPTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

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

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

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

**A. Reporting Entity**

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

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

**B. Basis of Presentation**

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

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

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

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

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

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

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

The District reports the following major governmental funds:

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

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

The Management Fund is utilized to account for the payment of property insurance and unemployment benefits.

The District reports the following proprietary fund:

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

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

D. Assets, Liabilities and Fund Balances

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

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

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 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, machinery and equipment and intangibles, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

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

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

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

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

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

consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

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

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

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

Fund 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.

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

#### E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2011, expenditures in the non-instructional function exceeded the amount budgeted.

### (2) **Cash and Pooled Investments**

The District's deposits 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) Transfers**

The detail of transfers for the year ended June 30, 2011 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
	Capital Projects:	
	Statewide Sales,	
Debt Service	Services, and Use Tax	<u>\$ 238,760</u>

The transfer from the Capital Projects: Statewide Sales, Services, and Use Tax fund to the Debt Service fund was needed to make principal and interest payments on the District's revenue bond indebtedness.

**(4) Capital Assets**

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

	<u>Balance</u>			<u>Balance</u>
	<u>Beginning</u>			<u>End</u>
	<u>of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>of Year</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 381,700	0	0	381,700
Construction in progress	1,268,235	103,653	1,371,888	0
Total capital assets not being depreciated	<u>1,649,935</u>	<u>103,653</u>	<u>1,371,888</u>	<u>381,700</u>
Capital assets being depreciated:				
Buildings	12,051,408	1,371,888	0	13,423,296
Land improvements	844,092	0	0	844,092
Machinery and equipment	3,685,549	258,035	0	3,943,584
Total capital assets being depreciated	<u>16,581,049</u>	<u>1,629,923</u>	<u>0</u>	<u>18,210,972</u>
Less accumulated depreciation for:				
Buildings	4,376,018	309,928	0	4,685,946
Land improvements	370,510	31,372	0	401,882
Machinery and equipment	3,173,068	141,430	0	3,314,498
Total accumulated depreciation	<u>7,919,596</u>	<u>482,730</u>	<u>0</u>	<u>8,402,326</u>
Total capital assets being depreciated, net	<u>8,661,453</u>	<u>1,147,193</u>	<u>0</u>	<u>9,808,646</u>
Governmental activities capital assets, net	<u>\$ 10,311,388</u>	<u>1,250,846</u>	<u>1,371,888</u>	<u>10,190,346</u>

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business type activities:				
Machinery and equipment	\$ 112,138	0	0	112,138
Less accumulated depreciation	75,128	4,345	0	79,473
Business type activities capital assets, net	\$ 37,010	(4,345)	0	32,665

Depreciation expense was charged by the District as follows:

Governmental activities:			
Instruction:			
Regular			\$ 75,650
Support services:			
Operation and maintenance of plant			5,269
Transportation			60,511
			<u>141,430</u>
Unallocated depreciation			<u>341,300</u>
			<u>\$ 482,730</u>
Business type activities:			
Food services			<u>\$ 4,345</u>

## 5) Long-Term Liabilities

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

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Governmental Activities:					
Revenue bonds	\$ 3,120,000	0	100,000	3,020,000	0
Early retirement	181,720	181,000	36,440	326,280	86,780
Total	\$ 3,301,720	181,000	136,440	3,346,280	86,780

### Revenue Bonds Payable

Details of the District's June 30, 2011 revenue bonded indebtedness are as follows:

Year Ending June 30,	Interest Rate	Bond issue November 1, 2008		
		Principal	Interest	Total
2012	3.25 %	\$ 0	67,755	67,755
2013	3.40	100,000	133,810	233,810
2014	3.55	130,000	129,803	259,803
2015	3.75	135,000	124,964	259,964
2016	3.95	140,000	119,668	259,668
2017-2021	4.05-4.45	790,000	504,750	1,294,750
2022-2026	4.55-4.90	1,000,000	304,118	1,304,118
2027-2029	4.90-4.95	725,000	55,010	780,010
<b>Total</b>		<b>\$ 3,020,000</b>	<b>1,439,878</b>	<b>4,459,878</b>

The District has pledged future statewide sales, services and use tax revenues to repay the \$3,120,000 bonds issued in November 2008. The bonds were issued for the purpose of defraying a portion of the cost of school infrastructure. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2029. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. The total principal and interest remaining to be paid on the notes is \$4,459,878. For the current year, principal of \$100,000 and interest of \$138,760 was paid on the revenue bonds.

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

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

#### Early Retirement

The District offered a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five and employees must have completed fifteen years of continuous service to the District. Voluntary early retirement is only available to the first twelve applicants. Employees must complete an application which is required to be approved by the Board of Education. Early retirement benefits paid during the year ended June 30, 2011, totaled \$36,440. A liability has been recorded in the Statement of Net Assets representing the District's commitment to fund non-current early retirement.

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

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

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

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

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

The following table shows the components of the District's annual OPEB cost for June 30, 2011, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 38,000
Interest on net OPEB obligation	(225)
Adjustment to annual required contribution	<u>195</u>
Annual OPEB cost	37,970
Contributions made	<u>(57,000)</u>
Increase in net OPEB obligation	(19,030)
Net OPEB obligation - beginning of year	<u>(5,000)</u>
Net OPEB obligation - end of year	<u><u>\$ (24,030)</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of the year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the plans actual contributions for the year ended June 30, 2011.

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 June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2010	\$ 38,000	113.16%	\$ (5,000)
2011	37,970	150.12%	(24,030)

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 \$486,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$486,000. The covered payroll (annual payroll of active employees covered by the plan) was \$5,752,522, and the ratio of the UAAL to the covered payroll was 8.45%. 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 healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress presented as required supplementary information in the section following the Notes to the Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

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

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

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

**(7) Pension and Retirement Benefits**

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

Plan members are required to contribute 4.50% 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 \$426,053, \$409,209, and \$388,358 respectively, equal to the required contributions for each year.

**(8) Risk Management**

New Hampton Community School District is a member in the Northeast Iowa Schools Insurance Trust, and Iowa Code Chapter 28E organization. The Northeast Iowa Schools Insurance Trust (NEIST) is a local government risk-sharing pool whose members include various schools throughout the State of Iowa. NEIST was formed July 1999 for the purpose of managing and

funding employee benefits. NEIST provides coverage and protection in the following categories: medical, dental, long-term disability, and life insurance.

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

The District's contributions to the risk pool are recorded as expenditures from its General Fund at the time of payment to the risk pool. District contributions to NEIST for the year ended June 30, 2011 were \$1,326,209.

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

The District does not report a liability for losses in excess of stop loss insurance unless it is deemed probable that such losses have occurred and the amount of such a loss can be reasonably estimated. Accordingly, at June 30, 2011, no liability has been recorded in the District's financial statements. As of June 30, 2011, settled claims have not exceeded the risk pool or reinsurance company coverage.

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

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

**(9) Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$454,695 for the year ended June 30, 2011 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**(10) Budget Overexpenditure**

During the year ended June 30, 2011, expenditures in the non-instructional function exceeded the amount budgeted.

**(11) Categorical Funding**

The District's ending restricted balances for categorical funding as of the year ended June 30, 2011 are comprised of the following programs:

<u>Programs</u>	<u>Amount</u>
LEP weighting	\$ 3,106
Gifted and talented	53,230
Dropout prevention	92,968
Teacher salary supplement	6,288
Professional development	67,431
Beginning teacher mentoring	801
Nonpublic textbook services	5,592
Model core curriculum	51,703
Voluntary Preschool Program	1,625
Early intervention	4,385
Total	<u>\$ 287,129</u>

**(12) Deficit Unassigned Balances**

At June 30, 2011, there were negative unassigned balances in the Activity fund of \$28,731.

**(13) 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 reclassification is as follows:

	<u>Capital Projects</u>	<u>Special Revenue, Physical Plant and Equipment Levy</u>
Balances June 30, 2010, as previously reported	\$ 1,661,396	172,563
Change in fund type classification per implementation of GASB Statement No. 54	172,563	(172,563)
Balances July 1, 2010, as restated	<u>\$ 1,833,959</u>	<u>-</u>

**New Hampton Community School District**

REQUIRED SUPPLEMENTARY INFORMATION

NEW HAMPTON COMMUNITY SCHOOL DISTRICT  
 BUDGETARY COMPARISON OF REVENUES, EXPENDITURES/EXPENSES AND  
 CHANGES IN BALANCES -  
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS  
 AND PROPRIETARY FUNDS  
 REQUIRED SUPPLEMENTARY INFORMATION  
 YEAR ENDED JUNE 30, 2011

	Governmental	Proprietary	Total	Budgeted Amounts		Final to
	Funds	Fund		Original	Final	Actual
	Actual	Actual		Actual		Variance
Revenues:						
Local sources	\$ 6,781,787	268,546	7,050,333	6,978,103	6,978,103	72,230
Intermediate sources	1,983	0	1,983	15,293	15,293	(13,310)
State sources	4,756,508	4,934	4,761,442	5,336,917	5,336,917	(575,475)
Federal sources	678,724	216,611	895,335	332,630	332,630	562,705
Total revenues	<u>12,219,002</u>	<u>490,091</u>	<u>12,709,093</u>	<u>12,662,943</u>	<u>12,662,943</u>	<u>46,150</u>
Expenditures/Expenses:						
Instruction	7,996,828	0	7,996,828	8,035,671	8,035,671	38,843
Support services	2,849,871	14,017	2,863,888	3,310,922	3,310,922	447,034
Non-instructional programs	0	492,418	492,418	454,000	478,323	(14,095)
Other expenditures	1,124,960	0	1,124,960	2,038,840	2,038,840	913,880
Total expenditures/expenses	<u>11,971,659</u>	<u>506,435</u>	<u>12,478,094</u>	<u>13,839,433</u>	<u>13,863,756</u>	<u>1,385,662</u>
Excess(deficiency) of revenues over(under) expenditures/expenses	247,343	(16,344)	230,999	(1,176,490)	(1,200,813)	1,431,812
Other financing sources, net	0	0	0	238,760	238,760	(238,760)
Excess(deficiency) of revenues and other financing sources over(under) expenditures/expenses	247,343	(16,344)	230,999	(937,730)	(962,053)	1,193,052
Balance beginning of year	<u>3,452,694</u>	<u>98,140</u>	<u>3,550,834</u>	<u>2,011,313</u>	<u>2,011,313</u>	<u>1,539,521</u>
Balance end of year	<u>\$ 3,700,037</u>	<u>81,796</u>	<u>3,781,833</u>	<u>1,073,583</u>	<u>1,049,260</u>	<u>2,732,573</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NEW HAMPTON COMMUNITY SCHOOL DISTRICT  
NOTES 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 Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

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

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functional areas, not by fund or fund type. These four functional areas are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment, increasing budgeted expenditures by \$24,323.

During the year ended June 30, 2011, District expenditures in the non-instructional function exceeded the amount budgeted.

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

REQUIRED SUPPLEMENTARY INFORMATION

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial		Funded Ratio (a/b)	Covered Payroll (c)	UAAAL as a Percentage of Covered Payroll ((b-a)/c)
			Accrued Liability (AAL) (b)	Unfunded AAL (UAAAL) (b-a)			
2010	July 1, 2009	\$ -	\$486,000	\$486,000	0.0%	\$5,486,521	8.86%
2011	July 1, 2009	\$ -	\$486,000	\$486,000	0.0%	\$5,752,522	8.45%

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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

OTHER SUPPLEMENTARY INFORMATION

NEW HAMPTON COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2011

	Special Revenue: Student Activity
<b>Assets</b>	
Cash and pooled investments	\$ 129,486
Receivables:	
Accounts	626
<b>Total Assets</b>	<b>\$ 130,112</b>
<b>Liabilities and Fund Balances</b>	
Liabilities:	
Accounts payable	\$ 13,159
Fund balances:	
Restricted for:	
Student activities	145,684
Unassigned	(28,731)
	116,953
<b>Total Liabilities and Fund Balances</b>	<b>\$ 130,112</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

NEW HAMPTON COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 YEAR ENDED JUNE 30, 2011

	Special Revenue: Student Activity	Debt Service	Other Nonmajor Governmental Funds
<b>Revenues:</b>			
Local sources:			
Other	\$ 508,760	0	508,760
<b>Total revenues</b>	<u>508,760</u>	<u>0</u>	<u>508,760</u>
<b>Expenditures</b>			
Current:			
Instruction:			
Other	479,734	0	479,734
Other expenditures:			
Long-term debt:			
Principal	0	100,000	100,000
Interest and fiscal charges	0	138,760	138,760
<b>Total expenditures</b>	<u>479,734</u>	<u>238,760</u>	<u>718,494</u>
Excess(deficiency) of revenues over(under) expenditures	29,026	(238,760)	(209,734)
Other financing sources:			
Transfers in	0	238,760	238,760
Net change in fund balance	29,026	0	29,026
Fund balances beginning of year, as restated	87,927	0	87,927
Fund balances end of year	<u>\$ 116,953</u>	<u>0</u>	<u>116,953</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NEW HAMPTON COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 CAPITAL PROJECT ACCOUNTS  
 JUNE 30, 2011

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
<b>Assets</b>			
Cash and pooled investments	\$ 1,872,303	137,470	2,009,773
Receivables:			
Property tax			
Delinquent	0	1,527	1,527
Succeeding year	0	140,627	140,627
Due from other governments	130,702	0	130,702
<b>Total Assets</b>	<b>\$ 2,003,005</b>	<b>279,624</b>	<b>2,282,629</b>
<b>Liabilities and Fund Balances</b>			
Liabilities:			
Accounts payable	\$ 4,595	0	4,595
Deferred revenue:			
Succeeding year property tax	0	140,627	140,627
Total liabilities	4,595	140,627	145,222
Fund balances:			
Restricted for:			
School infrastructure	1,998,410	0	1,998,410
Physical plant and equipment	0	138,997	138,997
Total fund balances	1,998,410	138,997	2,137,407
<b>Total Liabilities and Fund Balances</b>	<b>\$ 2,003,005</b>	<b>279,624</b>	<b>2,282,629</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NEW HAMPTON COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 CAPITAL PROJECT ACCOUNTS  
 YEAR ENDED JUNE 30, 2011

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
<b>Revenues:</b>			
Local sources:			
Local tax	\$ 746,477	127,968	874,445
Other	20,656	171,130	191,786
State sources	0	77	77
<b>Total revenues</b>	<u>767,133</u>	<u>299,175</u>	<u>1,066,308</u>
<b>Expenditures</b>			
Current:			
Instruction:			
Regular	4,595	0	4,595
Support services:			
Transportation	0	88,000	88,000
Other expenditures:			
Facilities acquisition	186,764	244,741	431,505
<b>Total expenditures</b>	<u>191,359</u>	<u>332,741</u>	<u>524,100</u>
Excess(deficiency) of revenues over(under) expenditures	575,774	(33,566)	542,208
Other financing uses:			
Transfers out	(238,760)	0	(238,760)
Net change in fund balances	337,014	(33,566)	303,448
Fund balances beginning of year, as restated	<u>1,661,396</u>	<u>172,563</u>	<u>1,833,959</u>
Fund balances end of year	<u>\$ 1,998,410</u>	<u>138,997</u>	<u>2,137,407</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NEW HAMPTON COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
YEAR ENDED JUNE 30, 2011

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Drama	\$ 223	2,493	2,712	4
Speech	36	853	799	90
H.S. Vocal Music	(14)	2,410	2,383	13
M.S. Vocal Music	43	0	0	43
Instrumental Music	815	2,999	3,751	63
MS Music	1,440	319	249	1,510
MS Musical	5,605	1,865	1,656	5,814
Swing Choir	19	4,717	4,539	197
Cross Country	906	1,330	2,218	18
HS Cheerleaders	78	1,939	1,991	26
MS Cheerleaders	0	54	54	0
Flags	3	1,002	916	89
Trapshooting	9,253	48,017	36,095	21,175
Athletics	(1,394)	116,822	114,577	851
Baseball	0	0	3,733	(3,733)
Sports Camps	7,226	73,284	49,566	30,944
Academic Award Letter	2,476	0	2,476	0
National Honor Society	103	7,759	7,601	261
Annual	(17,451)	14,077	21,624	(24,998)
Chieftain	284	246	223	307
Future Educators	131	0	0	131
Art Club	81	0	81	0
Writers Club	2,531	1,278	3,809	0
Science Achievement Club	1,803	1,761	936	2,628
BAC	1,586	275	450	1,411
FFA	1,909	28,661	30,377	193
SADD	2,706	0	450	2,256
Student Senate	1,749	1,146	2,062	833
Class of 2009	136	0	136	0
Class of 2010	307	0	307	0
Class of 2011	2,949	968	3,899	18
Class of 2012	3,789	743	1,342	3,190
Class of 2013	12,823	619	1,943	11,499
Class of 2014	(6,024)	8,601	613	1,964
Class of 2015	12,942	68,698	81,640	0
Class of 2016	6,085	5,436	0	11,521
Class of 2017	6,028	5,152	0	11,180
Class of 2018	0	4,060	0	4,060
HS Lounge	(10)	10	0	0
Picture	(323)	323	0	0
Activity Tickets	81	17,778	17,850	9
Lettermen	4,348	5,089	4,012	5,425
Letterette	13	387	261	139
Pom Pon	(3,048)	12,145	9,036	61
Pep Club	10	0	0	10
NEIC Athletic Directors	3,227	6,176	5,899	3,504
Student Senate Vending	273	30,626	30,879	20
Miscellaneous	1,416	1,166	2,582	0
M.S. Annual	6,439	2,815	2,224	7,030
M.S. Student Senate	(1,665)	10,410	7,921	824
OM/DI Activity	488	0	90	398
MS Athletic Pop	53	0	0	53
Lounge	(26)	26	0	0
Early Carde	449	500	25	924
Elementary Carnival	11,347	10,996	11,261	11,082
Student Assistance	3,010	2,729	2,486	3,253
Book Fair	659	0	0	659
Elementary Playground	4	0	0	4
Total	<u>\$ 87,927</u>	<u>508,760</u>	<u>479,734</u>	<u>116,953</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Modified Accrual Basis							
	Years Ended June 30,							
	2011	2010	2009	2008	2007	2006	2005	2004
Revenues:								
Local sources:								
Local tax	\$ 5,572,743	5,403,867	5,194,179	4,953,087	4,821,855	4,917,484	4,912,351	4,760,526
Tuition	324,598	330,890	270,277	322,300	304,574	265,997	247,581	223,477
Other	884,446	781,180	680,436	693,055	626,836	869,245	1,037,269	591,796
Intermediate sources	1,983	13,354	14,848	3,358	3,549	550	3,284	4,234
State sources	4,756,508	4,229,621	5,137,056	5,074,795	4,484,444	4,239,464	4,123,898	4,000,492
Federal sources	678,724	868,007	418,517	305,630	423,440	260,368	588,581	921,733
<b>Total</b>	<b>\$ 12,219,002</b>	<b>11,626,919</b>	<b>11,715,313</b>	<b>11,352,225</b>	<b>10,664,698</b>	<b>10,553,108</b>	<b>10,912,964</b>	<b>10,502,258</b>
Expenditures:								
Instruction:								
Regular	\$ 4,989,596	4,667,810	4,817,849	3,855,343	4,063,778	3,733,483	3,833,556	3,812,527
Special	1,323,826	1,342,425	1,267,225	2,119,604	1,914,412	1,653,993	1,423,451	1,356,551
Other	1,683,406	1,567,141	1,491,006	747,391	663,723	670,400	792,932	877,351
Support services:								
Student	210,279	261,650	191,075	207,230	293,211	216,995	175,843	241,523
Instructional staff	261,340	259,004	310,387	327,543	309,447	325,272	292,364	280,984
Administration	1,067,890	1,063,071	1,020,598	945,006	879,822	834,580	785,261	751,760
Operation and maintenance								
of plant	755,004	713,506	726,255	700,117	673,648	698,543	647,956	637,681
Transportation	555,358	584,349	580,860	567,357	461,793	436,484	458,782	467,772
Other expenditures:								
Facilities acquisitions	431,505	1,946,980	1,753,835	362,875	213,697	106,513	735,832	1,611,810
Long-term debt:								
Principal	100,000	0	630,000	605,000	580,000	560,000	535,000	510,000
Interest	138,760	222,401	25,600	49,497	72,118	93,957	114,772	134,357
AEA flow-through	454,695	455,648	420,686	401,694	372,616	350,551	347,827	353,290
<b>Total</b>	<b>\$ 11,971,659</b>	<b>13,083,985</b>	<b>13,235,376</b>	<b>10,888,657</b>	<b>10,498,265</b>	<b>9,680,771</b>	<b>10,143,576</b>	<b>11,035,606</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NEW HAMPTON COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2011

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	PROGRAM EXPENDITURES
INDIRECT:			
DEPARTMENT OF AGRICULTURE:			
IOWA DEPARTMENT OF EDUCATION:			
SCHOOL NUTRITION CLUSTER PROGRAMS:			
SCHOOL BREAKFAST PROGRAM	10.553	FY 11	\$ 15,098
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY 11	201,513 *
			<u>216,611</u>
DEPARTMENT OF EDUCATION:			
IOWA DEPARTMENT OF EDUCATION:			
TITLE I CLUSTER PROGRAMS:			
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	4043-G	84,002
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES, RECOVERY ACT	84.389	FY 10	40,327
			<u>124,329</u>
ENGLISH LANGUAGE ACQUISITION GRANTS	84.365	FY 11	<u>500</u>
IMPROVING TEACHER QUALITY STATE GRANTS(TITLE IIA)	84.367	FY 11	<u>47,946</u>
GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES(TITLE VIA)	84.369	FY 11	<u>6,715</u>
STATE FISCAL STABILIZATION CLUSTER:			
STATE FISCAL STABILIZATION FUND(SFSF)			
EDUCATION STATE GRANTS, RECOVERY ACT	84.394	FY 11	53,849
STATE FISCAL STABILIZATION FUND(SFSF)			
GOVERNMENT SERVICES, RECOVERY ACT	84.397	FY 11	48,031
			<u>101,880</u>
EDUCATION JOB FUNDS	84.410	FY 11	<u>16,029</u>
KEYSTONE AREA EDUCATION AGENCY:			
SPECIAL EDUCATION - GRANTS TO STATES(PART B)	84.027	FY 11	<u>58,026</u>
CAREER AND TECHNICAL EDUCATION - BASIC GRANTS TO STATES	84.048	FY 11	<u>5,207</u>
TOTAL			<u>\$ 577,243</u>

\* - Includes \$44,944 of non-cash awards.

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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

# **NOLTE, CORNMAN & JOHNSON P.C.**

**Certified Public Accountants**

**(a professional corporation)**

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## Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters

### Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

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

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of New Hampton Community School District as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 28, 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 New Hampton Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of New Hampton Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of New Hampton Community School District's internal control over financial reporting.

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

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

A significant deficiency is a deficiency or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-B-11 and II-C-11 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether New Hampton Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

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

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

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

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



NOLTE, CORNMAN & JOHNSON, P.C.

March 28, 2012

**NOLTE, CORNMAN & JOHNSON P.C.**  
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Independent Auditor's Report on Compliance  
with Requirements That Could Have a Direct and Material Effect  
on Each Major Program and on Internal Control over Compliance in Accordance  
with OMB Circular A-133

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

Compliance

We have audited New Hampton Community School District's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of New Hampton Community School District's major federal programs for the year ended June 30, 2011. New Hampton Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of New Hampton Community School District's management. Our responsibility is to express an opinion on New Hampton Community School District's compliance based on our audit.

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

In our opinion, New Hampton Community School District complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

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

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

A deficiency in the District's internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-A-11 to be a material weakness.

A significant deficiency is a deficiency or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part III of the accompanying Schedule of Findings and Questioned Costs as item III-B-11 to be a significant deficiency.

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

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



NOLTE, CORNMAN & JOHNSON, P.C.

March 28, 2012

NEW HAMPTON COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2011

Part I: Summary of the Independent Auditor's Results

- (a) Unqualified opinions were issued on the financial statements.
- (b) Significant deficiencies and a material weakness in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) A significant deficiency and a material weakness in internal control over the major programs were disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) The major programs were the following:
  - Clustered
    - CFDA Number 10.553 - School Breakfast Program
    - CFDA Number 10.555 - National School Lunch Program
  
    - CFDA Number 84.010 - Title I Grants to Local Educational Agencies
    - CFDA Number 84.389 - Title I Grants to Local Educational Agencies, Recovery Act
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) New Hampton Community School District did not qualify as a low-risk auditee.

NEW HAMPTON COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2011

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

II-A-11 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal were all done by the same person.

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

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

Conclusion - Response accepted.

II-B-11 Accounting Records - It was noted during the audit that there was a bank account that was not being accounted for within the District software system.

Recommendation - The District should add the Section 125 bank account onto the accounting software. The District should reconcile bank statement balances to financial statement bank balances on a monthly basis.

Response - Midwest Benefits is our third party administrator for our cafeteria plan. All claims are sent to them and they approve the claim. They send us a confirmation of funds to be released and we approve the funds. Midwest benefits create bank drafts to the individual. We do not create the draft. We then manually reconcile the account to the confirmation information the TPA sends to us.

Conclusion - Response accepted.

II-C-11 Communication - The District currently maintains numerous State and Federal grants which require specific coding of expenses for reporting and budgeting of grants. Communication between the grant coordinators and the central office is essential. We noted the District received an Iowa Department of Public Health Nutrition Grant, which the Business Manager was not notified of.

Recommendation - The proper coding of expenditures is dependent on the District Office being informed of the grants and the coding of expenses by the individuals in charge of the grants on purchase orders. The grant coordinators should monitor the financial statements and communicate with District Office personnel to make necessary adjustments, as the grant is expended, to insure that expenses are proper to the grant and within the budget and meeting reporting requirements of the grant.

Response - We will design procedures to approve all grants at the District Office level. Grant coordinators will review and monitor financial statements and communicate with the District Office quarterly to insure that expenses are proper and within the budget and meeting reporting requirements of the grant.

Conclusion - Response accepted.

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

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

CFDA Number 10.553 - School Breakfast Program  
CFDA Number 10.555 - National School Lunch Program  
Federal Award Year: 2011  
U.S. Department of Agriculture  
Passed through the Iowa Department of Education

CFDA Number 84.010 - Title I Grants to Local Educational Agencies  
CFDA Number 84.389 - Title I Grants to Local Educational Agencies, Recovery Act  
Federal Award Year: 2010 & 2011  
U.S. Department of Education  
Passed through the Iowa Department of Education

III-A-11 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal were all done by the same person.

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

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

Conclusion - Response accepted.

III-B-11 Title I Grant - The final report for Title I Budget was not computed using the District's financial records and was not amended to reflect general ledger expenditures.

Recommendation - The District should contact the Iowa Department of Education and amend the Title I Budget final report to reflect general ledger expenditures.

Response - We will contact the DE and amend the Title I Budget to reflect general ledger expenditures.

Conclusion - Response accepted.

NEW HAMPTON COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 YEAR ENDED JUNE 30, 2011

Part IV: Other Findings Related to Statutory Reporting:

IV-A-11 Certified Budget - District disbursements for the year ended June 30, 2011 exceeded the amount budgeted in the non-instructional expenditures program area.

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

Response - We will monitor our budget and amend the budget in a timely manner.

Conclusion - Response accepted.

IV-B-11 Questionable Disbursements - We noted during our audit that gift certificates and other prizes were being awarded for being top sellers in fundraisers and other reasons. Giving gift certificates to students does not appear to meet public purpose as defined in an Attorney General's opinion dated April 25, 1979.

Recommendation - The District should review the procedures in place, and make necessary adjustments to comply.

Response - The District will discontinue the practice of awarding prizes to students for fund raising activities.

Conclusion - Response accepted.

IV-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.

IV-D-11 Business Transactions - Business transactions between the District and District officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Anita Quirk, Teacher Spouse owns New Hampton Electric	Repairs/Supplies	\$23,963
Terry Phillips, Cook Spouse owns Phillips Refrigeration	Repairs	\$5,835
Linda Schwickerath, Secretary Spouse owns Office World	Office Supplies	\$43,252
Jeanette Laures, Teacher Father-in-law owns Vern Laures	Vehicle Repairs	\$3,708

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

- IV-E-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.
- IV-F-11 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.
- IV-G-11 Certified Enrollment - We noted a variance in the basic enrollment data certified to the Department of Education. The number of resident students was overstated by 6.90 students.
- Recommendation - The Iowa Department of Education and the Department of Management should be contacted to resolve this matter.
- Response - The District's auditors will contact the Iowa Department of Education and Department of Management on our behalf to resolve this matter.
- Conclusion - Response accepted.
- IV-H-11 Supplementary Weighting - We noted no variances regarding the supplementary weighting certified to the Iowa Department of Education.
- IV-I-11 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- IV-J-11 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.
- IV-K-11 Categorical Funding - No instance were noted of categorical funding being used to supplant rather than supplement other funds.
- IV-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 the Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2011, the District reported the following information regarding the statewide sales, services, and use tax revenue in the District's CAR:

Beginning Balance		\$ 1,661,396
Revenues:		
Sales tax revenue	\$ 746,477	
Other local revenue	20,656	767,133
		<u>2,428,529</u>
Expenditures/transfers out:		
School infrastructure	\$ 186,764	
Equipment	4,595	
Transfers out:		
Debt Service Fund	238,760	430,119
		<u>430,119</u>
Ending Balance		<u>\$ 1,998,410</u>

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.

IV-M-11 Financial Condition - We noted two individual accounts in the Student Activity Fund that have negative balances totaling \$28,731.

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

Response - We will review the negative accounts and develop alternative plans to eliminate negative balances.

Conclusion - Response accepted.

IV-N-11 Student Activity Fund - In accordance with Chapter 298A.8 of the Code of Iowa and Iowa Administrative Code 281-12.6(1), the purpose of the Student Activity Fund is to account for financial transactions related to the cocurricular and extracurricular activities offered as a part of the education program for students.

**Fundraisers:** We noted during our audit that several clubs within the student activity fund donated money to outside organizations without specifically designating them as one of the beneficiaries of the fundraising event. According to Iowa Administrative Code Section 281-98.70(3), inappropriate expenditures in the Student Activity Fund include: "Payments to any private organization unless a fundraiser was held expressly for that purpose and the purpose of the fundraiser was specifically identified."

Recommendation - The District should review the procedures in place in order to insure that all fundraising being completed is in compliance with the Code, as well as the proceeds expended for allowable purposes.

Response - Groups will not be allowed to donate money to outside organizations unless they have been identified as the beneficiaries of the activity.

Conclusion - Response accepted.

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

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

Response - We will investigate letting another District become the fiscal agent for the NEIC Athletic Directors.

Conclusion - Response accepted.

IV-O-11 Physical Plant and Equipment Levy (PPEL) - We noted during our audit that the District recorded \$1,030 from the sale of a lawn tractor into the Physical Plant and Equipment Levy Fund. According to Chapter 297.22 of the Code of Iowa, these items are not considered real property and the proceeds should have been recorded in the General Fund.

Recommendation - The District should review Chapter 297.22 of the Code of Iowa and make necessary adjustment to comply in the future. A corrective transfer of \$1,030 should be made from the PPEL Fund to the General Fund.

Response - We will write a check from the PPEL fund to the General Fund to correct the deficiency.

Conclusion - Response accepted.