

NEWTON 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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Newton Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
Donna Cook	President	2011
Joe Klingensmith	Vice President	2011
Darrin Hamilton	Board Member	2011
Dennis Combs	Board Member	2013
Melissa Hintz	Board Member	2011
Don Poynter	Board Member	2013
Andrew Elbert	Board Member	2013
School Officials		
Steve McDermott	Superintendent	2011
Gayle Isaac	Director of Business Services District Secretary/Treasurer	2011
Terry Rickers	Attorney	Indefinite
Ahlers and Cooney P.C.	Attorney	Indefinite

Newton 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
Newton 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 Newton Community School District, Newton, 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 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 Newton Community School District at June 30, 2011, and the respective changes in financial position and cash flows, where applicable, for the year ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated March 9, 2012 on our consideration of Newton 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 16 and 42 through 44 are not required parts of the basic financial statements, but are supplementary

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Newton Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the seven years ended June 30, 2010 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 7, including the accompanying 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.

A handwritten signature in black ink that reads "Nolte, Cornman & Johnson PC". The signature is written in a cursive, somewhat stylized font.

NOLTE, CORNMAN & JOHNSON, P.C.

March 9, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

Newton 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 \$27,315,385 in fiscal year 2010 to \$29,212,661 in fiscal year 2011, while General Fund expenditures decreased from \$28,163,112 in fiscal 2010 to \$28,044,133 in fiscal 2011.
- The District's General Fund unassigned fund balance increased from \$1,658,466 in fiscal 2010 to \$2,533,922 in fiscal 2011.
- The District financial management goals include maintaining a solvency ratio between 5% and 10%. As of the year ended June 30, 2011, the District has an 8.67% solvency ratio.
- Interest earnings in the General Fund alone decreased for a fourth consecutive year. In 2008 interest garnered \$109,695, in 2009 interest earnings were \$28,169, in 2010 they were \$4,042, and in 2011 they were \$3,247.

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 Newton 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 Newton 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 Newton 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 a schedule of funding progress for the retiree health plan.

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

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

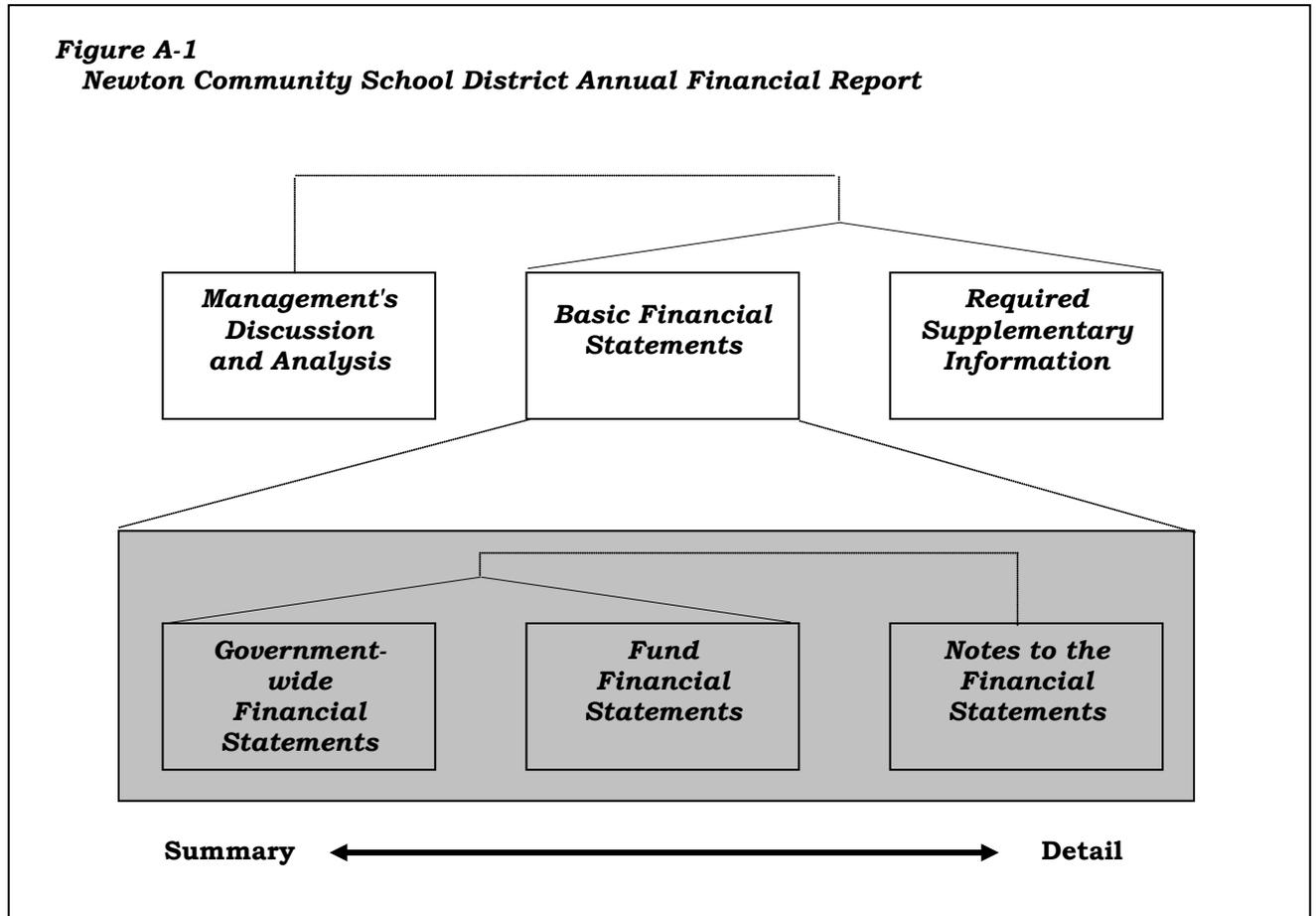


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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

REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

The District has two kinds of funds:

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

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

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

- 2) *Proprietary funds*: Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide 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 proprietary funds include a statement of net assets, 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 net assets at June 30, 2011 compared to June 30, 2010.

Figure A-3
Condensed Statement of Net Assets

	Governmental		Business-type		Total		Total Change June 30, 2010-11
	Activities		Activities		District		
	June 30,		June 30,		June 30,		
	2011	2010	2011	2010	2011	2010	
Current and other assets	\$ 20,609,345	18,738,396	502,469	328,686	21,111,814	19,067,082	10.72%
Capital assets	30,061,946	30,845,793	160,481	104,752	30,222,427	30,950,545	-2.35%
Total assets	<u>50,671,291</u>	<u>49,584,189</u>	<u>662,950</u>	<u>433,438</u>	<u>51,334,241</u>	<u>50,017,627</u>	<u>2.63%</u>
Long-term liabilities	11,880,109	14,082,779	5,958	3,819	11,886,067	14,086,598	-15.62%
Other liabilities	11,462,656	11,533,568	-	-	11,462,656	11,533,568	-0.61%
Total liabilities	<u>23,342,765</u>	<u>25,616,347</u>	<u>5,958</u>	<u>3,819</u>	<u>23,348,723</u>	<u>25,620,166</u>	<u>-8.87%</u>
Net assets:							
Invested in capital assets, net of related debt	18,616,946	17,460,793	160,481	104,752	18,777,427	17,565,545	6.90%
Restricted	6,092,172	4,743,170	-	-	6,092,172	4,743,170	28.44%
Unrestricted	2,619,408	1,763,879	496,511	324,867	3,115,919	2,088,746	49.18%
Total net assets	<u>\$ 27,328,526</u>	<u>23,967,842</u>	<u>656,992</u>	<u>429,619</u>	<u>27,985,518</u>	<u>24,397,461</u>	<u>14.71%</u>

The District's combined net assets increased by 14.71%, or \$3,588,057 from the prior year. The largest portion of the District's net assets is invested in capital assets (e.g., land, infrastructure, buildings, and equipment), net of related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent 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 \$1,349,002, or 28.44% from the prior year. The increase was primarily a result of the District's increase in the Debt Service fund balance.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased \$1,027,173 or 49.18%. This increase in unrestricted net assets was primarily a result of the District's General Fund balance increasing during the year.

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

Figure A-4
Changes of Net Assets

	Governmental Activities		Business-type Activities		Total District		Total Change
	2011	2010	2011	2010	2011	2010	2010-11
Revenues:							
Program revenues:							
Charges for services	\$ 951,117	997,751	596,782	687,351	1,547,899	1,685,102	-8.14%
Operating grants, contributions and restricted interest	2,783,984	6,019,049	837,776	777,710	3,621,760	6,796,759	-46.71%
Capital grants, contributions and restricted interest	36,000	-	-	-	36,000	-	100.00%
General revenues:							
Property tax	10,800,499	9,823,495	-	-	10,800,499	9,823,495	9.95%
Income surtax	412,956	500,611	-	-	412,956	500,611	-17.51%
Statewide sales, services and use tax	2,105,264	1,972,733	-	-	2,105,264	1,972,733	6.72%
Unrestricted state grants	15,812,393	12,363,450	-	-	15,812,393	12,363,450	27.90%
Nonspecific program federal grants	492,313	-	-	-	492,313	-	100.00%
Unrestricted investment earnings	17,451	30,357	289	161	17,740	30,518	-41.87%
Other	251,148	163,371	15,826	12,409	266,974	175,780	51.88%
Total revenues	33,663,125	31,870,817	1,450,673	1,477,631	35,113,798	33,348,448	5.29%
Program expenses:							
Governmental activities:							
Instruction	19,493,971	20,500,920	-	-	19,493,971	20,500,920	-4.91%
Support services	8,224,477	8,493,213	10,979	13,774	8,235,456	8,506,987	-3.19%
Non-instructional programs	6,406	6,279	1,212,321	1,259,100	1,218,727	1,265,379	-3.69%
Other expenses	2,577,587	2,780,126	-	-	2,577,587	2,780,126	-7.29%
Total expenses	30,302,441	31,780,538	1,223,300	1,272,874	31,525,741	33,053,412	-4.62%
Changes in net assets	3,360,684	90,279	227,373	204,757	3,588,057	295,036	1116.14%
Net assets beginning of year, as restated	23,967,842	23,877,563	429,619	224,862	24,397,461	24,102,425	1.22%
Net assets end of year	\$ 27,328,526	23,967,842	656,992	429,619	27,985,518	24,397,461	14.71%

In fiscal 2011, property tax and unrestricted state grants account for 79.06% of the revenue from governmental activities while charges for service and operating grants and contributions account for 98.89% of the revenue from business type activities.

The District's total revenues were approximately \$35.11 million of which approximately \$33.66 million was for governmental activities and approximately \$1.45 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 5.29% increase in revenues and a 4.62% decrease in expenses. Unrestricted state grants increased \$3,448,943. The expenses decreased in the negotiated salary and benefits during the year.

Governmental Activities

Revenues for governmental activities were \$33,663,125 and expenses were \$30,302,441. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs 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	\$ 19,493,971	20,500,920	-4.91%	17,059,722	14,743,698
Support services	8,224,477	8,493,213	-3.16%	8,133,126	8,468,915	-3.96%
Non-instructional	6,406	6,279	2.02%	6,406	6,279	2.02%
Other expenses	2,577,587	2,780,126	-7.29%	1,332,086	1,544,846	-13.77%
Totals	\$ 30,302,441	31,780,538	-4.65%	26,531,340	24,763,738	7.14%

For the year ended June 30, 2011:

- The cost financed by users of the District's programs was \$951,117.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$2,819,984.
- The net cost of governmental activities was financed with \$10,800,499 in local property tax, \$412,956 in income surtax, \$2,105,264 in statewide sales, services and use tax, \$15,812,393 in unrestricted state grants, \$492,313 in nonspecific program federal grants, \$17,451 in interest income, and \$251,148 in other revenues.

Business-Type Activities

Revenues for business type activities during the year ended June 30, 2011 were \$1,450,673 representing a 1.82% decrease over the prior year, while expenses totaled \$1,223,300, a 3.89% decrease from the prior year. 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 Newton Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported combined fund balances of \$8,756,716, above last year's ending fund balances of \$6,789,971.

Governmental Fund Highlights

- The District's increase in its General Fund financial position from \$1,981,730 in fiscal 2010 to \$3,150,258 in fiscal 2011 is the product of many factors. Revenues increased primarily due to an increase in property tax revenues and state funding. The District was able to build up its cash reserves, which were reduced in the prior year. The District received \$1,050,038 in American Recovery and Reinvestment Act (ARRA) funds; a large portion of which was deferred and will be spent in the FY 2012 year to retain jobs.
- The Capital Projects Fund balance decreased from a restated balance of \$2,832,984 at the beginning of the fiscal year 2011 to \$2,690,688. The beginning balance was restated as a result of the Physical Plant and Equipment Levy Fund reclassification as a Capital Projects

Fund account in accordance with GASB Statement No. 54. The decrease was the result of the transfers to the Debt Service fund and expenditure for capital acquisitions in excess of tax revenues.

- The Debt Service Fund balance increased from \$1,103,713 to \$1,857,475. Included in the fund balance at year end is a required reserve of \$865,000 as part of the sales tax revenue bond covenants.

Proprietary Fund Highlights

The Proprietary Fund net assets increased from \$429,619 at June 30, 2010 to \$656,992 at June 30, 2011, representing an increase of 52.92%. This increase was due primarily to decreases in expenditures from the prior year.

BUDGETARY HIGHLIGHTS

Over the course of the year, Newton Community School District amended its annual budget one time to reflect additional expenditures associated with the completion of the driveway project.

The District's revenues were \$371,382 more than budgeted revenues, a variance of 1.07%. The most significant variance resulted from the District receiving less in state source revenues than originally anticipated.

Total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year. The district had one budget amendment of \$1,851,471.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2011, the District had invested \$30.22 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net decrease of 2.35% from last year. More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$1,448,780.

The original cost of the District's capital assets was \$59,875,499. Governmental funds account for \$59,223,519 with the remainder of \$651,980 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 machinery and equipment totaled \$1,221,409 at June 30, 2010, compared to \$1,305,636 reported at June 30, 2011. This increase resulted from machinery and equipment acquisitions in excess of depreciation expense.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental		Business-type		Total		Total
	Activities		Activities		District		
	June 30,		June 30,		June 30,		
	2011	2010	2011	2010	2011	2010	2010-11
Land	\$ 1,161,495	1,161,495	-	-	1,161,495	1,161,495	0.00%
Buildings	25,581,689	26,247,295	-	-	25,581,689	26,247,295	-2.54%
Land improvements	2,173,607	2,320,346	-	-	2,173,607	2,320,346	-6.32%
Machinery and equipment	1,145,155	1,116,657	160,481	104,752	1,305,636	1,221,409	6.90%
Total	\$ 30,061,946	30,845,793	160,481	104,752	30,222,427	30,950,545	-2.35%

Long-Term Debt

At June 30, 2011, the District had \$11,886,067 in general obligation and other long-term debt outstanding. This represents a decrease of 15.62% 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 outstanding general obligation bonds of \$8,510,000 at June 30, 2011.

The District also had outstanding revenue bonds of \$2,935,000 at June 30, 2011 payable from the Capital Projects: Statewide Sales, Services and Use Tax Fund.

The District had outstanding compensated absences of \$116,317 at June 30, 2011 payable from the General Fund.

The District had total outstanding Net OPEB liability payable from the General and School Nutrition Funds of \$324,750 at June 30, 2011.

Figure A-7
Outstanding Long-Term Obligations

	Governmental		Business-type		Total		Total
	Activities		Activities		District		
	June 30,		June 30,		June 30,		
	2011	2010	2011	2010	2011	2010	2010-11
General obligation bonds	\$ 8,510,000	9,550,000	-	-	8,510,000	9,550,000	-10.89%
Revenue bonds	2,935,000	3,835,000	-	-	2,935,000	3,835,000	-23.47%
Early retirement	-	353,801	-	-	-	353,801	-100.00%
Compensated absences	116,317	139,291	-	-	116,317	139,291	-16.49%
Net OPEB liability	318,792	204,687	5,958	3,819	324,750	208,506	55.75%
Total	\$ 11,880,109	14,082,779	5,958	3,819	11,886,067	14,086,598	-15.62%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- A Statewide Voluntary Preschool Grant was awarded to the District for 2011-2012 school year with the students being included for supplementary weighting and additional funding for the subsequent year.

- The District has been managing its cash reserves such that even during these trying times it has not had to avail itself of Iowa Schools Cash Anticipatory Program for short term borrowing.

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 Gayle Isaac, Director of Business Services, Newton Community School District, 807 S 6th Ave W, Newton, Iowa, 50208.

BASIC FINANCIAL STATEMENTS

NEWTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2011

	Governmental Activities	Business Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 7,958,647	425,749	8,384,396
Receivables:			
Property tax:			
Delinquent	152,769	-	152,769
Succeeding year	10,888,353	-	10,888,353
Income surtax	456,873	-	456,873
Accounts	-	12,469	12,469
Due from other governments	1,130,989	-	1,130,989
Inventories	21,714	64,251	85,965
Capital assets, net of accumulated depreciation	30,061,946	160,481	30,222,427
TOTAL ASSETS	50,671,291	662,950	51,334,241
LIABILITIES			
Accounts payable	12,004	-	12,004
Salaries and benefits payable	34,961	-	34,961
Accrued interest payable	66,900	-	66,900
Deferred revenue:			
Succeeding year property tax	10,888,353	-	10,888,353
Other	460,438	-	460,438
Long-term liabilities:			
Portion due within one year:			
General obligation bonds	1,080,000	-	1,080,000
Revenue bonds	935,000	-	935,000
Compensated absences	116,317	-	116,317
Portion due after one year:			
General obligation bonds	7,430,000	-	7,430,000
Revenue bonds	2,000,000	-	2,000,000
Net OPEB liability	318,792	5,958	324,750
TOTAL LIABILITIES	23,342,765	5,958	23,348,723
NET ASSETS			
Invested in capital assets, net of related debt	18,616,946	160,481	18,777,427
Restricted for:			
Categorical funding	485,714	-	485,714
Debt service	3,982,301	-	3,982,301
Physical plant and equipment	565,862	-	565,862
Management levy purposes	738,742	-	738,742
Student activities	295,553	-	295,553
Support trust purposes	24,000	-	24,000
Unrestricted	2,619,408	496,511	3,115,919
TOTAL NET ASSETS	\$ 27,328,526	656,992	27,985,518

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

NEWTON 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	Govern- mental Activities	Business- Type Activities	Total
Functions/Programs:							
Governmental activities:							
Instruction:							
Regular	\$ 12,282,330	332,279	864,183	-	(11,085,868)	-	(11,085,868)
Special	4,571,162	111,285	323,955	-	(4,135,922)	-	(4,135,922)
Other	2,640,479	491,443	311,104	-	(1,837,932)	-	(1,837,932)
	<u>19,493,971</u>	<u>935,007</u>	<u>1,499,242</u>	<u>-</u>	<u>(17,059,722)</u>	<u>-</u>	<u>(17,059,722)</u>
Support services:							
Student	881,902	-	-	-	(881,902)	-	(881,902)
Instructional staff	1,065,460	-	16,916	-	(1,048,544)	-	(1,048,544)
Administration	2,716,542	-	-	-	(2,716,542)	-	(2,716,542)
Operation and maintenance of plant	2,462,873	-	-	36,000	(2,426,873)	-	(2,426,873)
Transportation	1,097,700	16,110	22,325	-	(1,059,265)	-	(1,059,265)
	<u>8,224,477</u>	<u>16,110</u>	<u>39,241</u>	<u>36,000</u>	<u>(8,133,126)</u>	<u>-</u>	<u>(8,133,126)</u>
Non-instructional programs:							
Food service operations	6,406	-	-	-	(6,406)	-	(6,406)
Other expenditures:							
Long-term debt interest	413,796	-	-	-	(413,796)	-	(413,796)
AEA flowthrough	1,245,501	-	1,245,501	-	-	-	-
Depreciation(unallocated)*	918,290	-	-	-	(918,290)	-	(918,290)
	<u>2,577,587</u>	<u>-</u>	<u>1,245,501</u>	<u>-</u>	<u>(1,332,086)</u>	<u>-</u>	<u>(1,332,086)</u>
Total governmental activities	<u>30,302,441</u>	<u>951,117</u>	<u>2,783,984</u>	<u>36,000</u>	<u>(26,531,340)</u>	<u>-</u>	<u>(26,531,340)</u>
Business type activities:							
Support services:							
Instructional staff	75	-	-	-	-	(75)	(75)
Administration	10,904	-	-	-	-	(10,904)	(10,904)
	<u>10,979</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(10,979)</u>	<u>(10,979)</u>
Non-instructional programs:							
Food service operations	1,212,321	596,782	837,776	-	-	222,237	222,237
Total business-type activities	<u>1,223,300</u>	<u>596,782</u>	<u>837,776</u>	<u>-</u>	<u>-</u>	<u>211,258</u>	<u>211,258</u>
Total	<u>\$ 31,525,741</u>	<u>1,547,899</u>	<u>3,621,760</u>	<u>36,000</u>	<u>(26,531,340)</u>	<u>211,258</u>	<u>(26,320,082)</u>
General Revenues:							
Property tax levied for:							
General purposes					\$ 9,495,402	-	9,495,402
Capital outlay					690,297	-	690,297
Debt service					614,800	-	614,800
Income surtax					412,956	-	412,956
Statewide sales, services and use tax					2,105,264	-	2,105,264
Unrestricted state grants					15,812,393	-	15,812,393
Nonspecific program federal grants					492,313	-	492,313
Unrestricted investment earnings					17,451	289	17,740
Other					251,148	15,826	266,974
Total general revenues					<u>29,892,024</u>	<u>16,115</u>	<u>29,908,139</u>
Changes in net assets					3,360,684	227,373	3,588,057
Net assets beginning of year					23,967,842	429,619	24,397,461
Net assets end of year					<u>\$ 27,328,526</u>	<u>656,992</u>	<u>27,985,518</u>

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

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

NEWTON COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2011

	General	Capital Projects	Debt Service	Other Nonmajor Governmental Funds	Total
ASSETS					
Cash and pooled investments	\$ 2,990,209	2,034,182	1,847,257	1,086,999	7,958,647
Receivables:					
Property tax:					
Delinquent	124,189	11,472	10,218	6,890	152,769
Succeeding year	8,906,601	757,644	624,108	600,000	10,888,353
Income surtax	456,873	-	-	-	456,873
Due from other governments	485,955	645,034	-	-	1,130,989
Inventories	21,714	-	-	-	21,714
TOTAL ASSETS	\$ 12,985,541	3,448,332	2,481,583	1,693,889	20,609,345
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 11,260	-	-	744	12,004
Salaries and benefits payable	111	-	-	34,850	34,961
Deferred revenue:					
Succeeding year property tax	8,906,601	757,644	624,108	600,000	10,888,353
Income surtax	456,873	-	-	-	456,873
Other	460,438	-	-	-	460,438
Total liabilities	<u>9,835,283</u>	<u>757,644</u>	<u>624,108</u>	<u>635,594</u>	<u>11,852,629</u>
Fund balances:					
Nonspendable	21,714	-	-	-	21,714
Restricted for:					
Categorical funding	485,714	-	-	-	485,714
Debt service	-	2,124,826	1,857,475	-	3,982,301
Physical plant and equipment	-	565,862	-	-	565,862
Management levy purposes	-	-	-	738,742	738,742
Student activities	-	-	-	295,553	295,553
Support trust purposes	-	-	-	24,000	24,000
Assigned for special purposes	108,908	-	-	-	108,908
Unassigned	2,533,922	-	-	-	2,533,922
Total fund balances	<u>3,150,258</u>	<u>2,690,688</u>	<u>1,857,475</u>	<u>1,058,295</u>	<u>8,756,716</u>
TOTAL LIABILITIES AND FUND BALANCES	\$ 12,985,541	3,448,332	2,481,583	1,693,889	20,609,345

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

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

Total fund balances of governmental funds(page 20)	\$ 8,756,716
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in in the governmental funds.	30,061,946
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.	456,873
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(66,900)
Long-term liabilities, including general obligation bonds payable, revenue bonds payable, compensated absences, and other postemployment benefits payable, are not due and payable in the current period, and therefore, are not reported in the governmental funds.	<u>(11,880,109)</u>
Net assets of governmental activities(page 18)	<u><u>\$ 27,328,526</u></u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

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

	General	Capital Projects	Debt Service	Other Nonmajor Governmental Funds	Total
REVENUES:					
Local sources:					
Local tax	\$ 9,450,104	2,795,561	614,800	499,072	13,359,537
Tuition	300,666	-	-	-	300,666
Other	374,374	2,200	10,559	567,917	955,050
Intermediate sources	9,614	-	-	-	9,614
State sources	17,551,631	442	394	337	17,552,804
Federal sources	1,526,272	-	-	-	1,526,272
Total revenues	<u>29,212,661</u>	<u>2,798,203</u>	<u>625,753</u>	<u>1,067,326</u>	<u>33,703,943</u>
EXPENDITURES:					
Current:					
Instruction:					
Regular	12,292,245	-	-	192,070	12,484,315
Special	4,556,376	-	-	-	4,556,376
Other	2,172,828	-	-	431,805	2,604,633
	<u>19,021,449</u>	<u>-</u>	<u>-</u>	<u>623,875</u>	<u>19,645,324</u>
Support services:					
Student	864,925	-	-	11,467	876,392
Instructional staff	1,016,624	145,682	-	6,327	1,168,633
Administration	2,695,073	4,823	-	23,495	2,723,391
Operation and maintenance of plant	2,281,168	-	-	155,414	2,436,582
Transportation	919,393	155,376	-	41,591	1,116,360
	<u>7,777,183</u>	<u>305,881</u>	<u>-</u>	<u>238,294</u>	<u>8,321,358</u>
Non-instructional programs:					
Food service operations	-	-	-	6,406	6,406
Other expenditures:					
Facilities acquisitions	-	136,879	-	12,000	148,879
Long-term debt:					
Principal	-	-	1,940,000	-	1,940,000
Interest and fiscal charges	-	-	429,730	-	429,730
AEA flowthrough	1,245,501	-	-	-	1,245,501
	<u>1,245,501</u>	<u>136,879</u>	<u>2,369,730</u>	<u>12,000</u>	<u>3,764,110</u>
Total expenditures	<u>28,044,133</u>	<u>442,760</u>	<u>2,369,730</u>	<u>880,575</u>	<u>31,737,198</u>
Excess(deficiency)of revenues over(under)expenditures	1,168,528	2,355,443	(1,743,977)	186,751	1,966,745
Other financing sources(uses):					
Transfer in	-	-	2,497,739	-	2,497,739
Transfer out	-	(2,497,739)	-	-	(2,497,739)
Total other financing sources(uses)	<u>-</u>	<u>(2,497,739)</u>	<u>2,497,739</u>	<u>-</u>	<u>-</u>
Net change in fund balances	1,168,528	(142,296)	753,762	186,751	1,966,745
Fund balance beginning of year, as restated	1,981,730	2,832,984	1,103,713	871,544	6,789,971
Fund balance end of year	<u>\$ 3,150,258</u>	<u>2,690,688</u>	<u>1,857,475</u>	<u>1,058,295</u>	<u>8,756,716</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

NEWTON 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) \$ 1,966,745

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

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Depreciation expense, capital outlay expenditures and loss on disposal of capital assets in the current year are as follows:

Expenditures for capital assets	\$ 643,129	
Depreciation expense	(1,426,258)	
Loss on disposal of capital assets	(718)	(783,847)

Income surtax accounts receivable is not available to finance expenditures of the current year period in the governmental funds. (40,818)

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. 1,940,000

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 governmental funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. 15,934

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

Early retirement	\$ 353,801	
Compensated absences	22,974	
Other postemployment benefits	(114,105)	262,670

Changes in net assets of governmental activities(page 19) \$ 3,360,684

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

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

	<u>School Nutrition</u>
ASSETS	
Cash and cash equivalents	\$ 425,749
Accounts receivable	12,469
Inventories	64,251
Capital assets, net of accumulated depreciation	<u>160,481</u>
TOTAL ASSETS	<u>662,950</u>
LIABILITIES	
Net OPEB liability	<u>5,958</u>
TOTAL LIABILITIES	<u>5,958</u>
NET ASSETS	
Invested in capital assets	160,481
Unrestricted	496,511
TOTAL NET ASSETS	<u><u>\$ 656,992</u></u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

NEWTON 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	\$ 596,782
Miscellaneous	15,826
	612,608
OPERATING EXPENSES:	
Support services:	
Instructional staff:	
Services	75
Administration:	
Services	10,904
	10,979
Non-instructional programs:	
Food service operations:	
Salaries	488,596
Benefits	123,885
Services	3,690
Supplies	573,628
Depreciation	22,522
	1,212,321
TOTAL OPERATING EXPENSES	1,223,300
OPERATING LOSS	(610,692)
NON-OPERATING REVENUES:	
State sources	12,143
Federal sources	825,633
Interest income	289
TOTAL NON-OPERATING REVENUES	838,065
Change in net assets	227,373
Net assets beginning of year	429,619
Net assets end of year	\$ 656,992

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

NEWTON 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	\$ 608,225
Cash received from miscellaneous operating activities	15,826
Cash payments to employees for services	(610,342)
Cash payments to suppliers for goods or services	(499,065)
Net cash used in operating activities	(485,356)
Cash flows from non-capital financing activities:	
State grants received	12,143
Federal grants received	696,457
Net cash provided by non-capital financing activities	708,600
Cash flows from capital financing activities:	
Acquisition of capital assets	(78,251)
Cash flows from investing activities:	
Interest on investments	289
Net increase in cash and cash equivalents	145,282
Cash and cash equivalents at beginning of year	280,467
Cash and cash equivalents at end of year	\$ 425,749
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (610,692)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	129,176
Depreciation	22,522
Increase in inventories	(39,944)
Decrease in accounts receivable	11,443
Increase in other postemployment benefits	2,139
Net cash used in operating activities	\$ (485,356)

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2011, the District received Federal commodities valued at \$129,176.

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

NEWTON COMMUNITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

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

The Newton 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 Cities of Newton and Kellogg, Iowa, and the predominate agricultural territory in Jasper County. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

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

A. Reporting Entity

For financial reporting purposes, Newton 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 Newton 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 Jasper County 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 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 asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets 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 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 utilized to account for all resources used in the acquisition and construction of capital facilities, with the exception of those that are financed through enterprise funds.

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

The District reports the following nonmajor proprietary fund:

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

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

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements

issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

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

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

Asset Class	Amount
Land	\$ 500
Buildings	500
Land improvements	500
Intangible assets	100,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	500

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

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Land improvements	20 years
Intangible assets	2-10 years
Machinery and equipment:	5-12 years

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

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 represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current 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 receivable and other receivables not collected within sixty days after year end.

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

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death, or retirement. A liability is recorded when incurred in the government-wide financial statements. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2010. The compensated absences liability attributable to the governmental activities will be paid primarily by the General 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:

Nonspendable - Amounts which cannot be spent because they are not expected to be converted to cash. These items include inventory items.

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 Accounting

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

(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.

At June 30, 2011, the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$7,451,954 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit risk. The investments in the Iowa Schools Joint Investment Trust were rated Aaa by Moody's Investors Service.

(3) Transfers

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

Transfer to	Transfer from	Amount
Debt Service	Capital Projects: Statewide Sales, Services and Use Tax	\$ 2,497,739

The transfer from the Capital Projects: Statewide Sales, Services and Use Tax Fund to the Debt Service Fund was for 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:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business-type activities:				
Machinery and equipment	\$ 573,729	78,251	-	651,980
Less accumulated depreciation	468,977	22,522	-	491,499
Business-type activities capital assets, net	\$ 104,752	55,729	-	160,481

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 1,161,495	-	-	1,161,495
Total capital assets not being depreciated	<u>1,161,495</u>	<u>-</u>	<u>-</u>	<u>1,161,495</u>
Capital assets being depreciated:				
Buildings	39,902,945	86,931	-	39,989,876
Land improvements	4,635,791	19,014	-	4,654,805
Machinery and equipment	13,048,632	537,184	168,473	13,417,343
Total capital assets being depreciated	<u>57,587,368</u>	<u>643,129</u>	<u>168,473</u>	<u>58,062,024</u>
Less accumulated depreciation for:				
Buildings	13,655,650	752,537	-	14,408,187
Land improvements	2,315,445	165,753	-	2,481,198
Machinery and equipment	11,931,975	507,968	167,755	12,272,188
Total accumulated depreciation	<u>27,903,070</u>	<u>1,426,258</u>	<u>167,755</u>	<u>29,161,573</u>
Total capital assets being depreciated, net	<u>29,684,298</u>	<u>(783,129)</u>	<u>718</u>	<u>28,900,451</u>
Governmental activities capital assets, net	<u>\$ 30,845,793</u>	<u>(783,129)</u>	<u>718</u>	<u>30,061,946</u>

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 37,271
Other	44,901
Support services:	
Instructional staff	234,961
Administration	44,539
Operation and maintenance of plant	9,991
Transportation	136,305
	<u>507,968</u>
Unallocated depreciation	<u>918,290</u>
Total governmental activities depreciation expense	<u>\$ 1,426,258</u>
Business-type activities:	
Food services	<u>\$ 22,522</u>

(5) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2011 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 9,550,000	-	1,040,000	8,510,000	1,080,000
Revenue bonds	3,835,000	-	900,000	2,935,000	935,000
Early retirement	353,801	-	353,801	-	-
Compensated absences	139,291	116,317	139,291	116,317	116,317
Net OPEB liability	204,687	114,105	-	318,792	-
Total	\$ 14,082,779	230,422	2,433,092	11,880,109	2,131,317
Business type activities:					
Net OPEB liability	\$ 3,819	2,139	-	5,958	-

General Obligation Bonds

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

Year Ending June 30,	Bond Issue of March 5, 2007			Bond Issue of March 4, 2008			Total	
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest	Principal	Interest
2012	3.80 %	\$ 475,000	143,203	2.75 %	\$ 605,000	140,105	\$ 1,080,000	283,308
2013	3.80	495,000	125,153	2.75	625,000	123,468	1,120,000	248,621
2014	3.80	515,000	106,343	2.80	660,000	106,280	1,175,000	212,623
2015	3.80	530,000	86,773	2.90	685,000	87,800	1,215,000	174,573
2016	3.80	550,000	66,633	3.00	710,000	67,935	1,260,000	134,568
2017	3.85	575,000	45,733	3.10	725,000	46,635	1,300,000	92,368
2018	3.90	605,000	23,595	3.20	755,000	24,160	1,360,000	47,755
Total		\$ 3,745,000	597,433		\$ 4,765,000	596,383	\$ 8,510,000	1,193,816

Revenue Bonds

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

Year Ending June 30,	Bond Issue of February 11, 2004			
	Interest Rates	Principal	Interest	Total
2012	2.95 %	\$ 935,000	86,583	1,021,583
2013	2.95	980,000	59,000	1,039,000
2014	2.95	1,020,000	30,090	1,050,090
Total		\$ 2,935,000	175,673	3,110,673

The District has pledged future statewide sales, services and use tax revenues to repay the \$8,650,000 bonds issued in February 2004. 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 received by the District and are payable through 2014. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds required 32.57% of the statewide sales, services and use tax. The total principal and interest remaining to be paid on the notes is \$3,110,673. For the current year, \$900,000 in principal and \$113,133 in interest was paid on the bonds and total statewide sales, services and use tax revenues were \$2,105,264.

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

- a) \$865,000 of the proceeds from the issuance of the revenue bonds shall be deposited to the reserve account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the sinking account. The balance of the proceeds shall be deposited to the project account.
- b) All proceeds from the local option sales and services tax shall be placed in a revenue account.
- c) 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.
- d) Any monies remaining in the revenue account after the required transfer to the sinking account may be transferred to the project account to be used for any lawful purpose.

Early Retirement

The District offers a voluntary early retirement plan to its certified employees and administration. Eligible employees must be at least age fifty-five and employees must have completed ten years of continuous service to the District. Employees must

complete an application which is required to be approved by the Board of Education. The early retirement incentive for each employee's base salary, depending on the individual's classification, calculated by using the current year salary schedule, less any other additional pay. In addition, a portion of unused sick leave is included in the early retirement stipend. Early retirement benefits paid during the year ended June 30, 2011 totaled \$353,801.

(6) Pension and Retirement Benefits

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

Plan members are required to contribute 4.50% of their annual covered 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 \$1,280,730, \$1,238,554, and \$1,180,121 respectively, equal to the required contributions for each year.

(7) 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 292 active and 34 retired members in the plan. Participants must be age 55 or older at retirement.

The medical, prescription drug, and dental coverage is provided through a fully insured plan with ISEBA. Retirees under age 65 pay the same premium for the medical, prescription drug, and dental 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 is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding 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 the year ended June 30, 2011, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 161,511
Interest on net OPEB obligation	5,125
Adjustment to annual required contribution	(3,506)
Annual OPEB cost	<u>163,130</u>
Contributions made	<u>(46,886)</u>
Increase in net OPEB obligation	116,244
Net OPEB obligation beginning of year	<u>208,506</u>
Net OPEB obligation end of year	<u>\$ 324,750</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2010. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2011.

For the year ended June 30, 2011, the District contributed \$46,886 to the medical and dental plan. Plan members eligible for benefits contributed \$0, or 0% of the premium costs.

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
2009	\$ 266,000	52.30%	\$ 127,000
2010	267,506	69.53%	208,506
2011	163,130	28.74%	324,750

Funded Status and Funding Progress - As of July 1, 2010, the most recent actuarial valuation date for the period July 1, 2010 through June 30, 2011, the actuarial accrued liability was \$1.310 million, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$1.310 million. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$18,758,761 and the ratio of the UAAL to covered payroll was 6.99%. 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 health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information in the section following the Notes to 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 types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of July 1, 2010 actuarial valuation date, the closed group method with a level dollar approach was used. The actuarial assumptions includes a 2.5% discount rate based on the District's funding policy. The ultimate medical trend rate is 6%.

Mortality rates are from the 94 Group Annuity Mortality Table Projected to 2000, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the 2006 Society of Actuaries Study and applying termination factors used in the 2006 Society of Actuaries Study.

Projected claim costs of the medical plan are \$669 per month for retirees less than age 65. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(8) Risk Management

The District is a member in the Iowa School Employees Benefits Association (ISEBA), and Iowa Code Chapter 28E organization. ISEBA is a local government risk-sharing pool whose members include various schools throughout the State of Iowa. The

Association was formed July 1999 for the purpose of managing and funding employee benefits. The Association provides coverage and protection in the following categories: medical, dental, disability and life insurance. District contributions to ISEBA for the year ended June 30, 2011 were \$2,082,351.

The 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 \$1,245,501 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) Categorical Funding

The District's restricted fund balance for categorical funding at June 30, 2011 is comprised of the following programs:

<u>Program</u>	<u>Amount</u>
Home school assistance program	\$ 58,834
LEP weighting	12,215
Gifted and talented	26,843
Dropout and dropout prevention	66,050
Iowa early intervention	44,138
Educator quality, basic salary	139,168
Educator quality, professional development	27,966
Nonpublic textbook services	1,129
Statewide voluntary preschool	57,383
Professional development for model core curriculum	30,283
Market factor incentives	21,705
Total	<u>\$ 485,714</u>

(11) Accounting Change/Restatement

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

	<u>Capital Projects</u>	<u>Special Revenue, Physical Plant and Equipment Levy</u>
Balances June 30, 2010 as previously reported	\$ 2,515,320	\$ 317,664
Change in fund type classification per implementation of GASB Statement No. 54	317,664	(317,664)
Balance July 1, 2010 as restated	<u>\$ 2,832,984</u>	<u>\$ -</u>

REQUIRED SUPPLEMENTARY INFORMATION

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

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to
	Funds	Fund		Original	Final	Actual
	Actual	Actual				Variance
Revenues:						
Local sources	\$ 14,615,253	612,897	15,228,150	14,626,713	14,626,713	601,437
Intermediate sources	9,614	-	9,614	2,500	2,500	7,114
State sources	17,552,804	12,143	17,564,947	18,774,021	18,774,021	(1,209,074)
Federal sources	1,526,272	825,633	2,351,905	1,380,000	1,380,000	971,905
Total revenues	<u>33,703,943</u>	<u>1,450,673</u>	<u>35,154,616</u>	<u>34,783,234</u>	<u>34,783,234</u>	<u>371,382</u>
Expenditures/Expenses:						
Instruction	19,645,324	-	19,645,324	18,428,843	20,618,128	972,804
Support services	8,321,358	10,979	8,332,337	9,201,255	8,482,442	150,105
Non-instructional programs	6,406	1,212,321	1,218,727	1,437,000	1,463,305	244,578
Other expenditures	3,764,110	-	3,764,110	3,937,236	4,291,930	527,820
Total expenditures/expenses	<u>31,737,198</u>	<u>1,223,300</u>	<u>32,960,498</u>	<u>33,004,334</u>	<u>34,855,805</u>	<u>1,895,307</u>
Excess(deficiency)of revenues over(under)expenditures/expenses	1,966,745	227,373	2,194,118	1,778,900	(72,571)	2,266,689
Balance beginning of year	<u>6,789,971</u>	<u>429,619</u>	<u>7,219,590</u>	<u>5,718,402</u>	<u>5,718,402</u>	<u>1,501,188</u>
Balance end of year	<u>\$ 8,756,716</u>	<u>656,992</u>	<u>9,413,708</u>	<u>7,497,302</u>	<u>5,645,831</u>	<u>3,767,877</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NEWTON 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 Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

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

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment, increasing budgeted expenditures by \$1,851,471.

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

REQUIRED SUPPLEMENTARY INFORMATION

For Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAAL as a Percentage of Covered Payroll ((b-a)/c)
2009	July 1, 2008	\$ -	\$ 2,124,000	\$ 2,124,000	0.00%	\$ 18,965,687	11.20%
2010	July 1, 2008	-	2,124,000	2,124,000	0.00%	18,971,192	11.20%
2011	July 1, 2010	-	1,310,420	1,310,420	0.00%	18,758,761	6.99%

See Note 7 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

OTHER SUPPLEMENTARY INFORMATION

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

	Special Revenue			Total
	Management Levy	Student Activity	Support Trust	
ASSETS				
Cash and pooled investments	\$ 766,702	296,297	24,000	1,086,999
Receivables:				
Property tax				
Delinquent	6,890	-	-	6,890
Succeeding year	600,000	-	-	600,000
TOTAL ASSETS	\$ 1,373,592	296,297	24,000	1,693,889
LIABILITIES AND FUND EQUITY				
Liabilities:				
Accounts payable	\$ -	744	-	744
Salaries and benefits payable	34,850	-	-	34,850
Deferred revenue:				
Succeeding year property tax	600,000	-	-	600,000
Total liabilities	634,850	744	-	635,594
Fund Balances				
Restricted for:				
Management levy purposes	738,742	-	-	738,742
Student activities	-	295,553	-	295,553
Support trust purposes	-	-	24,000	24,000
	738,742	295,553	24,000	1,058,295
TOTAL LIABILITIES AND FUND EQUITY	\$ 1,373,592	296,297	24,000	1,693,889

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Special Revenue			Total
	Mangagement Levy	Student Activity	Support Trust	
Revenues:				
Local sources:				
Local tax	\$ 499,072	-	-	499,072
Other	40,325	491,592	36,000	567,917
State sources	337	-	-	337
Total revenues	539,734	491,592	36,000	1,067,326
Expenditures:				
Current:				
Instruction:				
Regular	192,070	-	-	192,070
Other	-	431,805	-	431,805
Support services:				
Student	11,467	-	-	11,467
Instructional staff	5,526	801	-	6,327
Administration	21,962	1,533	-	23,495
Operation and maintenance of plant	155,414	-	-	155,414
Transportation	41,591	-	-	41,591
Non-instructional programs:				
Food service operations	6,406	-	-	6,406
Other expenditures:				
Facilities acquisition	-	-	12,000	12,000
Total expenditures	434,436	434,139	12,000	880,575
Excess of revenues over expenditures	105,298	57,453	24,000	186,751
Fund balances beginning of year, as restated	633,444	238,100	-	871,544
Fund balances end of year	\$ 738,742	295,553	24,000	1,058,295

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NEWTON 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
Assets			
Cash and pooled investments	\$ 1,479,792	554,390	2,034,182
Receivables:			
Delinquent	-	11,472	11,472
Succeeding year	-	757,644	757,644
Due from other governments	645,034	-	645,034
Total assets	\$ 2,124,826	1,323,506	3,448,332
Liabilities and fund balances			
Liabilities:			
Deferred revenue			
Succeeding year property tax	\$ -	757,644	757,644
Fund balances:			
Restricted for:			
Debt Service	2,124,826	-	2,124,826
Physical plant and equipment	-	565,862	565,862
Total fund balances	2,124,826	565,862	2,690,688
Total liabilities and fund balances	\$ 2,124,826	1,323,506	3,448,332

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NEWTON 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
Revenues:			
Local sources:			
Local tax	\$ 2,105,264	690,297	2,795,561
Other	1,981	219	2,200
State sources	-	442	442
Total revenues	<u>2,107,245</u>	<u>690,958</u>	<u>2,798,203</u>
Expenditures:			
Current:			
Support services:			
Instructional staff	-	145,682	145,682
Adminstration	-	4,823	4,823
Transportation	-	155,376	155,376
Other expenditures:			
Facilities acquisitions	-	136,879	136,879
Total expenditures	<u>-</u>	<u>442,760</u>	<u>442,760</u>
Excess of revenues over expenditures	2,107,245	248,198	2,355,443
Other financing uses:			
Transfer out	(2,497,739)	-	(2,497,739)
Excess(Deficiency) of revenues over(under) expenditures and other financing uses	(390,494)	248,198	(142,296)
Fund balances beginning of year, as restated	<u>2,515,320</u>	<u>317,664</u>	<u>2,832,984</u>
Fund balances end of year	<u>\$ 2,124,826</u>	<u>565,862</u>	<u>2,690,688</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NEWTON 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
Aurora Heights Elementary	\$ 6,675	4,613	5,672	5,616
Berg Elementary	2,684	945	1,473	2,156
Emerson Hough Elementary	1,391	527	843	1,075
Woodrow Wilson Elementary	3,471	1,969	3,582	1,858
Thomas Jefferson Elementary	16	16,020	2,868	13,168
Berg Middle School:				
Band	2,096	2,517	4,217	396
Orchestra	1,003	75	364	714
Athletics	5,106	210	63	5,253
Yearbook	200	4,924	4,694	430
Other Clubs	27,548	2,930	3,845	26,633
Basic and Beyond	328	-	-	328
Newton High School:				
Band	6,243	19,956	14,859	11,340
Orchestra	2,023	497	161	2,359
Athletics	106,014	306,586	267,412	145,188
FFA	36,978	30,487	29,329	38,136
Newtonia Yearbook	-	31,384	31,384	-
Other Clubs	36,324	67,952	63,373	40,903
Total	\$ 238,100	491,592	434,139	295,553

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

NEWTON 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	\$ 13,359,537	12,252,922	11,719,479	11,851,436	12,410,072	11,752,090	11,721,050	11,362,868
Tuition	300,666	328,426	308,713	358,973	407,365	389,737	453,358	412,233
Other	955,050	863,053	1,033,755	1,385,806	1,446,704	1,215,597	1,083,872	1,117,614
Intermediate sources	9,614	24,903	2,780	3,026	37,042	-	-	-
State sources	17,552,804	15,616,711	18,319,956	17,244,967	16,453,692	15,439,232	14,795,545	14,091,309
Federal sources	1,526,272	2,740,885	1,058,659	645,206	687,711	607,179	640,338	638,873
Total	\$ 33,703,943	31,826,900	32,443,342	31,489,414	31,442,586	29,403,835	28,694,163	27,622,897
Expenditures:								
Instruction:								
Regular	\$ 12,484,315	12,892,745	13,642,927	12,346,172	11,900,595	11,302,885	11,020,249	10,613,601
Special	4,556,376	4,330,367	4,159,947	4,156,274	4,180,153	4,018,027	3,758,206	3,992,418
Other	2,604,633	2,841,332	1,820,753	2,518,259	2,423,583	2,301,863	2,279,455	1,957,337
Support services:								
Student	876,392	1,001,661	958,135	873,075	1,054,028	1,158,342	1,324,277	1,539,283
Instructional staff	1,168,633	983,643	1,004,424	1,030,576	1,021,096	824,532	537,635	397,022
Administration	2,723,391	2,932,858	2,844,321	2,791,821	2,803,015	2,492,461	2,094,346	2,217,113
Operation and maintenance of plant	2,436,582	2,485,694	2,737,257	2,491,188	2,441,837	2,660,013	2,311,969	2,228,373
Transportation	1,116,360	1,070,877	923,833	1,084,928	1,008,545	1,027,112	955,630	903,706
Non-instructional programs	6,406	6,279	5,739	6,294	8,912	7,357	18,262	19,239
Other expenditures:								
Facilities acquisitions	148,879	158,007	1,914,869	1,542,778	1,052,457	2,535,681	3,777,744	967,623
Long-term debt:								
Principal	1,940,000	1,870,000	1,745,000	1,655,000	1,620,000	1,565,000	1,540,000	740,150
Interest and other charges	429,730	486,568	582,902	742,917	790,155	847,201	881,928	679,812
AEA flow-through	1,245,501	1,235,280	1,149,159	1,087,516	1,044,205	973,735	938,061	946,198
Total	\$ 31,737,198	32,295,311	33,489,266	32,326,798	31,348,581	31,714,209	31,437,762	27,201,875

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

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

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	PROGRAM EXPENDITURES
INDIRECT:			
SCHOOL NUTRITION CLUSTER PROGRAMS:			
SCHOOL BREAKFAST PROGRAM	10.553	FY 11	\$ 116,623
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY 11	706,591 *
SPECIAL MILK PROGRAM FOR CHILDREN	10.556	FY 11	2,419
			<u>825,633</u>
DEPARTMENT OF EDUCATION:			
IOWA DEPARTMENT OF EDUCATION:			
TITLE I CLUSTER:			
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	FY 11	292,887
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES, RECOVERY ACT	84.389	FY 11	97,287
			<u>390,174</u>
SPECIAL EDUCATION - HIGH COSTS (PART B)	84.027	FY 11	5,274 **
SPECIAL EDUCATION - FUSION READING	84.027	FY 11	130,900 **
			<u>136,174</u>
VOCATIONAL EDUCATION - BASIC GRANTS TO STATES	84.048	FY 11	20,419
IMPROVING TEACHER QUALITY STATE GRANTS	84.367	FY 11	103,898
GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES(TITLE VI A)	84.369	FY 11	40,782
STATE FISCAL STABILIZATION FUND CLUSTER:			
ARRA - STATE FISCAL STABILIZATION FUNDS(SFSF) EDUCATION STATE GRANTS, RECOVERY ACT	84.394	FY 11	167,393
ARRA - STATE FISCAL STABILIZATION FUNDS(SFSF) GOVERNMENT SERVICES, RECOVERY ACT	84.397	FY 11	149,307
			<u>316,700</u>
EDUCATION JOBS FUND	84.410	FY 11	175,613
HEARTLAND AEA:			
SPECIAL EDUCATION CLUSTER:			
SPECIAL EDUCATION - GRANTS TO STATES (SUCCESS 4 PLANNING, POSITIVE BEHAVIOR SUPPORT)	84.027	FY 11	12,346 **
SPECIAL EDUCATION - GRANTS TO STATES (PART B)	84.027	FY 11	174,728 **
			<u>187,074</u>
NATIONAL ENDOWMENT FOR THE ARTS:			
IOWA ARTS COUNCIL:			
PROMOTION OF THE ARTS - PARTNERSHIP AGREEMENTS (BIG YELLOW SCHOOL BUS)	45.025	FY 11	800
TOTAL			<u>\$ 2,197,267</u>

* Includes \$129,176 of non-cash awards.

** Total for CFDA Number 84.027 is \$323,248.

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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

117 West 3rd Street North, Newton, Iowa 50208-3050

Telephone (641) 792-1910

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

To the Board of Education of the
Newton 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 Newton 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 9, 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 Newton 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 an opinion on the effectiveness of Newton Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Newton Community School District's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected on a timely basis.

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. We did not identify any deficiencies in internal control over financial reporting we consider to be material weaknesses, as defined above. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

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 that deficiency described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-A-11 through II-I-11 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Newton 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 noncompliance 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 test 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.

Newton 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 Newton 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 Newton Community School District and other parties to whom Newton 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 Newton 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 9, 2012

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

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Telephone (641) 792-1910

Independent Auditor's Report on Compliance with Requirements That
Could Have a Direct and Material Effect on Each Major Program and Internal Control
over Compliance in Accordance with OMB Circular A-133

To the Board of Education of
Newton Community School District

Compliance

We have audited the compliance of Newton Community School District with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of Newton Community School District's major federal programs for the year ended June 30, 2011. Newton 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 Newton Community School District's management. Our responsibility is to express an opinion on Newton 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 Newton 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 Newton Community School District's compliance with those requirements.

In our opinion, Newton 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 Newton 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 Newton 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, 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 Newton Community School District's internal control over compliance.

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

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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Newton Community School District and other parties to whom Newton 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.

A handwritten signature in black ink that reads "Nolte, Cornman & Johnson PC". The signature is written in a cursive, flowing style.

NOLTE, CORNMAN & JOHNSON, P.C.

March 9, 2012

NEWTON 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 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) No material weaknesses in internal control over the major programs were noted.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit did not disclose any audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:

Individual Programs:

CFDA Number 84.410 - Education Jobs Fund

Clustered Programs:

Title I Cluster

CFDA Number 84.010 - Title I Grants to Local Educational Agencies

CFDA Number 84.389 - ARRA - Title I Grants to Local Educational Agencies

Special Education Cluster

CFDA Number 84.027 - Special Education Grants to States (Part B)

CFDA Number 84.027 - Special Education - High Costs (Part B)

CFDA Number 84.027 - Special Education - Fusion Reading

CFDA Number 84.027 - Special Education - Transition Planning

State Fiscal Stabilization Fund Cluster

CFDA Number 84.394 - ARRA - State Fiscal Stabilization Fund (SFSF)- Education State Grants,
Recovery Act

CFDA Number 84.397 - ARRA - State Fiscal Stabilization Fund (SFSF)- Government Services,
Recovery Act

- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Newton Community School District qualified as a low-risk auditee.

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

Part II: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

II-A-11 Petty Cash - We noted that each District site currently maintains a petty cash box which is to have \$50. According to the District's Business Office Procedures a log sheet is to be maintained for each petty cash box and will be replenished as needed and the petty cash box is to be kept in a locked file when not in use. It does not appear that the procedures outlined in the Business Office Procedures are currently being followed at District sites.

Recommendation - The most common way of accounting for petty cash expenditures is to use the imprest system. In an imprest system when expenditures are made the receipt/invoice are stored in the petty cash box and the total amount in the box plus the receipt/invoice will equal the original fund. At the point in time when the petty cash box gets low the custodian of the petty cash box will submit the receipts to the Administration Office for the petty cash box to be brought to the original amount.

The District should review its Business Office Procedures with all custodians of petty cash funds, which require that \$50.00 be maintained in the box at all time and a log sheet be kept with the petty cash box detailing all transactions which occur with petty cash funds. This District should also perform periodic reviews to ensure the District's procedures are being followed as designed.

Response - The District has already had all of the petty cash and receipts turned into the Business Office and the respective schools have been issued the \$50 and given instructions on the proper method of imprest system. The Business Office will be periodically conduct unannounced visits and review the records and the status of the petty cash at the schools.

Conclusion - Response accepted.

II-B-11 Purchase Orders - We noted that the District currently uses purchases orders in the purchasing process; however purchase orders are completed after the product had been ordered. The current practice at the building level is for staff to contact the building secretary for a purchase order number; the employee tells the secretary where the purchase will be made if the information is known and the employee is then authorized to make the purchase. Following the purchase of the item the building secretary generates a purchase order on the District's Uniform Financial Accounting system and the Principal approves the invoice for payment.

Recommendation - The advantage of using a purchase order system is that approvals of the items being purchased are noted prior to ordering of the items. In addition, when the items are approved and the purchase order is properly generated, it also reflects on the financial records as an outstanding order, which represents the amount as an obligation against the budget. When monitoring actual expenses, it can be helpful to know the outstanding orders which will be subsequently paid, therefore allowing the person who approves purchase orders the insight to know if there is still available funding to make the purchase.

Although districts are not required to use a purchase order system, the benefits to financial management make the system desirable. The District's current purchase order system should be reviewed and necessary changes made so that all disbursements are approved by the appropriate administrator before ordering of supplies takes place.

Response - The District acknowledges the finding. The District will be evaluating the current processes at the various schools and departments and come up with a process that will meet the needs of the schools and yet maintain proper accountability.

Conclusion - Response accepted.

II-C-11 Gate Admissions - Although the District utilizes pre-numbered tickets for all events admissions, it appeared that ticket takers responsible for cash collections at the gate were not reconciling pre-numbered tickets to cash collected and not signing off on the reconciliation before giving custody of the change box to the Athletic Director. We noted instances of the Athletic Director being the only person signing off on gate reconciliations. A copy of these ticket reconciliations which are signed off by both the ticket takers and the Athletic Director should accompany the documentation sent to the Administration Office.

Recommendation - The District should have internal control procedures established for handling cash for all activity events, including athletic events. The Board would of course, approve any policies and the District's business office should be involved in developing the detailed procedures. At a minimum these procedures should include:

- a. Cash or change boxes should be established with a specified amount.
- b. The District should use pre-numbered tickets.
- c. Two or more individuals should be involved in the cash collection/ticket sales process. In addition to cash collection/ticket sales procedures, the individuals should be instructed to not leave the cash/change boxes unattended under any circumstances.
- d. At the end of the event, cash should be counted and reconciled (by two or more individuals) to sales/pre-numbered tickets sold including the amount of the beginning cash.
- e. To reconcile, the next unsold ticket number less the beginning ticket number determines the number of tickets sold. This number times the price per ticket equals total sales. Total sales compared to total collected should reconcile. Variances, if any should be minimal.
- f. A reconciliation form should be completed and signed off by the individuals responsible for counting and reconciling the cash.
- g. The cash and change box should be turned into the Athletic Director (AD) or designee responsible for the "accounting" function at the event.
- h. The AD or designee should be required to take the cash collections to the night depository at the bank or at a minimum, lock the cash collections in the District's vault or other secure location at the District's office for deposit on the next working day. District procedures should prohibit individuals from taking cash collections home.
- i. A pre-numbered receipt should be issued by the Business Office the next working day in the amount of the confirmed deposit.

j. Administrative personnel should periodically review/test the process to ensure procedures are working as prescribed.

Response - The Business Office has met with the Athletic Director and his secretary, we have explained the concerns raised and have developed a new ticket reconciliation form. We have put in place the new process that includes two people will count the money and both will sign the form acknowledging that amount. They will then place the unused tickets, money, and the reconciliation form into a tamper evident bag which will be turned in to the Athletic Director for placement into the vault. The next business day the secretary will prepare the deposit and send a copy of the reconciliation form and a copy of the deposit slip to the Business Office. If the secretary is unavailable the Business Office staff will assist in preparing the deposit.

Conclusion - Response accepted.

II-D-11 Timely Deposits - We noted that deposits for Middle School athletic events and elementary receipts are not being deposited in accordance with the District's Business Office Procedures.

Recommendation - Following Middle School athletic events, gate receipts are sent to the High School to be deposited by the Student Activity secretary up to two weeks after an event took place. We also noted multiple occasions of buildings collecting money for registration fees and holding these deposits for months before depositing the funds.

This District should review the District's Business Office Procedures with all staff to ensure that money received is being receipted and deposited in a timely manner.

Response - The Business Office is researching other school districts that have training and/or manuals that can be copied or adopted to our needs. The Business Office will be sending out in the meantime reminders to respective staff on the need for timely deposits.

Conclusion - Response accepted.

II-E-11 Receipting Procedures - We noted that sponsors of student organizations were collecting money from individuals, fundraising events and other revenue fees. These collections are turned into the office for receipting, depositing and posting only after the event or fundraising drive is completed.

When the money is turned into the office there does not appear to be supporting documentation for the money collected that later could be used for reconciliation uses. We noted that once collected at the office, these were handled in a comparable manner as receipts directly delivered to the office, where receipts are given and deposited. The copies of the receipts issued at the buildings are provided to the central office for posting and reconciling the bank statement. There does not appear to be controls in place to document monies collected and turned in from sponsors to be reconciled to the actual deposit.

Recommendation - The district actually maintains multiple layers of receipting from, sponsors, to the building office, to the central office. When sponsors or fundraising chairpersons submit money to the office for multiple previously collected receipts, they should provide documentation of their receipts. This documentation should be used when reconciling deposits to receipts.

Response - The Business Office recently held a secretary training session during which the issue of proper receipts was discussed. The Business Office is researching other school districts that have training and/or manuals that can be copied or adopted to our needs. The Business Office will be sending out in the meantime reminders to respective staff on the need for proper receipting of money.

Conclusion - Response accepted.

II-F-11 Monthly Statements to Sponsors - We noted that sponsors of Student Activity Fund accounts do not currently receive monthly statements of their individual account.

Recommendation - Giving monthly statements to Student Activity Fund sponsors is an internal control procedure to ensure that all receipts and expenditures are posted to the correct account. Having sponsors review the statements of their accounts allows errors to be identified and corrected in a timely manner and allows them to maintain a budget for the organization.

Response - During the meeting with the Athletic Director and his secretary the issue of printing out of monthly statements for the sponsors has to be done, and it is not contingent upon whether they ask for a report or not.

Conclusion - Response accepted.

II-G-11 Nutrition Receipting Procedures - We noted that the clerical personnel at each building may collect and provide a receipt to the customer for student lunch accounts. The cash and checks collected are turned over to the nutrition staff that come and pick up the money; however the nutrition staff does not provide a receipt to the office clerical staff.

Recommendation - Better internal controls are achieved if there is a written document to provide evidence of the transfer of money from one individual to another. We understand that the amount may not be significant; however, we would advise that perhaps the nutrition staff member picking up the money could initial the pink copy of the receipt originally written to the customer.

Response - During a professional development session with the secretaries in February this topic was discussed and why it is so important to have a signed receipt whenever you collect money for Food and Nutrition and turn it over to them. This process will be implemented immediately.

Conclusion - Response accepted.

II-H-11 Student Data Software - We noted that the school currently uses Infinite Campus software for enrollment, attendance, individual lunch balances and class scheduling. The District uses FileMaker for student fees and miscellaneous fees at the High School such as parking and safety glasses. The Junior High uses an excel spreadsheet to maintain the fees it charges and has yet to collect.

Recommendation - We believe that the necessity of using the multiple systems was due to incompatibility of previous student software, however, the current Infinite Campus would appear to be capable of maintaining, all of the fees on one system. This could be advantageous when transferring grade levels since the fees outstanding would transfer automatically rather than require an individual to re-enter and possibly make an error in data entry. It could also provide for access to student account balances across the buildings to provide family balances; which could be useful if a parent is making payments for multiple children who are at different sites. It would appear that the District may benefit from utilizing the Infinite Campus software for all of these processes.

Response - The District is in the process of evaluating options and cost for purchasing the modules necessary to utilize student fees and registration with Infinite Campus. It is the District's hope to eliminate the duplication of registration records.

Conclusion - Response accepted.

II-I-11 Student Activity Fund - We noted during our audit that the FFA account awarded scholarships from proceeds of fundraising during the year. We also noted the checks did not include the college the student was attending as the payee.

Recommendation - When fundraising takes place the revenues should be recorded in the fund that may legally pay for the purpose of the fundraiser. Scholarships are most appropriately paid from the Private Purpose Trust Fund; therefore, proceeds from scholarship fundraising should be placed and expended from the Private Purpose Trust Fund. Additionally, checks issued for scholarship awards should be written out to the student and college the student is attending.

Response - The District is aware of the rules to issue scholarship checks to both the college/university and the student. In the case cited the scholarship check was so late in being written that the student had already graduated from the college program. If the FFA continues with this scholarship program the District will set up a Trust Fund.

Conclusion - Response accepted.

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

No material weaknesses in internal control over the major programs were noted.

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-11 Certified Budget - District expenditures/expenses for the year ended June 30, 2011, did not exceed the amount budgeted.

IV-B-11 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.

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
Arthur Ergenbright, Paraprofessional Owner of Ergenbright Sports Apparel	Sports apparel	\$ 4,062

The above transactions between the District and the paraprofessional appear to create a conflict of interest. Chapter 301.28 of the Code of Iowa states in part, "A school director, officer or teacher shall not act as agent for the purchase of school textbooks or school supplies, including sports apparel or equipment, in any transaction..." The purchase of sports apparel from the paraprofessional's business appears to be in violation of this code section.

Recommendation - The District should contact its attorney regarding this matter to determine the legality of these transactions and if any corrective action is required.

Response - The District will communicate to the staff member that he can no longer conduct business transactions with the District as long as he is an employee.

Conclusion - Response accepted.

- 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 no variances in the basic enrollment data certified to the Department of Education.
- IV-H-11 Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- 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 instances were noted of categorical funding used to supplant rather than supplement other funds.
- IV-L-11 Statewide Sales and Services Tax - No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

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

Beginning balance		\$ 2,515,320
Revenues:		
Sales tax revenues	\$ 2,105,264	
Other local revenues	1,981	2,107,245
		<u>4,622,565</u>
Expenditures/transfers out:		
Transfers to other funds:		
Debt service fund	\$ 2,497,739	2,497,739
		<u>2,497,739</u>
Ending balance		<u><u>\$ 2,124,826</u></u>

For the year ended June 30, 2011, the District reduced the following levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa:

	<u>Rate of Levy Reduction Per \$1,000 of Taxable Valuation</u>	<u>Property Tax Dollars Reduced</u>
Debt service levy	<u>\$ 2.14572</u>	<u>\$ 1,484,131</u>

IV-M-11 Officiating Contracts - We noted during our audit that the Athletic Director was signing Activity Fund officiating contracts. According to 291.1 of the Code of Iowa, the Board President shall sign all contracts entered into by the District.

Recommendation - The District should have the Board President sign all contracts entered into by the District to be in compliance with 291.1 of the Code of Iowa.

Response - The District will look into this matter and take corrective steps to ensure that the contracts are signed by the appropriate party.

Conclusion - Response accepted.