

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

JUNE 30, 2012

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Newton Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
(Before September 2011 Election)		
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
(After September 2011 Election)		
Donna Cook	President	2015
Andrew Elbert	Vice President	2013
Nat Clark	Board Member	2015
Jeremy Heaberlin	Board Member (Resigned March 2012)	2015
Joe Klingensmith	Board Member (Appointed March 2012)	2013
Dennis Combs	Board Member	2013
Bill Perrenoud	Board Member	2015
Don Poynter	Board Member	2013
School Officials		
Steve McDermott	Superintendent	2012
Gayle Isaac	Director of Business Services District Secretary/Treasurer	2012
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, 2012, 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, 2012, 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 January 17, 2013 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.

U.S. generally accepted accounting principles require Management's Discussion and Analysis and the Budgetary Comparison Information and Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 16 and 40 through 42 be presented to supplement the basic financial statements. Such information, although not a part of the

basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the required supplementary information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 eight years ended June 30, 2011 (which are not presented herein) and expressed unqualified opinions on those financial statements. The 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 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.


NOLTE, CORNMAN & JOHNSON, P.C.

January 17, 2013

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, 2012. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2012 FINANCIAL HIGHLIGHTS

- General Fund revenues increased slightly from \$29,212,661 in fiscal year 2011 to \$29,248,500 in fiscal year 2012, while General Fund expenditures increased from \$28,044,133 in fiscal 2011 to \$28,202,651 in fiscal 2012.
- The District's General Fund unassigned fund balance increased from \$2,533,922 in fiscal 2011 to \$2,980,278 in fiscal 2012.
- The District financial management goals include maintaining a solvency ratio between 5% and 10%. As of the year ended June 30, 2012, the District has a 10.59% solvency ratio.
- Interest earnings in the General Fund alone decreased for a fifth consecutive year. In 2008 interest garnered \$109,695, in 2009 interest earnings were \$28,169, in 2010 they were \$4,042, in 2011 they were \$3,247 and in 2012 they were \$717.

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.

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.

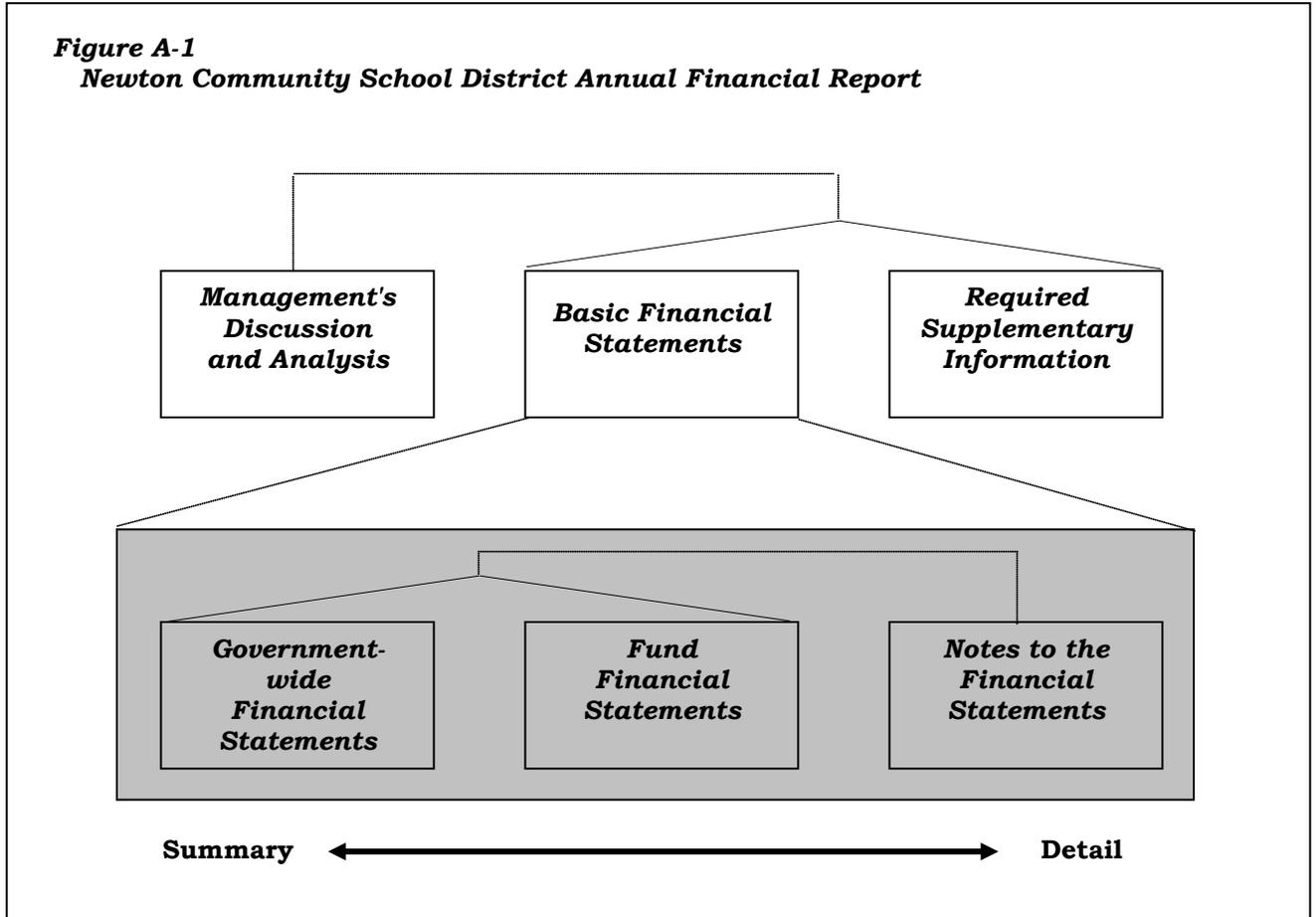


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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 fund 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, 2012 compared to June 30, 2011.

Figure A-3
Condensed Statement of Net Assets

	Governmental Activities		Business-type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2012	2011	2012	2011	2012	2011	2011-12
Current and other assets	\$ 20,165,629	20,609,345	643,436	502,469	20,809,065	21,111,814	-1.43%
Capital assets	29,594,526	30,061,946	180,780	160,481	29,775,306	30,222,427	-1.48%
Total assets	49,760,155	50,671,291	824,216	662,950	50,584,371	51,334,241	-1.46%
Long-term liabilities	7,987,590	11,880,109	8,374	5,958	7,995,964	11,886,067	-32.73%
Other liabilities	11,156,221	11,462,656	-	-	11,156,221	11,462,656	-2.67%
Total liabilities	19,143,811	23,342,765	8,374	5,958	19,152,185	23,348,723	-17.97%
Net assets:							
Invested in capital assets, net of related debt	22,164,526	18,616,946	180,780	160,481	22,345,306	18,777,427	19.00%
Restricted	5,587,292	6,092,172	-	-	5,587,292	6,092,172	-8.29%
Unrestricted	2,864,526	2,619,408	635,062	496,511	3,499,588	3,115,919	12.31%
Total net assets	\$ 30,616,344	27,328,526	815,842	656,992	31,432,186	27,985,518	12.32%

The District's combined net assets increased by 12.32%, or \$3,446,668 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 decreased \$504,880, or 8.29% from the prior year. The decrease was primarily a result of the District's decrease 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 \$383,669 or 12.31%. 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, 2012 compared to the year ended June 30, 2011.

Figure A-4
Changes in Net Assets

	Governmental Activities		Business-type Activities		Total District		Total Change
	2012	2011	2012	2011	2012	2011	2011-12
Revenues:							
Program revenues:							
Charges for services	\$ 947,232	951,117	568,445	596,782	1,515,677	1,547,899	-2.08%
Operating grants, contributions and restricted interest	2,175,406	2,783,984	863,392	837,776	3,038,798	3,621,760	-16.10%
Capital grants, contributions and restricted interest	36,932	36,000	-	-	36,932	36,000	2.59%
General revenues:							
Property tax	10,866,728	10,800,499	-	-	10,866,728	10,800,499	0.61%
Income surtax	434,293	412,956	-	-	434,293	412,956	5.17%
Statewide sales, services and use tax	2,345,281	2,105,264	-	-	2,345,281	2,105,264	11.40%
Unrestricted state grants	16,711,470	15,812,393	-	-	16,711,470	15,812,393	5.69%
Nonspecific program federal grants	469,853	492,313	-	-	469,853	492,313	-4.56%
Unrestricted investment earnings	5,864	17,451	119	289	5,983	17,740	-66.27%
Other	149,173	251,148	12,489	15,826	161,662	266,974	-39.45%
Total revenues	34,142,232	33,663,125	1,444,445	1,450,673	35,586,677	35,113,798	1.35%
Program expenses:							
Governmental activities:							
Instruction	19,831,438	19,493,971	-	-	19,831,438	19,493,971	1.73%
Support services	8,651,637	8,224,477	14,756	10,979	8,666,393	8,235,456	5.23%
Non-instructional programs	6,300	6,406	1,270,839	1,212,321	1,277,139	1,218,727	4.79%
Other expenses	2,365,039	2,577,587	-	-	2,365,039	2,577,587	-8.25%
Total expenses	30,854,414	30,302,441	1,285,595	1,223,300	32,140,009	31,525,741	1.95%
Changes in net assets	3,287,818	3,360,684	158,850	227,373	3,446,668	3,588,057	-3.94%
Net assets beginning of year	27,328,526	23,967,842	656,992	429,619	27,985,518	24,397,461	14.71%
Net assets end of year	\$ 30,616,344	27,328,526	815,842	656,992	31,432,186	27,985,518	12.32%

In fiscal 2012, property tax and unrestricted state grants account for 80.77% of the revenue from governmental activities while charges for service and operating grants and contributions account for 99.13% of the revenue from business type activities.

The District's total revenues were approximately \$35.58 million of which approximately \$34.14 million was for governmental activities and approximately \$1.44 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 1.35% increase in revenues and a 1.95% increase in expenses. Unrestricted state grants increased \$899,077. The expenses increased in the negotiated salary and benefits during the year.

Governmental Activities

Revenues for governmental activities were \$34,142,232 and expenses were \$30,854,414. 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, 2012 compared to the year ended June 30, 2011.

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2012	2011	Change 2011-12	2012	2011	Change 2011-12
	Instruction	\$ 19,831,438	19,493,971	1.73%	17,857,431	17,059,722
Support services	8,651,637	8,224,477	5.19%	8,582,143	8,133,126	5.52%
Non-instructional	6,300	6,406	-1.65%	6,300	6,406	-1.65%
Other expenses	2,365,039	2,577,587	-8.25%	1,248,970	1,332,086	-6.24%
Totals	<u>\$ 30,854,414</u>	<u>30,302,441</u>	<u>1.82%</u>	<u>27,694,844</u>	<u>26,531,340</u>	<u>4.39%</u>

For the year ended June 30, 2012:

- The cost financed by users of the District's programs was \$947,232.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$2,212,338.
- The net cost of governmental activities was financed with \$10,866,728 in property tax, \$434,293 in income surtax, \$2,345,281 in statewide sales, services and use tax, \$16,711,470 in unrestricted state grants, \$469,853 in nonspecific program federal grants, \$5,864 in interest income, and \$149,173 in other revenues.

Business-Type Activities

Revenues for business type activities during the year ended June 30, 2012 were \$1,444,445 representing a decrease of less than 1% over the prior year, while expenses totaled \$1,285,595, a 5.09% increase 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 \$8,574,739, below last year's ending fund balances of \$8,756,716.

Governmental Fund Highlights

- The District's increase in its General Fund financial position from \$3,150,258 in fiscal 2011 to \$4,196,107 in fiscal 2012 is the product of many factors. Revenues increased primarily due to an increase in state funding. The District received \$460,438 in Education Jobs funding during the 2011 fiscal year, which was deferred and spent during the 2012 fiscal year. Additionally, the District's expenditure increased by only 0.57%.
- The Capital Projects Fund balance increased from a balance of \$2,690,688 at the beginning of the fiscal year 2012 to \$3,011,745. The increase was the result of the sales tax and property tax revenues in excess of transfers to the Debt Service fund and expenditures for capital acquisitions.

- The Debt Service Fund balance decreased from \$1,857,475 to \$101,934. This decrease was the result of the District using existing cash reserves to pay off the District bonds.

Proprietary Fund Highlights

The Proprietary Fund net assets increased from \$656,992 at June 30, 2011 to \$815,842 at June 30, 2012, representing an increase of 24.18%. This increase was due primarily to the District being able to hold the increase in expenditures to a minimum.

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 repayment of the District's revenue bonds.

The District's revenues were \$314,920 more than budgeted revenues, a variance of less than 1%. The most significant variance resulted from the District receiving more in local 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.

In spite of the District's budgetary practice, the certified budget was exceeded in the support services and other expenditures functional areas.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2012, the District had invested approximately \$29.78 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 1.48% from last year. More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$1,528,353.

The original cost of the District's capital assets was \$60,700,679. Governmental funds account for \$60,004,211 with the remainder of \$696,468 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 \$1,305,636 at June 30, 2011, compared to \$1,602,016 reported at June 30, 2012. 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,		
	2012	2011	2012	2011	2012	2011	2011-12
Land	\$ 1,161,495	1,161,495	-	-	1,161,495	1,161,495	0.00%
Buildings	24,984,097	25,581,689	-	-	24,984,097	25,581,689	-2.34%
Land improvements	2,027,698	2,173,607	-	-	2,027,698	2,173,607	-6.71%
Machinery and equipment	1,421,236	1,145,155	180,780	160,481	1,602,016	1,305,636	22.70%
Total	\$ 29,594,526	30,061,946	180,780	160,481	29,775,306	30,222,427	-1.48%

Long-Term Debt

At June 30, 2012, the District had \$7,995,964 in general obligation and other long-term debt outstanding. This represents a decrease of 32.73% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 6 to the financial statements.

The District had outstanding general obligation bonds of \$7,430,000 at June 30, 2012.

The District had outstanding compensated absences of \$134,335 at June 30, 2012 payable from the General Fund.

The District had total outstanding Net OPEB liability payable from the General and School Nutrition Funds of \$431,629 at June 30, 2012.

Figure A-7
Outstanding Long-Term Obligations

	Governmental		Business-type		Total		Total
	Activities		Activities		District		
	June 30,		June 30,		June 30,		
	2012	2011	2012	2011	2012	2011	2011-12
General obligation bonds	\$ 7,430,000	8,510,000	-	-	7,430,000	8,510,000	-12.69%
Revenue bonds	-	2,935,000	-	-	-	2,935,000	-100.00%
Compensated absences	134,335	116,317	-	-	134,335	116,317	15.49%
Net OPEB liability	423,255	318,792	8,374	5,958	431,629	324,750	32.91%
Total	\$ 7,987,590	11,880,109	8,374	5,958	7,995,964	11,886,067	-32.73%

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:

- The District's certified enrollment in October of 2012 decreased by 31.19 students. Declining enrollment will put a financial constraint on the District.
- 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, 700 N. 4th Ave E. Suite 300, Newton, Iowa, 50208.

BASIC FINANCIAL STATEMENTS

NEWTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2012

	Governmental Activities	Business Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 7,273,587	581,888	7,855,475
Receivables:			
Property tax:			
Delinquent	159,732	-	159,732
Succeeding year	11,057,592	-	11,057,592
Income surtax	455,387	-	455,387
Accounts	12,557	16,978	29,535
Due from other governments	1,199,605	-	1,199,605
Inventories	7,169	44,570	51,739
Capital assets, net of accumulated depreciation	29,594,526	180,780	29,775,306
TOTAL ASSETS	49,760,155	824,216	50,584,371
LIABILITIES			
Accounts payable	34,775	-	34,775
Salaries and benefits payable	36,884	-	36,884
Accrued interest payable	20,718	-	20,718
Deferred revenue:			
Succeeding year property tax	11,057,592	-	11,057,592
Other	6,252	-	6,252
Long-term liabilities:			
Portion due within one year:			
General obligation bonds	1,120,000	-	1,120,000
Compensated absences	134,335	-	134,335
Portion due after one year:			
General obligation bonds	6,310,000	-	6,310,000
Net OPEB liability	423,255	8,374	431,629
TOTAL LIABILITIES	19,143,811	8,374	19,152,185
NET ASSETS			
Invested in capital assets, net of related debt	22,164,526	180,780	22,345,306
Restricted for:			
Categorical funding	1,208,660	-	1,208,660
School infrastructure	2,237,159	-	2,237,159
Physical plant and equipment	774,586	-	774,586
Debt service	101,934	-	101,934
Management levy purposes	951,242	-	951,242
Student activities	301,711	-	301,711
Support trust purposes	12,000	-	12,000
Unrestricted	2,864,526	635,062	3,499,588
TOTAL NET ASSETS	\$ 30,616,344	815,842	31,432,186

SEE NOTES TO FINANCIAL STATEMENTS.

NEWTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2012

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Govern- mental Activities	Business- Type Activities	Total
Functions/Programs:							
Governmental activities:							
Instruction:							
Regular	\$ 12,611,283	326,547	118,554	-	(12,166,182)	-	(12,166,182)
Special	4,744,123	114,965	385,894	-	(4,243,264)	-	(4,243,264)
Other	2,476,032	490,258	537,789	-	(1,447,985)	-	(1,447,985)
	19,831,438	931,770	1,042,237	-	(17,857,431)	-	(17,857,431)
Support services:							
Student	977,638	-	-	-	(977,638)	-	(977,638)
Instructional staff	796,365	-	5,618	-	(790,747)	-	(790,747)
Administration	2,908,593	-	-	-	(2,908,593)	-	(2,908,593)
Operation and maintenance of plant	2,846,675	-	-	36,932	(2,809,743)	-	(2,809,743)
Transportation	1,122,366	15,462	11,482	-	(1,095,422)	-	(1,095,422)
	8,651,637	15,462	17,100	36,932	(8,582,143)	-	(8,582,143)
Non-instructional programs:							
Food service operations	6,300	-	-	-	(6,300)	-	(6,300)
Long-term debt interest	326,964	-	-	-	(326,964)	-	(326,964)
Other expenditures:							
AEA flowthrough	1,116,069	-	1,116,069	-	-	-	-
Depreciation(unallocated)*	922,006	-	-	-	(922,006)	-	(922,006)
	2,038,075	-	1,116,069	-	(922,006)	-	(922,006)
Total governmental activities	30,854,414	947,232	2,175,406	36,932	(27,694,844)	-	(27,694,844)
Business type activities:							
Support services:							
Instructional staff	3,576	-	-	-	-	(3,576)	(3,576)
Administration	11,180	-	-	-	-	(11,180)	(11,180)
	14,756	-	-	-	-	(14,756)	(14,756)
Non-instructional programs:							
Food service operations	1,270,839	568,445	863,392	-	-	160,998	160,998
Total business-type activities	1,285,595	568,445	863,392	-	-	146,242	146,242
Total	\$ 32,140,009	1,515,677	3,038,798	36,932	(27,694,844)	146,242	(27,548,602)
General Revenues:							
Property tax levied for:							
General purposes					\$ 9,488,327	-	9,488,327
Capital outlay					755,806	-	755,806
Debt service					622,595	-	622,595
Income surtax					434,293	-	434,293
Statewide sales, services and use tax					2,345,281	-	2,345,281
Unrestricted state grants					16,711,470	-	16,711,470
Nonspecific program federal grants					469,853	-	469,853
Unrestricted investment earnings					5,864	119	5,983
Other					149,173	12,489	161,662
Total general revenues					30,982,662	12,608	30,995,270
Changes in net assets					3,287,818	158,850	3,446,668
Net assets beginning of year					27,328,526	656,992	27,985,518
Net assets end of year					\$ 30,616,344	815,842	31,432,186

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

SEE NOTES TO FINANCIAL STATEMENTS.

NEWTON COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2012

	General	Capital Projects	Debt Service	Other Nonmajor Governmental Funds	Total
ASSETS					
Cash and pooled investments	\$ 3,684,357	2,213,340	92,242	1,283,648	7,273,587
Receivables:					
Property tax:					
Delinquent	129,657	11,702	9,639	8,734	159,732
Succeeding year	9,520,734	790,858	-	746,000	11,057,592
Income surtax	455,387	-	-	-	455,387
Accounts	12,557	-	-	-	12,557
Due from other governments	412,288	787,317	-	-	1,199,605
Due from other funds	-	-	53	262	315
Inventories	7,169	-	-	-	7,169
TOTAL ASSETS	\$ 14,222,149	3,803,217	101,934	2,038,644	20,165,944
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 34,019	561	-	195	34,775
Due to other funds	262	53	-	-	315
Salaries and benefits payable	9,388	-	-	27,496	36,884
Deferred revenue:					
Succeeding year property tax	9,520,734	790,858	-	746,000	11,057,592
Income surtax	455,387	-	-	-	455,387
Other	6,252	-	-	-	6,252
Total liabilities	10,026,042	791,472	-	773,691	11,591,205
Fund balances:					
Nonspendable	7,169	-	-	-	7,169
Restricted for:					
Categorical funding	1,208,660	-	-	-	1,208,660
School infrastructure	-	2,237,159	-	-	2,237,159
Physical plant and equipment	-	774,586	-	-	774,586
Debt service	-	-	101,934	-	101,934
Management levy purposes	-	-	-	951,242	951,242
Student activities	-	-	-	301,711	301,711
Support trust purposes	-	-	-	12,000	12,000
Unassigned	2,980,278	-	-	-	2,980,278
Total fund balances	4,196,107	3,011,745	101,934	1,264,953	8,574,739
TOTAL LIABILITIES AND FUND BALANCES	\$ 14,222,149	3,803,217	101,934	2,038,644	20,165,944

SEE NOTES TO FINANCIAL STATEMENTS.

NEWTON COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET ASSETS
 JUNE 30, 2012

Total fund balances of governmental funds(page 20)	\$	8,574,739
 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.		29,594,526
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.		455,387
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.		(20,718)
Long-term liabilities, including general obligation 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.		(7,987,590)
		<u>(7,987,590)</u>
Net assets of governmental activities(page 18)	\$	<u><u>30,616,344</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

NEWTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2012

	General	Capital Projects	Debt Service	Other Nonmajor Governmental Funds	Total
REVENUES:					
Local sources:					
Local tax	\$ 9,325,261	3,101,087	622,595	598,845	13,647,788
Tuition	294,731	-	-	-	294,731
Other	268,989	503	4,211	533,835	807,538
Intermediate sources	386	-	-	-	386
State sources	18,067,335	435	359	383	18,068,512
Federal sources	1,287,831	36,932	-	-	1,324,763
Total revenues	<u>29,244,533</u>	<u>3,138,957</u>	<u>627,165</u>	<u>1,133,063</u>	<u>34,143,718</u>
EXPENDITURES:					
Current:					
Instruction:					
Regular	12,391,299	-	-	175,787	12,567,086
Special	4,729,865	-	-	-	4,729,865
Other	1,978,784	-	-	477,157	2,455,941
	<u>19,099,948</u>	<u>-</u>	<u>-</u>	<u>652,944</u>	<u>19,752,892</u>
Support services:					
Student	962,650	-	-	11,279	973,929
Instructional staff	903,940	133,814	-	10,532	1,048,286
Administration	2,814,312	5,058	-	23,618	2,842,988
Operation and maintenance of plant	2,343,390	156,727	-	180,214	2,680,331
Transportation	962,342	188,539	-	41,518	1,192,399
	<u>7,986,634</u>	<u>484,138</u>	<u>-</u>	<u>267,161</u>	<u>8,737,933</u>
Non-instructional programs:					
Food service operations	-	-	-	6,300	6,300
Capital outlay	-	334,182	-	-	334,182
Long-term debt:					
Principal	-	-	4,015,000	-	4,015,000
Interest and fiscal charges	-	-	373,146	-	373,146
	<u>-</u>	<u>-</u>	<u>4,388,146</u>	<u>-</u>	<u>4,388,146</u>
Other expenditures:					
AEA flowthrough	1,116,069	-	-	-	1,116,069
Total expenditures	<u>28,202,651</u>	<u>818,320</u>	<u>4,388,146</u>	<u>926,405</u>	<u>34,335,522</u>
Excess(deficiency)of revenues over(under)expenditures	1,041,882	2,320,637	(3,760,981)	206,658	(191,804)
Other financing sources(uses):					
Sale of equipment	3,967	-	-	-	3,967
Insurance proceeds	-	5,860	-	-	5,860
Transfer in	-	-	2,005,440	-	2,005,440
Transfer out	-	(2,005,440)	-	-	(2,005,440)
Total other financing sources(uses)	<u>3,967</u>	<u>(1,999,580)</u>	<u>2,005,440</u>	<u>-</u>	<u>9,827</u>
Net change in fund balances	1,045,849	321,057	(1,755,541)	206,658	(181,977)
Fund balance beginning 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>
Fund balance end of year	<u>\$ 4,196,107</u>	<u>3,011,745</u>	<u>101,934</u>	<u>1,264,953</u>	<u>8,574,739</u>

SEE NOTES TO 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, 2012

Net change in fund balances - total governmental funds(page 22)	\$	(181,977)
 <i>Amounts reported for governmental activities in the Statement of Activities are different because:</i>		
 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, and capital outlay expenditures in the current year are as follows:		
Expenditures for capital assets	\$ 1,035,112	
Depreciation expense	<u>(1,502,532)</u>	(467,420)
 Income surtax accounts receivable is not available to finance expenditures of the current year period in the governmental funds.		
		(1,486)
 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.		
		4,015,000
 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.		
		46,182
 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:		
Compensated absences	(18,018)	
Other postemployment benefits	<u>(104,463)</u>	<u>(122,481)</u>
 Changes in net assets of governmental activities(page 19)	 \$	 <u>3,287,818</u>

SEE NOTES TO FINANCIAL STATEMENTS.

NEWTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2012

	<u>School Nutrition</u>
ASSETS	
Cash and cash equivalents	\$ 581,888
Accounts receivable	16,978
Inventories	44,570
Capital assets, net of accumulated depreciation	180,780
TOTAL ASSETS	<u>824,216</u>
LIABILITIES	
Net OPEB liability	8,374
TOTAL LIABILITIES	<u>8,374</u>
NET ASSETS	
Invested in capital assets	180,780
Unrestricted	635,062
TOTAL NET ASSETS	<u>\$ 815,842</u>

SEE NOTES TO FINANCIAL STATEMENTS.

NEWTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2012

	School Nutrition
OPERATING REVENUE:	
Local sources:	
Charges for services	\$ 568,445
Miscellaneous	12,489
	580,934
OPERATING EXPENSES:	
Support services:	
Instructional staff:	
Services	756
Supplies	2,820
Administration:	
Services	11,180
	14,756
Non-instructional programs:	
Food service operations:	
Salaries	501,465
Benefits	133,866
Services	3,344
Supplies	606,343
Depreciation	25,821
	1,270,839
TOTAL OPERATING EXPENSES	1,285,595
OPERATING LOSS	(704,661)
NON-OPERATING REVENUES:	
State sources	12,874
Federal sources	850,518
Interest income	119
TOTAL NON-OPERATING REVENUES	863,511
Change in net assets	158,850
Net assets beginning of year	656,992
Net assets end of year	\$ 815,842

SEE NOTES TO FINANCIAL STATEMENTS.

NEWTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2012

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 563,936
Cash received from miscellaneous operating activities	12,489
Cash payments to employees for services	(632,915)
Cash payments to suppliers for goods or services	(491,930)
Net cash used in operating activities	(548,420)
Cash flows from non-capital financing activities:	
State grants received	12,874
Federal grants received	737,686
Net cash provided by non-capital financing activities	750,560
Cash flows from capital financing activities:	
Acquisition of capital assets	(46,120)
Cash flows from investing activities:	
Interest on investments	119
Net increase in cash and cash equivalents	156,139
Cash and cash equivalents at beginning of year	425,749
Cash and cash equivalents at end of year	\$ 581,888
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (704,661)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	112,832
Depreciation	25,821
Decrease in inventories	19,681
Increase in accounts receivable	(4,509)
Increase in other postemployment benefits	2,416
Net cash used in operating activities	\$ (548,420)

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2012, the District received Federal commodities valued at \$112,832.

SEE NOTES TO FINANCIAL STATEMENTS.

NEWTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

(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 and other capital assets.

The Debt Service Fund is utilized to account for property tax and other revenues to be used 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, 2010 assessed property valuations; is for the tax

accrual period July 1, 2011 through June 30, 2012 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2011.

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, 2011. 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 preceding 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.

During the year ended June 30, 2012 expenditures in the support services and other expenditures functional areas exceeded the budgeted amounts.

(2) Cash and Pooled Investments

The District's deposits at June 30, 2012 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, 2012, the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$7,875,388 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investments in the Iowa Schools Joint Investment Trust were rated AAA by Standard and Poor's Financial Services.

(3) Interfund Transfers

The detail of transfers for the year ended June 30, 2012 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects: Statewide Sales, Services and Use Tax	<u>\$ 2,005,440</u>

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) Due From and Due to Other Funds

The detail of interfund receivables and payables at June 30, 2012 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Management Levy	General	\$ 262
Debt Service	Capital Projects Physical Plant and Equipmeny Levy	<u>53</u>
Total		<u>\$ 315</u>

The General Fund is repaying the Management Levy Fund and the Capital Projects Fund is repaying the Debt Service Fund for interest revenue receipted to the incorrect fund. The balances between governmental funds have been eliminated from the Government-wide Statement of Net Assets.

(5) Capital Assets

Capital assets activity for the year ended June 30, 2012 is as follows:

	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	39,989,876	158,107	-	40,147,983
Land improvements	4,654,805	20,398	-	4,675,203
Machinery and equipment	13,417,343	856,607	254,420	14,019,530
Total capital assets being depreciated	<u>58,062,024</u>	<u>1,035,112</u>	<u>254,420</u>	<u>58,842,716</u>
Less accumulated depreciation for:				
Buildings	14,408,187	755,699	-	15,163,886
Land improvements	2,481,198	166,307	-	2,647,505
Machinery and equipment	12,272,188	580,526	254,420	12,598,294
Total accumulated depreciation	<u>29,161,573</u>	<u>1,502,532</u>	<u>254,420</u>	<u>30,409,685</u>
Total capital assets being depreciated, net	<u>28,900,451</u>	<u>(467,420)</u>	<u>-</u>	<u>28,433,031</u>
Governmental activities capital assets, net	<u>\$ 30,061,946</u>	<u>(467,420)</u>	<u>-</u>	<u>29,594,526</u>
	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business-type activities:				
Machinery and equipment	\$ 651,980	46,120	1,632	696,468
Less accumulated depreciation	491,499	25,821	1,632	515,688
Business-type activities capital assets, net	<u>\$ 160,481</u>	<u>20,299</u>	<u>-</u>	<u>180,780</u>

Depreciation expense was charged by the District as follows:

Governmental activities:		
Instruction:		
Regular		\$ 62,986
Other		48,257
Support services:		
Instructional staff		269,961
Administration		44,660
Operation and maintenance of plant		7,163
Transportation		147,499
		<u>580,526</u>
Unallocated depreciation		<u>922,006</u>
Total governmental activities depreciation expense		<u>\$ 1,502,532</u>
Business-type activities:		
Food services		<u>\$ 25,821</u>

(6) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2012 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 8,510,000	-	1,080,000	7,430,000	1,120,000
Revenue bonds	2,935,000	-	2,935,000	-	-
Compensated absences	116,317	134,335	116,317	134,335	134,335
Net OPEB liability	318,792	104,463	-	423,255	-
Total	\$ 11,880,109	238,798	4,131,317	7,987,590	1,254,335

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Business type activities:					
Net OPEB liability	\$ 5,958	2,416	-	8,374	-

General Obligation Bonds

Details of the District's June 30, 2012 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
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		\$ 3,270,000	454,230		\$ 4,160,000	456,278	\$ 7,430,000	910,508

(7) Pension and Retirement Benefits

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

Plan members are required to contribute 5.38% of their annual covered salary and the District is required to contribute 8.07% of annual covered salary. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2012, 2011 and 2010 were \$1,494,469, \$1,280,730 and \$1,238,554, respectively, equal to the required contributions for each year.

(8) 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, 2012, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$	172,777
Interest on net OPEB obligation		8,119
Adjustment to annual required contribution		(12,626)
Annual OPEB cost		<u>168,270</u>
Contributions made		(61,391)
Increase in net OPEB obligation		<u>106,879</u>
Net OPEB obligation beginning of year		<u>324,750</u>
Net OPEB obligation end of year	\$	<u><u>431,629</u></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, 2012.

For the year ended June 30, 2012, the District contributed \$61,391 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, 2012 are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2010	\$ 267,506	69.53%	\$ 208,506
2011	163,130	28.74%	324,750
2012	168,270	36.48%	431,629

Funded Status and Funding Progress - As of July 1, 2010, the most recent actuarial valuation date for the period July 1, 2011 through June 30, 2012, the actuarial accrued liability was \$1,310,420, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,310,420. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$18,518,822 and the ratio of the UAAL to covered payroll was 7.08%. As of June 30, 2012, 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.

(9) 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, 2012 were \$2,414,807.

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.

(10) 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 \$1,116,069 for the year ended June 30, 2012 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(11) Budget Overexpenditure

Per the Code of Iowa, expenditures may not legally exceed budgeted appropriations at the functional area level. During the year ended June 30, 2012, expenditures in the support services and other expenditures functional areas exceeded the certified budget.

(12) Categorical Funding

The District's restricted fund balance for categorical funding at June 30, 2012 is comprised of the following programs:

Program	Amount
Home school assistance program	\$ 58,834
LEP weighting	1,030
Gifted and talented	25,629
Dropout and dropout prevention	744,134
At-Risk supplemental weighting	72,535
Teacher salary supplement	164,604
Educator quality, professional development	14,895
Nonpublic textbook services	368
Statewide voluntary preschool	64,502
Core curriculum	40,424
Market factor incentives	21,705
Total	\$ 1,208,660

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, 2012

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to Actual Variance
	Funds	Fund		Original	Final	
	Actual	Actual				
Revenues:						
Local sources	\$ 14,750,057	581,053	15,331,110	15,067,366	15,067,366	263,744
Intermediate sources	386	-	386	5,000	5,000	(4,614)
State sources	18,068,512	12,874	18,081,386	18,132,790	18,132,790	(51,404)
Federal sources	1,324,763	850,518	2,175,281	2,068,087	2,068,087	107,194
Total revenues	<u>34,143,718</u>	<u>1,444,445</u>	<u>35,588,163</u>	<u>35,273,243</u>	<u>35,273,243</u>	<u>314,920</u>
Expenditures/Expenses:						
Instruction	19,752,892	-	19,752,892	20,502,262	20,502,262	749,370
Support services	8,737,933	14,756	8,752,689	8,567,225	8,567,225	(185,464)
Non-instructional programs	6,300	1,270,839	1,277,139	1,470,700	1,470,700	193,561
Other expenditures	5,838,397	-	5,838,397	3,944,594	5,700,000	(138,397)
Total expenditures/expenses	<u>34,335,522</u>	<u>1,285,595</u>	<u>35,621,117</u>	<u>34,484,781</u>	<u>36,240,187</u>	<u>619,070</u>
Excess(deficiency)of revenues over(under)expenditures/expenses	(191,804)	158,850	(32,954)	788,462	(966,944)	933,990
Other financing sources, net	9,827	-	9,827	-	-	9,827
Excess(deficiency)of revenues and other financing sources over(under) expenditures/expenses	(181,977)	158,850	(23,127)	788,462	(966,944)	943,817
Balance beginning of year	8,756,716	656,992	9,413,708	7,505,518	7,505,518	1,908,190
Balance end of year	<u>\$ 8,574,739</u>	<u>815,842</u>	<u>9,390,581</u>	<u>8,293,980</u>	<u>6,538,574</u>	<u>2,852,007</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NEWTON COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2012

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 \$1,755,406.

During the year ended June 30, 2012, the expenditures in the support services and other expenditures functional areas exceeded the certified budget.

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)
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%
2012	July 1, 2010	-	1,310,420	1,310,420	0.00%	18,518,822	7.08%

See Note 8 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SUPPLEMENTARY INFORMATION

NEWTON COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2012

	Special Revenue			Total
	Management Levy	Student Activity	Support Trust	
ASSETS				
Cash and pooled investments	\$ 969,742	301,906	12,000	1,283,648
Receivables:				
Property tax				
Delinquent	8,734	-	-	8,734
Succeeding year	746,000	-	-	746,000
Due from other funds	262	-	-	262
TOTAL ASSETS	\$ 1,724,738	301,906	12,000	2,038,644
LIABILITIES AND FUND EQUITY				
Liabilities:				
Accounts payable	\$ -	195	-	195
Salaries and benefits payable	27,496	-	-	27,496
Deferred revenue:				
Succeeding year property tax	746,000	-	-	746,000
Total liabilities	773,496	195	-	773,691
Fund Balances				
Restricted for:				
Management levy purposes	951,242	-	-	951,242
Student activities	-	301,711	-	301,711
Support trust purposes	-	-	12,000	12,000
	951,242	301,711	12,000	1,264,953
TOTAL LIABILITIES AND FUND EQUITY	\$ 1,724,738	301,906	12,000	2,038,644

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, 2012

	Special Revenue			Total
	Mangagement Levy	Student Activity	Support Trust	
Revenues:				
Local sources:				
Local tax	\$ 598,845	-	-	598,845
Other	43,406	490,429	-	533,835
State sources	383	-	-	383
Total revenues	642,634	490,429	-	1,133,063
Expenditures:				
Current:				
Instruction:				
Regular	175,787	-	-	175,787
Other	-	477,157	-	477,157
Support services:				
Student	11,279	-	-	11,279
Instructional staff	5,435	5,097	-	10,532
Administration	21,601	2,017	-	23,618
Operation and maintenance of plant	168,214	-	12,000	180,214
Transportation	41,518	-	-	41,518
Non-instructional programs:				
Food service operations	6,300	-	-	6,300
Total expenditures	430,134	484,271	12,000	926,405
Excess(Deficiency) of revenues over(under) expenditures	212,500	6,158	(12,000)	206,658
Fund balances beginning of year	738,742	295,553	24,000	1,058,295
Fund balances end of year	\$ 951,242	301,711	12,000	1,264,953

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NEWTON COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 CAPITAL PROJECT ACCOUNTS
 JUNE 30, 2012

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Assets			
Cash and pooled investments	\$ 1,450,403	762,937	2,213,340
Receivables:			
Delinquent	-	11,702	11,702
Succeeding year	-	790,858	790,858
Due from other governments	787,317	-	787,317
Total assets	\$ 2,237,720	1,565,497	3,803,217
Liabilities and fund balances			
Liabilities:			
Accounts payable	\$ 561	-	561
Due to other funds	-	53	53
Deferred revenue			
Succeeding year property tax	-	790,858	790,858
Total liabilities	561	790,911	791,472
Fund balances:			
Restricted for:			
School infrastructure	2,237,159	-	2,237,159
Physical plant and equipment	-	774,586	774,586
Total fund balances	2,237,159	774,586	3,011,745
Total liabilities and fund balances	\$ 2,237,720	1,565,497	3,803,217

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, 2012

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ 2,345,281	755,806	3,101,087
Other	410	93	503
State sources	-	435	435
Federal sources	36,932	-	36,932
Total revenues	<u>2,382,623</u>	<u>756,334</u>	<u>3,138,957</u>
Expenditures:			
Current:			
Support services:			
Instructional staff	104	133,710	133,814
Adminstration	-	5,058	5,058
Operation and maintenance of plant	-	156,727	156,727
Transportation	-	188,539	188,539
Capital outlay	264,746	69,436	334,182
Total expenditures	<u>264,850</u>	<u>553,470</u>	<u>818,320</u>
Excess of revenues over expenditures	2,117,773	202,864	2,320,637
Other financing sources(uses):			
Insurance proceeds	-	5,860	5,860
Transfer out	(2,005,440)	-	(2,005,440)
Total other financing sources(uses)	<u>(2,005,440)</u>	<u>5,860</u>	<u>(1,999,580)</u>
Net change in fund balances	112,333	208,724	321,057
Fund balances beginning of year	<u>2,124,826</u>	<u>565,862</u>	<u>2,690,688</u>
Fund balances end of year	<u>\$ 2,237,159</u>	<u>774,586</u>	<u>3,011,745</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, 2012

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Aurora Heights Elementary	\$ 5,616	3,060	5,379	3,297
Berg Elementary	2,156	457	730	1,883
Emerson Hough Elementary	1,075	11,494	11,954	615
Woodrow Wilson Elementary	1,858	13,832	2,274	13,416
Thomas Jefferson Elementary	13,168	3,706	9,257	7,617
Berg Middle School:				
Band	396	3,482	3,316	562
Orchestra	714	-	-	714
Athletics	5,253	50	206	5,097
Yearbook	430	5,176	4,677	929
Other Clubs	26,633	3,655	3,155	27,133
Basic and Beyond	328	-	16	312
Newton High School:				
Band	11,340	19,211	25,659	4,892
Orchestra	2,359	-	2,359	-
Athletics	145,188	282,909	279,770	148,327
FFA	38,136	35,040	29,245	43,931
Newtonia Yearbook	-	28,421	28,421	-
Other Clubs	40,903	79,936	77,853	42,986
 Total	 \$ 295,553	 490,429	 484,271	 301,711

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 NINE YEARS

	Modified Accrual Basis								
	Years Ended June 30,								
	2012	2011	2010	2009	2008	2007	2006	2005	2004
Revenues:									
Local sources:									
Local tax	\$ 13,647,788	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	294,731	300,666	328,426	308,713	358,973	407,365	389,737	453,358	412,233
Other	807,538	955,050	863,053	1,033,755	1,385,806	1,446,704	1,215,597	1,083,872	1,117,614
Intermediate sources	386	9,614	24,903	2,780	3,026	37,042	-	-	-
State sources	18,068,512	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	1,324,763	1,526,272	2,740,885	1,058,659	645,206	687,711	607,179	640,338	638,873
Total	\$ 34,143,718	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	\$ 12,567,086	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	4,729,865	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	2,455,941	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	973,929	876,392	1,001,661	958,135	873,075	1,054,028	1,158,342	1,324,277	1,539,283
Instructional staff	1,048,286	1,168,633	983,643	1,004,424	1,030,576	1,021,096	824,532	537,635	397,022
Administration	2,842,988	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	2,680,331	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	1,192,399	1,116,360	1,070,877	923,833	1,084,928	1,008,545	1,027,112	955,630	903,706
Non-instructional programs	6,300	6,406	6,279	5,739	6,294	8,912	7,357	18,262	19,239
Capital outlay	334,182	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	4,015,000	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	373,146	429,730	486,568	582,902	742,917	790,155	847,201	881,928	679,812
Other expenditures:									
AEA flow-through	1,116,069	1,245,501	1,235,280	1,149,159	1,087,516	1,044,205	973,735	938,061	946,198
Total	\$ 34,335,522	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, 2012

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	PROGRAM EXPENDITURES
INDIRECT:			
U.S DEPARTMENT OF AGRICULTURE:			
IOWA DEPARTMENT OF EDUCATION:			
SCHOOL NUTRITION CLUSTER PROGRAMS:			
SCHOOL BREAKFAST PROGRAM	10.553	FY 12	\$ 133,441
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY 12	708,291 *
SPECIAL MILK PROGRAM FOR CHILDREN	10.556	FY 12	3,098
SUMMER FOOD SERVICE PROGRAM FOR CHILDREN	10.559	FY 12	5,143
			<u>849,973</u>
TEAM NUTRITION GRANT	10.574	FY 12	<u>545</u>
U.S DEPARTMENT OF JUSTICE:			
CITY OF NEWTON, IOWA			
ARRA - PUBLIC SAFETY PARTNERSHIP AND COMMUNITY POLICING GRANTS	16.710	FY 12	<u>36,932</u>
U.S DEPARTMENT OF EDUCATION:			
IOWA DEPARTMENT OF EDUCATION:			
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	FY 12	<u>305,825</u>
IMPROVING TEACHER QUALITY STATE GRANTS	84.367	FY 12	<u>86,722</u>
GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES(TITLE VI A)	84.369	FY 12	<u>15,579</u>
EDUCATION JOBS FUND	84.410	FY 11	460,438
EDUCATION JOBS FUND	84.410	FY 12	9,415
			<u>469,853</u>
HEARTLAND AEA:			
SPECIAL EDUCATION CLUSTER:			
SPECIAL EDUCATION - GRANTS TO STATES (IDEA SUBGRANT)	84.027	FY 12	305
SPECIAL EDUCATION - GRANTS TO STATES (PART B)	84.027	FY 12	166,520
			<u>166,825</u>
BAXTER COMMUNITY SCHOOL DISTRICT:			
CAREER AND TECHNICAL EDUCATION - BASIC GRANTS TO STATES	84.048	FY 12	<u>18,286</u>
TOTAL			<u>\$ 1,950,540</u>

* Includes \$112,832 of non-cash awards.

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, 2012, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated January 17, 2013. 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

The management of Newton Community School District is responsible for establishing and maintaining effective 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.

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

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part II of the accompanying Schedule of Findings as item II-A-12 to be a significant deficiency.

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.

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Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2012 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.

January 17, 2013

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 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, 2012. 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, 2012.

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.



NOLTE, CORNMAN & JOHNSON, P.C.

January 17, 2013

NEWTON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2012

Part I: Summary of the Independent Auditor's Results:

- (a) Unqualified opinions were issued on the financial statements.
- (b) A significant deficiencies in internal control over financial reporting was 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 each major program 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 84.010 - Title I Grants to Local Educational Agencies
- CFDA Number 84.410 - Education Jobs Fund

Clustered Programs:

- Nutrition Cluster:
 - CFDA Number 10.553 - School Breakfast Program
 - CFDA Number 10.555 - National School Lunch Program
 - CFDA Number 10.556 - Special Milk Program for Children
 - CFDA Number 10.559 - Summer Food Service Program

- (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, 2012

Part II: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

II-A-12 Purchase Orders - We noted that the District currently uses purchase 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 - In the future the District will use Purchase Orders only on items that are being ordered or the purchase order will be taken to a local business for purchase. The District will discontinue the use of purchase orders for staff seeking reimbursement for previous purchases. A Reimbursement Request form will be developed which the staff member will fill out and attach the receipt to, sales tax that was paid on the purchase will not be reimbursed. This form must be approved by the principal before a check will be written.

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-12 Certified Budget - District expenditures for the year ended June 30, 2012 exceeded the certified amounts in the support services and other expenditures functional areas.

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

Response - In the future the budget will be amended prior to expenditures exceeding the budget amounts. The budget over expenditure was due to the District calling its revenue bonds prior to their maturity date.

Conclusion - Response accepted.

IV-B-12 Questionable Disbursements - We noted during our audit that the District purchased gift cards from the General Fund. The invoice support included an approved purchase order however; the purchase does not appear to be appropriate as the gift cards do not appear to provide the District with adequate support to determine the final purchases and determine if the amounts are allowable with public funds. These disbursements do not appear to meet public purpose as defined in the Attorney General's opinion dated April 25, 1979.

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

Response - The District will cease the purchase of gift cards and will use a District Credit Card for the purpose of buying eBooks and Apps for iPads or other electronic devices as directed by the Department of Education.

Conclusion - Response accepted.

IV-C-12 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-12 Business Transactions - No business transactions between the District and District officials were noted.

IV-E-12 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-12 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

IV-G-12 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.

IV-H-12 Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

IV-I-12 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-12 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-12 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.

IV-L-12 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, 2012, reported the following regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$ 2,124,826
Revenues:		
Sales tax revenues	\$ 2,345,281	
Other local revenues	410	
Federal revenues	36,932	2,382,623
		<u>4,507,449</u>
Expenditures/transfers out:		
School infrastructure	216,138	
Equipment	3,335	
Other	45,377	
Transfers to other funds:		
Debt service fund	2,005,440	2,270,290
		<u>2,270,290</u>
Ending balance		<u><u>\$ 2,237,159</u></u>

For the year ended June 30, 2012, 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>\$ 0.97600</u>	<u>\$ 740,000</u>