

**NEWELL-FONDA COMMUNITY SCHOOL DISTRICT
NEWELL, IOWA**

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

YEAR ENDED JUNE 30, 2013

Cornwell, Frideres, Maher & Associates, P.L.C.
Certified Public Accountants

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Newell-Fonda Community School District
Newell, Iowa

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
Roger Sarchet	President	2015
Greg Baskerville	Vice President	2013
Kyle Scheidegger	Board Member	2015
John Sievers	Board Member	(Appointed) 2013
Geoff Smith	Board Member	2015
Gordon Grau	Board Member	(Deceased) 2013
School Officials		
Jeff Dicks	Superintendent	2013
Marcia Johnson	District Secretary/Treasurer and Business Manager	2013
Steve Avery	Attorney	Indefinite

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Certified Public Accountants

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Independent Auditor's Report

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

Report on the Financial Statements

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 Newell-Fonda Community School District, Newell, Iowa, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. Except as discussed in the following paragraph, 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 from material misstatement.

The financial statements of the Newell-Fonda Music Boosters have not been audited, and we were not engaged to audit the Booster Club's financial statements as part of our audit of the Newell-Fonda Community School District's basic financial statements. Newell-Fonda Music Boosters financial statements are included in the District's financial statements as a discretely presented component unit.

An audit involves performing procedures to obtain audit evidence supporting the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

Because Newell-Fonda Music Boosters financial statements have not been audited, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the financial statements of the discretely presented component unit of the Newell-Fonda Community School District, as of and for the year ended June 30, 2013. In addition, in our opinion, the financial statements referred to in the first paragraph 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 Newell-Fonda Community School District at June 30, 2013 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 5 through 16 and 50 through 53 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 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 information because the limited

procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Newell-Fonda Community School District's basic financial statements. Other auditors previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2012 (which are not presented herein) and expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 9, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the 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 basic financial statements or to the basic 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.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated January 21, 2014 on our consideration of Newell-Fonda Community School District's internal control over financial reporting and on 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 in considering Newell-Fonda Community School District's internal control over financial reporting and compliance.

Cornwell, Frideres, Maher & Associates, P.L.C.

Cornwell, Frideres, Maher & Associates, P.L.C.
Certified Public Accountants

January 21, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

Newell-Fonda Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2013. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2013 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$4,768,757 in fiscal year 2012 to \$4,860,224 in fiscal year 2013, while General Fund expenditures increased from \$4,561,108 in fiscal year 2012 to \$4,708,538 in fiscal year 2013. The District's General Fund balance increased from \$1,153,647 at the end of fiscal year 2012, to \$1,318,602 at the end of fiscal year 2013, a 14% increase.
- The fiscal year 2013 General Fund revenue increase was attributable to increases in tuition revenue. The increase in expenditures was due primarily to an increase in negotiated salaries and benefits. The increase in revenue was enough to cover the increase in expenditures resulting in the increase in the General Fund balance.

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 Position and a Statement of Activities. These provide information about the activities of Newell-Fonda Community School District as a whole and present an overall view of the District's finances.

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

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

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

Supplementary Information provides detailed information about the nonmajor governmental funds.

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

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

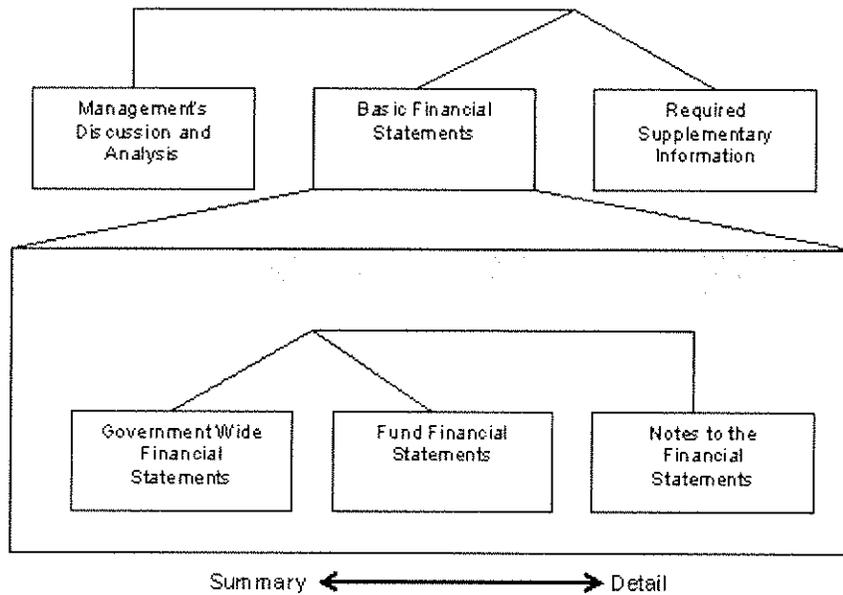


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services and adult education	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
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 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position 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 position and how it has changed. Net position – the difference between the District's assets and liabilities – is one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net position is 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 it is properly using certain revenues, such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds*: Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets 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 Fund, one type of proprietary fund, is the same as its business type activities but provides more detail and additional information, such as cash flows. The District's Enterprise Fund is the School Nutrition Fund.

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

The required financial statements for proprietary funds include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Fund Net Position and a Statement of Cash Flows.

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

- Private-Purpose Trust Fund – The District accounts for outside donations for scholarships and other items for individual students in this fund.
- Agency Funds – These are funds through which the District administers and accounts for certain funds on behalf of other entities.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong.

The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position.

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 position at June 30, 2013 compared to June 30, 2012.

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

	Governmental		Business Type		Total		Total
	Activities		Activities		District		Change
	June 30,		June 30,		June 30,		June 30,
	2013	2012	2013	2012	2013	2012	2012-2013
Current and other assets	\$ 9,233	4,360	51	51	9,284	4,411	110.5%
Capital assets	5,869	2,725	1	2	5,870	2,727	115.3%
Total assets	<u>15,102</u>	<u>7,085</u>	<u>52</u>	<u>53</u>	<u>15,154</u>	<u>7,138</u>	<u>112.3%</u>
Long-term liabilities	7,608	386	---	---	7,608	386	1,870.9%
Other liabilities	2,920	2,825	2	---	2,922	2,825	3.4%
Total liabilities	<u>10,528</u>	<u>3,211</u>	<u>2</u>	<u>---</u>	<u>10,530</u>	<u>3,211</u>	<u>227.9%</u>
Net position:							
Net invested in							
capital assets	2,701	2,373	1	2	2,702	2,375	13.8%
Restricted	922	463	---	---	922	463	99.1%
Unrestricted	951	1,038	49	51	1,000	1,089	-8.2%
Total net position	<u>\$ 4,574</u>	<u>3,874</u>	<u>50</u>	<u>53</u>	<u>4,624</u>	<u>3,927</u>	<u>17.7%</u>

The District's total net position increased 18%, or approximately \$697,000 from the prior year. The largest portion of the District's net position is invested in capital assets (e.g., land, infrastructure, intangibles, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets.

Restricted net position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position increased approximately \$459,000 or 99% over the prior year. The increase was primarily a result of the increase in net position of the Capital Projects Fund.

Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased approximately \$89,000, or 8.2%. This decrease in unrestricted net position was a result of the District’s net OPEB liability recorded in the current year and other changes in unrestricted assets and liabilities.

Figure A-4 shows the changes in net position for the year ended June 30, 2013 compared to the year ended June 30, 2012.

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

	Governmental Activities		Business Type Activities		Total District		Total Change
	2013	2012	2013	2012	2013	2012	2012-2013
Revenues:							
Program revenues:							
Charges for service	\$ 568	193	103	105	671	298	125.2%
Operating grants, contributions and restricted interest	832	1,180	158	149	990	1,329	-25.5%
Capital grants, contributions and restricted interest	---	---	---	---	---	---	0.0%
General revenues:							
Property tax	2,638	2,142	---	---	2,638	2,142	23.2%
Statewide sales, services and use tax	351	351	---	---	351	351	0.0%
Income surtax	150	113	---	---	150	113	32.7%
Unrestricted state grants	1,695	1,659	---	---	1,695	1,659	2.2%
Unrestricted investment earnings	19	13	---	1	19	14	35.7%
Other	<u>106</u>	<u>95</u>	<u>---</u>	<u>---</u>	<u>106</u>	<u>95</u>	<u>11.6%</u>
Total revenues	<u>6,359</u>	<u>5,746</u>	<u>261</u>	<u>255</u>	<u>6,620</u>	<u>6,001</u>	<u>10.3%</u>
Program expenses:							
Instruction	3,440	3,339	---	---	3,440	3,339	3.0%
Support services	1,650	1,525	---	---	1,650	1,525	8.2%
Non-instructional programs	---	---	264	278	264	278	-5.0%
Other expenses	<u>582</u>	<u>392</u>	<u>---</u>	<u>---</u>	<u>582</u>	<u>392</u>	<u>48.5%</u>
Total expenses	<u>5,672</u>	<u>5,256</u>	<u>264</u>	<u>278</u>	<u>5,936</u>	<u>5,534</u>	<u>7.3%</u>
Excess (deficiency) of revenues over (under) expenses	687	490	(3)	(23)	684	467	46.5%
Transfers	<u>13</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>13</u>	<u>---</u>	<u>100.0%</u>
Increase (decrease) in net position	700	490	(3)	(23)	697	467	49.3%
Net position beginning of year	<u>3,874</u>	<u>3,384</u>	<u>53</u>	<u>76</u>	<u>3,927</u>	<u>3,460</u>	<u>13.5%</u>
Net position end of year	<u>\$ 4,574</u>	<u>3,874</u>	<u>50</u>	<u>53</u>	<u>4,624</u>	<u>3,927</u>	<u>17.7%</u>

In fiscal year 2013, property tax and unrestricted state grants accounted for 68.1% of governmental activities revenues while charges for service and operating grants, contributions and restricted interest accounted for 100% of business type activities revenue. The District's total revenues were approximately \$6.6 million, of which approximately 6.4 million was for governmental activities and less than \$1 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 10.3% increase in revenues and a 7.3% increase in expenses. Property tax increased approximately \$496,000 to fund the increase in expenses. The increase in expenses is related to increases in negotiated salaries and benefits and increased debt interest expense.

Governmental Activities

Revenues for governmental activities were \$6,358,416 and expenses were \$5,671,829 for the year ended June 30, 2013.

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, 2013 compared to the year ended June 30, 2012.

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

	Total Cost of Services			Net Cost of Services		
	2013	2012	Change 2012-2013	2013	2012	Change 2012-2013
Instruction	3,440	3,339	3.0%	2,229	2,244	-0.7%
Support services	1,650	1,525	8.2%	1,641	1,512	8.5%
Non-instructional programs	---	---	0.0%	---	---	0.0%
Other expenses	582	392	48.5%	402	127	216.5%
Total	5,672	5,256	7.9%	4,272	3,883	10.0%

For the year ended June 30, 2013:

- The cost financed by users of the District's programs was \$567,866.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$832,422.
- The net cost of governmental activities was financed with \$3,138,794 in property and other taxes and \$1,695,022 in unrestricted state grants.

Business Type Activities

Revenues for business type activities during the year ended June 30, 2013 were \$262,028, representing a 2.9% increase over the prior year, while expenses totaled \$263,649, a 5.0% decrease from the prior year. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balances of \$6,128,362, well above last year's ending fund balances of \$1,375,072. However, the primary reason for the increase in combined fund balances at the end of fiscal 2013 is due to approximately \$4.2 million of unexpended general obligation bond proceeds received in fiscal year 2013.

Governmental Fund Highlights

- The General Fund balance increased from \$1,153,647 to \$1,318,602.
- The Debt Service Fund balance increased from \$0 at the end of fiscal year 2012 to \$929 at the end of fiscal year 2013. The District began to levy property taxes to pay for general obligation bonds issued to finance the building addition. The first principal and interest payment was due during the year.
- The Capital Projects Fund balance increased due to the sale of \$7,500,000 of general obligation bonds during fiscal year 2013. The District ended fiscal year 2012 with a balance of \$15,154. Fiscal year 2013 ended with a balance of \$4,573,931, consisting primarily of unexpended bond proceeds which will be expended as the project is completed.

Proprietary Fund Highlights

School Nutrition Fund net position decreased from \$51,866 at June 30, 2012 to \$50,245 at June 30, 2013, representing a decrease of approximately 3%.

BUDGETARY HIGHLIGHTS

Over the course of the year, Newell-Fonda Community School District amended its budget one time to reflect additional expenditures associated with the construction project and increased food costs.

The District's total revenues were \$685,664 more than budgeted revenues, a variance of 11.5%.

Total expenditures were less than budgeted by \$519,502, a variance of 5.2%. This was mainly caused by the District budgeting other expenditures for the building addition construction project that were not incurred during fiscal year 2013, but will be in the next year.

In spite of the District's budgetary practice and amending the budget, the certified budget was exceeded in the support services functional area due underestimating expenditures by \$5325.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2013, the District had invested approximately \$6.0 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 represents a net increase of 115.3% from last year. More detailed information about the District's capital assets is presented in Note 5 to the financial statements. Depreciation expense for the year was \$233,566.

The original cost of the District's capital assets was approximately \$8.2 million. Governmental funds account for approximately \$8.1 million, with less than \$0.1 million accounted for in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the construction in progress and building category. The District's construction in progress totaled \$2,908,721 at June 30, 2013, compared to \$8,507 reported at June 30, 2012. This significant increase resulted from construction activity financed by the issuance of voter approved general obligation bonds totaling \$7,500,000 in fiscal year 2013 for construction of a new building addition.

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

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2013	2012	2013	2012	2013	2012	2012-2013
Land	\$ 2	2	-	-	2	2	0.0%
Construction in progress	2,908	9	-	-	2,908	9	32211.1%
Buildings	2,379	2,208	-	-	2,379	2,208	7.7%
Improvements other than buildings	5	---	-	-	5	---	100.0%
Furniture and equipment	574	506	1	2	575	508	13.2%
Total	\$ 5,868	2,725	1	2	5,869	2,727	115.3%

At June 30, 2013, the District had \$7,600,860 in total long-term debt outstanding. This represents an increase of approximately 1,810% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 6 to the financial statements.

The Constitution of the State of Iowa limits the amount of general obligation debt districts can issue to 5 percent of the assessed value of all taxable property within the District. The District's outstanding general obligation debt is significantly below its constitutional debt limit of approximately \$15 million.

In July 2012, the District issued \$7.5 million of general obligation bonds for the construction of a building addition. The District had total outstanding bonded indebtedness at June 30, 2013 of \$7,249,648 which includes a bond premium of \$94,648.

Figure A-7
Outstanding Long-Term Obligations
(expressed in thousands)

	<u>Total</u> <u>District</u> <u>June 30,</u> <u>2013</u>	<u>Total</u> <u>Change</u> <u>June 30,</u> <u>2012</u>	<u>Total</u> <u>Change</u> <u>June 30,</u> <u>2012-2013</u>
General obligation bonds	\$ 7,250	---	100.0%
Computer lease payable	268	364	-26.4%
Compensated absences	25	---	100.0%
Early retirement payable	<u>58</u>	<u>34</u>	<u>70.6%</u>
Total	<u>\$ 7,601</u>	<u>398</u>	<u>1809.8%</u>

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- In fiscal year 2014, the final phase of the construction project will be nearing completion. The bond funds will continue to be expended as this project reaches final completion during fiscal year 2015.
- The Don Anderson Trust will pay out the final scholarship payments to college students during fiscal year 2014. The Don Anderson committee will continue to explore uses of the money to benefit the athletics, music, art and speech departments after final balances for those departments are calculation from the unexpended funds.

- The Iowa legislature passed new operational sharing incentive funding to go into effect in fiscal year 2014. The District is exploring opportunities for operational sharing with neighboring districts, and anticipate sharing the superintendent, as well as talented and gifted and library staff members. This will result in additional funding from the State.
- Enrollment numbers decreased slightly from fiscal year 2012 to fiscal year 2013, which will result in a slight decline in state revenue. However, the District anticipates an increase in enrollment for fiscal year 2014 resulting in increased revenue. As technology improvements and facilities improvements are completed, Newell-Fonda remains an attractive school district in our area.
- Tax valuations have increased, and further increases are anticipated as wind generators expand in our area. This trend should continue for the next several years in a staggered fashion. The windmills are represented in three different expansion projects, and their assessed value increases 5% per year until they reach 30% taxable valuation. This is a positive, long-term increase to our tax base.
- The District's voted PPEL is a flat amount of \$100,000. The continuation of the voted PPEL levy will be a ballot issue in the September 2013 election.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Marcia Johnson, District Secretary/Treasurer and Business Manager, Newell-Fonda Community School District, 205 Clark Street, Newell, Iowa, 50568.

Basic Financial Statements

Newell-Fonda Community School District
Newell, Iowa

Exhibit A

Statement of Net Position

June 30, 2013

	Governmental Activities	Business Type Activities	Total	Component Unit Newell-Fonda Music Boosters
Assets				
Cash, cash equivalents and pooled investments	\$ 6,139,955	46,677	6,186,632	4,153
Receivables:				
Property tax:				
Delinquent	20,144	-	20,144	-
Succeeding year	2,747,634	-	2,747,634	-
Accounts	-	530	530	-
Accrued interest	11,812	-	11,812	-
Due from other governments	313,625	-	313,625	-
Inventories	-	3,533	3,533	-
Capital assets, net of accumulated depreciation	5,868,877	1,231	5,870,108	-
Total assets	15,102,047	51,971	15,154,018	4,153
Liabilities				
Excess of warrants issued over bank balance	2,955	-	2,955	-
Accounts payable	134,622	-	134,622	-
Early retirement payable	2,153	-	2,153	-
Accrued interest payable	33,126	-	33,126	-
Deferred revenue:				
Succeeding year property tax	2,747,634	-	2,747,634	-
Other	-	1,726	1,726	-
Long-term liabilities:				
Portion due within one year:				
General obligation bonds	315,000	-	315,000	-
Computer lease payable	98,000	-	98,000	-
Early retirement	18,740	-	18,740	-
Compensated absences	25,517	-	25,517	-
Portion due after one year:				
General obligation bonds	6,840,000	-	6,840,000	-
Bond premium	94,648	-	94,648	-
Computer lease payable	170,082	-	170,082	-
Early retirement	38,873	-	38,873	-
Net OPEB liability	7,000	-	7,000	-
Total liabilities	10,528,350	1,726	10,530,076	-

(continued)

Statement of Net Position

June 30, 2013

	Governmental Activities	Business Type Activities	Total	Component Unit Newell-Fonda Music Boosters
Net position				
Net investment in capital assets	2,700,581	1,231	2,701,812	-
Restricted for:				
Health benefits	85,514		85,514	
Categorical funding	282,153	-	282,153	-
Management levy purposes	65,438	-	65,438	-
Physical plant and equipment	138,536	-	138,536	-
School infrastructure	237,943	-	237,943	-
Student activities	111,849	-	111,849	-
Debt service	929	-	929	-
Music Booster purposes	-	-	-	4,153
Unrestricted	950,754	49,014	999,768	-
Total net position	\$ 4,573,697	50,245	4,623,942	4,153

See notes to financial statements.

Newell-Fonda Community School District
Newell, Iowa
Statement of Activities
Year ended June 30, 2013

	Expenses	Program Revenues		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Functions/Programs:				
Governmental activities:				
Instruction:				
Regular instruction	\$ 2,200,201	283,874	433,803	-
Special instruction	424,149	31,773	92,593	-
Other instruction	815,042	252,219	116,170	-
	<u>3,439,392</u>	<u>567,866</u>	<u>642,566</u>	<u>-</u>
Support services:				
Student	124,691	-	-	-
Instructional staff	242,744	-	1,166	-
Administration	631,245	-	7,135	-
Operation and maintenance of plant	355,482	-	-	-
Transportation	296,260	-	1,039	-
	<u>1,650,422</u>	<u>-</u>	<u>9,340</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	105,746	-	-	-
Long-term debt interest	207,266	-	-	-
AEA flowthrough	180,516	-	180,516	-
Depreciation (unallocated)*	88,487	-	-	-
	<u>582,015</u>	<u>-</u>	<u>180,516</u>	<u>-</u>
Total governmental activities	<u>5,671,829</u>	<u>567,866</u>	<u>832,422</u>	<u>-</u>
Business type activities:				
Support services:				
Administration	180	-	-	-
Non-instructional programs:				
Food service operations	263,469	103,550	158,333	-
Total business type activities	<u>263,649</u>	<u>103,550</u>	<u>158,333</u>	<u>-</u>
Total	<u>\$ 5,935,478</u>	<u>671,416</u>	<u>990,755</u>	<u>-</u>
Component Unit:				
Music Boosters	<u>\$ 24,972</u>	<u>25,565</u>	<u>-</u>	<u>-</u>
General Revenues:				
Property tax levied for:				
General purposes				
Debt service				
Capital outlay				
Income surtax				
Statewide sales, services and use tax				
Unrestricted state grants				
Unrestricted investment earnings				
Other				
Transfers				
Total general revenues				
Change in net position				
Net position beginning of year				
Net position end of year				

* This amount excludes the depreciation/amortization included in the direct expenses of the various programs.
See notes to financial statements.

Net (Expense) Revenue and Changes in Net Position			Component Unit
Governmental Activities	Business Type Activities	Total	Newell-Fonda Music Boosters
(1,482,524)	-	(1,482,524)	-
(299,783)	-	(299,783)	-
(446,653)	-	(446,653)	-
<u>(2,228,960)</u>	<u>-</u>	<u>(2,228,960)</u>	<u>-</u>
(124,691)	-	(124,691)	-
(241,578)	-	(241,578)	-
(624,110)	-	(624,110)	-
(355,482)	-	(355,482)	-
(295,221)	-	(295,221)	-
<u>(1,641,082)</u>	<u>-</u>	<u>(1,641,082)</u>	<u>-</u>
(105,746)	-	(105,746)	-
(207,266)	-	(207,266)	-
-	-	-	-
(88,487)	-	(88,487)	-
<u>(401,499)</u>	<u>-</u>	<u>(401,499)</u>	<u>-</u>
<u>(4,271,541)</u>	<u>-</u>	<u>(4,271,541)</u>	<u>-</u>
-	(180)	(180)	-
-	(1,586)	(1,586)	-
-	(1,766)	(1,766)	-
<u>(4,271,541)</u>	<u>(1,766)</u>	<u>(4,273,307)</u>	<u>-</u>
-	-	-	593
1,973,667	-	1,973,667	-
501,532	-	501,532	-
162,853	-	162,853	-
150,112	-	150,112	-
350,630	-	350,630	-
1,695,022	-	1,695,022	-
19,211	145	19,356	-
105,101	-	105,101	221
13,269	-	13,269	-
<u>4,971,397</u>	<u>145</u>	<u>4,971,542</u>	<u>221</u>
699,856	(1,621)	698,235	814
3,873,841	51,866	3,925,707	3,339
<u>\$ 4,573,697</u>	<u>50,245</u>	<u>4,623,942</u>	<u>4,153</u>

Newell-Fonda Community School District
Newell, Iowa

Exhibit C

Balance Sheet
Governmental Funds

June 30, 2013

	<u>General</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Assets					
Cash, cash equivalents and pooled investments	\$ 1,220,477	4,598,331	-	235,636	6,054,444
Receivables:					
Property tax:					
Delinquent	13,804	1,248	3,840	1,252	20,144
Succeeding year	1,873,415	168,469	500,750	205,000	2,747,634
Accrued interest	1,621	9,979	44	165	11,809
Due from other funds	125,000	-	-	-	125,000
Due from other governments	224,252	89,373	-	-	313,625
Total assets	<u>\$ 3,458,569</u>	<u>4,867,400</u>	<u>504,634</u>	<u>442,053</u>	<u>9,272,656</u>
Liabilities and Fund Balances					
Liabilities:					
Excess of warrants issued over bank balance	\$ -	-	2,955	-	2,955
Accounts payable	134,622	-	-	-	134,622
Due to other funds	-	125,000	-	-	125,000
Early retirement payable	-	-	-	2,153	2,153
Deferred revenue:					
Succeeding year property tax	1,873,415	168,469	500,750	205,000	2,747,634
Income surtax	131,930	-	-	-	131,930
Total liabilities	<u>2,139,967</u>	<u>293,469</u>	<u>503,705</u>	<u>207,153</u>	<u>3,144,294</u>
Fund balances:					
Restricted for:					
Categorical funding	282,153	-	-	-	282,153
Debt service	-	-	929	-	929
Management levy purposes	-	-	-	123,051	123,051
Student activities	-	-	-	111,849	111,849
School infrastructure	-	4,435,395	-	-	4,435,395
Physical plant and equipment	-	138,536	-	-	138,536
Unassigned	1,036,449	-	-	-	1,036,449
Total fund balances	<u>1,318,602</u>	<u>4,573,931</u>	<u>929</u>	<u>234,900</u>	<u>6,128,362</u>
Total liabilities and fund balances	<u>\$ 3,458,569</u>	<u>4,867,400</u>	<u>504,634</u>	<u>442,053</u>	<u>9,272,656</u>

See notes to financial statements.

Newell-Fonda Community School District
Newell, Iowa

Exhibit D

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

June 30, 2013

Total fund balances of governmental funds (page 20)	\$ 6,128,362
<i>Amounts reported for governmental activities in the Statement of Net Position are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	5,868,877
Other long-term assets are not available to pay current year expenditures and, therefore, are deferred in the governmental funds.	131,930
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.	(33,126)
Long-term liabilities, including bonds, termination benefits, lease obligations, and other postemployment benefits payable, are not due and payable in the current year and therefore, are not reported in the governmental funds.	(7,607,860)
An internal service fund is used by the District to charge costs of the medical deductible reimbursement plan and the employee flexible benefit program to the individual funds. The assets and liabilities of the internal service fund are included with governmental activities.	<u>85,514</u>
Net position of governmental activities (page 19)	<u><u>\$ 4,573,697</u></u>

See notes to financial statements.

Newell-Fonda Community School District
Newell, Iowa

Exhibit E

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year ended June 30, 2013

	<u>General</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Revenues:					
Local sources:					
Local tax	\$ 1,957,025	513,483	501,531	163,154	3,135,193
Tuition	296,438	-	-	-	296,438
Other	114,689	18,858	442	261,751	395,740
State sources	2,257,940	35,133	181	59	2,293,313
Federal sources	234,132	-	-	-	234,132
Total revenues	<u>4,860,224</u>	<u>567,474</u>	<u>502,154</u>	<u>424,964</u>	<u>6,354,816</u>
Expenditures:					
Current:					
Instruction:					
Regular	2,197,903	11,038	-	18,247	2,227,188
Special	423,784	-	-	-	423,784
Other	562,194	-	-	251,001	813,195
	<u>3,183,881</u>	<u>11,038</u>	<u>-</u>	<u>269,248</u>	<u>3,464,167</u>
Support services:					
Student	124,557	-	-	-	124,557
Instructional staff	147,515	-	-	-	147,515
Administration	526,748	5,368	-	75,192	607,308
Operation and maintenance of plant	311,166	12,600	-	36,745	360,511
Transportation	234,155	113,149	-	15,150	362,454
	<u>1,344,141</u>	<u>131,117</u>	<u>-</u>	<u>127,087</u>	<u>1,602,345</u>
Other expenditures:					
Facilities acquisition	-	3,359,891	-	-	3,359,891
Long-term debt:					
Principal	-	-	440,979	-	440,979
Interest and fiscal charges	-	-	166,548	-	166,548
AEA flowthrough	180,516	-	-	-	180,516
	<u>180,516</u>	<u>3,359,891</u>	<u>607,527</u>	<u>-</u>	<u>4,147,934</u>
Total expenditures	<u>4,708,538</u>	<u>3,502,046</u>	<u>607,527</u>	<u>396,335</u>	<u>9,214,446</u>
Excess (deficiency) of revenues over (under) expenditures	<u>151,686</u>	<u>(2,934,572)</u>	<u>(105,373)</u>	<u>28,629</u>	<u>(2,859,630)</u>
Other financing sources (uses):					
General obligation bonds issued	-	7,500,000	-	-	7,500,000
Premium on bonds issued	-	99,651	-	-	99,651
Operating transfers in	13,269	-	106,302	-	119,571
Operating transfers out	-	(106,302)	-	-	(106,302)
Total other financing sources (uses)	<u>13,269</u>	<u>7,493,349</u>	<u>106,302</u>	<u>-</u>	<u>7,612,920</u>
Change in fund balances	164,955	4,558,777	929	28,629	4,753,290
Fund balances beginning of year	<u>1,153,647</u>	<u>15,154</u>	<u>-</u>	<u>206,271</u>	<u>1,375,072</u>
Fund balances end of year	<u>\$ 1,318,602</u>	<u>4,573,931</u>	<u>929</u>	<u>234,900</u>	<u>6,128,362</u>

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

Year ended June 30, 2013

Change in fund balances - total governmental funds (page 23) \$ 4,753,290

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

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

Expenditures for capital assets	\$ 3,377,294	
Depreciation	<u>(233,303)</u>	3,143,991

Income surtax not collected for several months after year end is not considered available revenue and is deferred in the governmental funds. 3,600

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Current year issues exceeded repayments, as follows:

Issued	(7,500,000)	
Repaid	<u>428,384</u>	(7,071,616)

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. (33,126)

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:

Bond premium	(94,648)	
Early retirement	(23,311)	
Compensated absences	(25,517)	
Other postemployment benefits	<u>(7,000)</u>	(150,476)

An internal service fund is used to charge the cost of the flex spending plan to individual funds. The net revenue (expense) of the internal service fund is reported with governmental activities. 54,193

Change in net position of governmental activities (page 20) \$ 699,856

Newell-Fonda Community School District
Newell, Iowa

Exhibit G

Statement of Net Position
Proprietary Fund

June 30, 2013

	<u>School Nutrition</u>	<u>Governmental Activities - Internal Service Fund</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 46,677	85,511
Accounts receivable	530	-
Accrued interest	-	3
Inventories	3,533	-
Total current assets	<u>50,740</u>	<u>85,514</u>
Noncurrent assets:		
Capital assets, net of accumulated depreciation	<u>1,231</u>	-
Total noncurrent assets	<u>1,231</u>	-
Total assets	<u>51,971</u>	<u>85,514</u>
Liabilities		
Current liabilities:		
Deferred revenue	<u>1,726</u>	-
Total current liabilities	<u>1,726</u>	-
Total liabilities	<u>1,726</u>	-
Net Position		
Invested in capital assets	1,231	-
Unrestricted	<u>49,014</u>	<u>85,514</u>
Total net position	<u>\$ 50,245</u>	<u>85,514</u>

See notes to financial statements.

Newell-Fonda Community School District
Newell, Iowa

Exhibit H

Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Fund

Year ended June 30, 2013

	<u>School Nutrition</u>	<u>Governmental Activities - Internal Service Fund</u>
Operating revenues:		
Local sources:		
Charges for service	\$ 102,804	230,424
Miscellaneous	746	-
Total operating revenues	<u>103,550</u>	<u>230,424</u>
Operating expenses:		
Support services:		
Administration	<u>180</u>	-
	<u>180</u>	-
Non-instructional programs:		
Salaries	101,140	-
Benefits	16,506	176,253
Purchased services	569	-
Supplies	144,991	-
Depreciation	<u>263</u>	-
Total operating expenses	<u>263,469</u>	<u>176,253</u>
Total operating expenses	<u>263,649</u>	<u>176,253</u>
Operating income (loss)	<u>(160,099)</u>	<u>54,171</u>
Non-operating revenues:		
State sources	2,651	-
Federal sources	155,682	-
Interest income	<u>145</u>	<u>22</u>
Total non-operating revenues	<u>158,478</u>	<u>22</u>
Increase (decrease) in net position	(1,621)	54,193
Net position beginning of year	<u>51,866</u>	<u>31,321</u>
Net position end of year	<u>50,245</u>	<u>85,514</u>
See notes to financial statements.		

Newell-Fonda Community School District
Newell, Iowa

Exhibit I

Statement of Cash Flows
Proprietary Fund

Year ended June 30, 2013

	Nonmajor Enterprise <u>Funds</u>	Governmental Activities - Internal <u>Service Fund</u>
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 104,101	-
Cash received from other services	746	230,424
Cash paid to employees for services	(117,646)	(176,253)
Cash paid to suppliers for goods or services	<u>(137,673)</u>	<u>-</u>
Net cash provided by (used by) operating activities	<u>(150,472)</u>	<u>54,171</u>
Cash flows from non-capital financing activities:		
State grants received	2,651	-
Federal grants received	<u>146,767</u>	<u>-</u>
Net cash provided by non-capital financing activities	<u>149,418</u>	<u>-</u>
Cash flows from investing activities:		
Interest on investments	<u>145</u>	<u>19</u>
Net increase (decrease) in cash and cash equivalents	(909)	54,190
Cash and cash equivalents beginning of year	<u>47,586</u>	<u>31,321</u>
Cash and cash equivalents end of year	<u>\$ 46,677</u>	<u>85,511</u>

(continued)

Statement of Cash Flows
Proprietary Fund

Year ended June 30, 2013

	Nonmajor Enterprise <u>Funds</u>	Governmental Activities - Internal <u>Service Fund</u>
Reconciliation of operating income (loss) to net cash provided by (used by) operating activities:		
Operating income (loss)	\$ (160,099)	54,171
Adjustments to reconcile operating income (loss) to net cash provided by (used by) operating activities:		
Commodities used	8,915	-
Depreciation	263	-
(Increase) in accounts receivable	(429)	-
(Increase) in inventories	(848)	-
Increase in deferred revenue	1,726	-
Net cash provided by (used by) operating activities	<u>\$ (150,472)</u>	<u>54,171</u>

Non-cash investing, capital and related financing activities:

During the year ended June 30, 2013, the District received \$8,915 of federal commodities.

See notes to financial statements.

Newell-Fonda Community School District
Newell, Iowa

Exhibit J

Statement of Fiduciary Net Position
Fiduciary Funds

June 30, 2013

	Private Purpose Trust <u>Scholarship</u>	<u>Agency</u>
Assets		
Cash and pooled investments	\$ 419,889	14,472
Total assets	<u>419,889</u>	<u>14,472</u>
Liabilities		
Other payables	-	14,472
Total liabilities	<u>-</u>	<u>14,472</u>
Net Position		
Reserved for:		
Scholarships	172,550	-
Athletics	903	-
Music	60,630	-
Art	92,903	-
Speech	92,903	-
	<u>\$ 419,889</u>	<u>-</u>

See notes to financial statements.

Newell-Fonda Community School District
Newell, Iowa

Exhibit K

Statement of Changes in Fiduciary Net Position
Fiduciary Funds

Year ended June 30, 2013

	Private Purpose Trust <u>Scholarship</u>
Additions:	
Local sources:	
Gifts and contributions	\$ 5,500
Interest income	<u>1,379</u>
Total additions	<u>6,879</u>
Deductions:	
Instruction:	
Regular:	
Designated giving	<u>7,951</u>
Total deductions	<u>7,951</u>
Deficiency of additions under deductions	<u>(1,072)</u>
Other financing uses:	
Transfer out	<u>(13,269)</u>
Change in net position	(14,341)
Net position beginning of year	<u>434,230</u>
Net position end of year	<u>\$ 419,889</u>

See notes to financial statements.

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(1) Summary of Significant Accounting Policies

Newell-Fonda Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. 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 Newell and Fonda, Iowa, and the predominate agricultural territory in Buena Vista, Calhoun, Pocahontas and Sac counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

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

A. Reporting Entity

For financial reporting purposes, Newell-Fonda Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District.

These financial statements present the Newell-Fonda Community School District and its component unit. Its component unit discussed below is included in the District's reporting entity because of the significance of its operational or financial relationship with the District.

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Discretely Presented Component Unit – The Newell-Fonda Music Boosters is a separate nonprofit organization organized to raise funds for the music programs of the District. The records are maintained on the basis of cash receipts and disbursements. The Music Booster Club meets the definition of a component unit which should be discretely presented. The Booster Club's financial statements have not been audited and we do not express an opinion on them.

Jointly Governed Organization - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Buena Vista and Pocahontas counties assessor's conference boards.

B. Basis of Presentation

Government-wide Financial Statements – The Statement of Net Position (previously referred to as 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 Position presents the District's nonfiduciary assets and liabilities, with the difference reported as net position. Net position is reported in the following categories:

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

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

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

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

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 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 revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

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

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The District reports the following major proprietary fund:

The Enterprise, School Nutrition Fund is used to account for the food service operations of the District.

The District also reports the following additional proprietary fund:

An Internal Service Fund is used to account for the District's self-funded health insurance. The Internal Service Fund is charged back to the Governmental Funds and shown combined in the Statement of Net Position and the Statement of Activities.

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

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

The Agency Fund is used to account for assets held by the District as an agent for individuals, private organizations and other governments. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of results of operations.

C. Measurement Focus and Basis of Accounting

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

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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 position available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

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

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

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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 Equity

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

Cash, Cash Equivalents, and Pooled Investments – 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, have a maturity date no longer than three months.

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

Property tax receivable is recognized in these funds on the levy or lien date, which is the date 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

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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, 2011 assessed property valuations; is for the tax accrual period July 1, 2012 through June 30, 2013 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2012.

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

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

Capital Assets – Capital assets, which include property, furniture, and equipment are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Position. 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.

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<u>Asset Class</u>	<u>Amount</u>
Land	\$ 5,000
Buildings	5,000
Improvements other than buildings	5,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	5,000

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

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	50 Years
Improvements other than buildings	20-50 Years
Furniture and equipment	5-12 Years

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred revenue consists of unspent grant proceeds as well as property tax receivable and other receivables not collected within sixty days after year end.

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

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Compensated Absences – District employees accumulate a limited amount of earned but unused vacation hours for subsequent use. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2013. 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 Position.

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

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

Unassigned – All amounts not included in other spendable classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2013, expenditures exceeded the amounts budgeted in the support services function.

(2) **Cash, Cash Equivalents and Pooled Investments**

The District's deposits in banks at June 30, 2013 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.

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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, 2013, the District had investments in the Iowa Schools Joint Investment Trust Diversified Portfolio which are valued at an amortized cost of \$675 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Iowa Schools Joint Investment Trust was rated AAAM by Standard & Poor's Financial Services.

Interest rate risk. The District's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the District.

(3) Due From and Due to Other Funds

The detail of interfund receivables and payables at June 30, 2013 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Capital Projects	\$ 125,000

The Capital Projects Fund owes the General Fund for funds advanced for construction expenses. The balance is to be repaid by June 30, 2014.

(4) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2013 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Private Purpose Trust	\$ 13,269
Debt Service	Capital Projects	<u>106,302</u>
Total		\$ <u>119,571</u>

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Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

(5) Capital Assets

Capital assets activity for the year ended June 30, 2013 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 2,000	---	---	2,000
Construction in progress	<u>8,507</u>	<u>2,900,214</u>	---	<u>2,908,721</u>
Total capital assets not being depreciated	<u>10,507</u>	<u>2,900,214</u>	---	<u>2,910,721</u>
Capital assets being depreciated:				
Buildings	3,163,580	241,525	---	3,405,105
Improvements other than buildings	---	5,089	---	5,089
Furniture and equipment	<u>1,608,835</u>	<u>230,466</u>	---	<u>1,839,301</u>
Total capital assets being depreciated	<u>4,772,415</u>	<u>477,080</u>	---	<u>5,249,495</u>
Less accumulated depreciation for:				
Buildings	955,593	70,212	---	1,025,805
Improvements other than buildings	---	254	---	254
Furniture and equipment	<u>1,102,443</u>	<u>162,837</u>	---	<u>1,265,280</u>
Total accumulated depreciation	<u>2,058,036</u>	<u>233,303</u>	---	<u>2,291,339</u>
Total capital assets being depreciated, net	<u>2,714,379</u>	<u>243,777</u>	---	<u>2,958,156</u>
Governmental activities capital assets, net	<u>\$ 2,724,886</u>	<u>3,143,991</u>	---	<u>5,868,877</u>
	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business type activities:				
Furniture and equipment	\$ 25,513	---	---	25,513
Less accumulated depreciation	<u>24,019</u>	<u>263</u>	---	<u>24,282</u>
Business type activities capital assets, net	<u>\$ 1,494</u>	<u>(263)</u>	---	<u>1,231</u>

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Depreciation expense was charged to the following functions:

Governmental activities:		
Instruction:		
Other	\$	937
Support services:		
Instructional staff		94,987
Operation and maintenance of plant		1,937
Transportation		<u>46,955</u>
		144,816
Unallocated		<u>88,487</u>
Total depreciation expense – governmental activities		\$ <u>233,303</u>
Business type activities:		
Food service operations	\$	<u>263</u>

(6) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2013 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
General obligation bonds	\$ ---	7,599,651	350,003	7,249,648 (1)	315,000
Computer lease payable – 2010	87,853	---	42,986	44,867	44,867
Computer lease payable – 2012	276,208	---	52,993	223,215	53,133
Compensated absences	---	25,517	---	25,517	---
Early retirement	34,302	43,594	20,283	57,613	18,740
Net OPEB liability	---	<u>7,000</u>	---	<u>7,000</u>	---
Total	<u>\$ 398,363</u>	<u>7,675,762</u>	<u>466,265</u>	<u>7,607,860</u>	<u>431,740</u>

(1) Bonds were sold at a premium, unamortized premium at June 30, 2013 totaled \$94,648.

Termination Benefits

The District approved a voluntary early retirement plan for certified employees. Eligible employees must have completed at least fifteen years of continuous service to the District and must have reached the age of fifty-five. Employees must complete an application for early retirement which is subject to approval by the Board of Education.

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The early retirement incentive is equal to the difference between the employee's base salaries calculated by using the current year regular salary schedule less the beginning base salary using the same schedule.

A new plan was offered during fiscal year 2013 where the early retirement incentive is equal to half of the employee's base salary, including career increments, plus \$40 per day for unused sick leave days at the end of the school year. The payment can be taken in one or two payments or applied toward health insurance premiums.

At June 30, 2013, the District has obligations to five participant with a total liability of \$57,613. Actual early retirement expenditures for the year ended June 30, 2013 totaled \$18,270.

General Obligation Refunding Bonds

Details of the District's June 30, 2013, general obligation bonded indebtedness are as follows:

Year Ending <u>June 30,</u>	<u>Bond Issue of July 10, 2012</u>			
	<u>Interest Rates</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	2.00%	\$ 315,000	185,750	500,750
2015	2.00	320,000	179,450	499,450
2016	2.00	325,000	173,050	498,050
2017	2.00	335,000	166,550	501,550
2018	2.00	340,000	159,850	499,850
2019-2023	2.00-2.50	1,810,000	689,100	2,499,100
2024-2028	3.00	2,065,000	436,350	2,501,350
2029-2032	3.00	<u>1,645,000</u>	<u>114,600</u>	<u>1,759,600</u>
Total		<u>\$ 7,155,000</u>	<u>2,104,700</u>	<u>9,259,700</u>

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Capital Lease Purchases

In August 2010, the District entered into a capital lease-purchase agreement with Apple Inc. to finance the purchase of laptops totaling \$143,987. The lease is financed for four years at an interest rate of 4.98%. The following is a schedule of the future minimum lease payments, including interest per annum, and the net present value of future minimum lease payments under the agreement at June 30, 2013:

<u>Year Ending June 30,</u>	<u>Amount</u>
2014	\$ 46,336
Less amount representing interest	(1,467)
Net present value of minimum lease payments	<u>\$ 44,867</u>

Payments under the agreement totaled \$46,336 for the year ended June 30, 2013.

In June 2012, the District entered into a capital lease-purchase agreement with Apple Inc. to finance the purchase of 165 laptops totaling \$276,208. The lease is financed for five years at an interest rate of 3.253%. The following is a schedule of the future minimum lease payments, including interest per annum, and the net present value of future minimum lease payments under the agreement at June 30, 2013:

<u>Year Ending June 30,</u>	<u>Amount</u>
2014	\$ 59,965
2015	59,965
2016	59,965
2017	<u>59,965</u>
Total minimum lease payments	239,860
Less amount representing interest	(16,645)
Net present value of minimum lease payments	<u>\$ 223,215</u>

Payments under the agreement totaled \$59,965 for the year ended June 30, 2013.

Newell-Fonda Community School District
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(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 5.78% of their annual covered salary and the District is required to contribute 8.67% of annual covered salary. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2013, 2012 and 2011 were \$253,124, \$229,222 and \$180,599, respectively, equal to the required contributions for each year.

(8) Other Postemployment Benefits (OPEB)

Plan Description – The District operates a single-employer health benefits plan which provides medical and prescription drug benefits for employees, retirees and their spouses. There are 81 active and nine retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through the plan. Retirees under age 65 pay the same premium for the health insurance benefits as active employees, which results in an implicit rate subsidy and an OPEB liability.

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

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

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The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2013, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 64,000
Interest on net OPEB obligation	---
Adjustment to annual required contribution	---
Annual OPEB cost	64,000
Contributions made	<u>(57,000)</u>
Increase in net OPEB obligation	7,000
Net OPEB obligation beginning of year	---
Net OPEB obligation end of year	<u>\$ 7,000</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. 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, 2013.

For the year ended June 30, 2013, the District contributed \$57,000 to the medical plan. Plan members eligible for benefits contributed \$55,383, or 49% 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 are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2011	\$ 40,000	100.0%	\$ ---
2012	40,000	100.0	---
2013	64,000	89.1	7,000

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Funded Status and Funding Progress – As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2012 through June 30, 2013, the actuarial accrued liability was \$469,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$469,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$1,818,000 and the ratio of the UAAL to covered payroll was 25.8%. As of June 30, 2013, there were no trust fund assets.

Actuarial Methods and Assumptions – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress for the Retiree Health Plan, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

Mortality rates are from the RP-2000 Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the District's average retirement age of pension eligible retirees over the last five years and applying termination factors from the U.S. Office of Personnel Management.

As of the July 1, 2012 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions includes a 4.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 10%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 0.5% each year until reaching the 5% ultimate trend rate.

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Projected claim costs of the health insurance plan are \$447 per month for retirees less than age 65 and \$486 per month for retirees who have attained age 65. The salary increase rate was assumed to be 3.5% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(9) Risk Management

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 \$180,516 for the year ended June 30, 2013 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(11) Operating Leases

The District entered into an operating lease with Advanced Systems Inc. for the rental of two copiers on January 3, 2012 for a period of 63 months. The amount paid for the fiscal year ended June 30, 2013 was \$4,690. Future rentals are scheduled as follows:

Year Ending <u>June 30,</u>	
2014	\$ 4,690
2015	4,690
2016	4,690
2017	<u>3,518</u>
	\$ <u>17,588</u>

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Notes to Financial Statements

June 30, 2013

The District has a lease for shop space. The lease is for one year commencing July 1, 2012 and terminating June 30, 2013. The lease was \$5,000 for the first month and \$455 per month thereafter. The rent paid on this lease for the year ended June 30, 2013 was \$11,000. The lease can be extended on a month to month basis as the District needs for \$1,000 per month.

(12) Categorical Funding

The District's restricted fund balance for categorical funding at June 30, 2013 is comprised of the following programs:

<u>Program</u>	<u>Amount</u>
Preschool	\$ 205,368
Teacher salary supplement	21,556
Professional development – core curriculum	34,460
Professional development	<u>20,769</u>
Total	\$ <u>282,153</u>

(13) Construction Commitment

The District has entered into a contract totaling \$5,964,666 for the construction of a building addition. As of June 30, 2013, costs of \$2,679,639 had been incurred against the contract. The balance of \$3,285,027 remaining at June 30, 2013 will be paid as work on the project progresses.

The District has entered into a contract totaling \$111,673 for the installation of classroom air conditioning units. As of June 30, 2013, costs of \$99,100 had been incurred against the contract. The balance of \$12,573 remaining at June 30, 2013 will be paid as work on the project progresses.

(14) Subsequent Events

Subsequent events have been evaluated through January 21, 2014, which is the date the financial statements were available to be issued.

Required Supplementary Information

Newell-Fonda Community School District
Newell, Iowa

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

Required Supplementary Information

Year ended June 30, 2013

	Governmental Funds <u>Actual</u>	Proprietary Fund <u>Actual</u>
Revenues:		
Local sources	\$ 3,827,371	103,695
State sources	2,293,313	2,651
Federal sources	<u>234,132</u>	<u>155,682</u>
Total revenues	<u>6,354,816</u>	<u>262,028</u>
Expenditures/Expenses:		
Instruction	3,464,167	-
Support services	1,602,345	180
Non-instructional programs	-	263,469
Other expenditures	<u>4,147,934</u>	<u>-</u>
Total expenditures/expenses	<u>9,214,446</u>	<u>263,649</u>
Deficiency of revenues under expenditures/expenses	(2,859,630)	(1,621)
Other financing sources, net	<u>7,612,920</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures/expenses and other financing uses	4,753,290	(1,621)
Balances beginning of year	<u>1,375,072</u>	<u>51,866</u>
Balances end of year	<u>\$ 6,128,362</u>	<u>50,245</u>

See accompanying independent auditor's report.

<u>Total Actual</u>	<u>Budgeted Amounts</u>		<u>Final to Actual Variance</u>
	<u>Original</u>	<u>Final</u>	
3,931,066	3,269,358	3,269,358	661,708
2,295,964	2,316,822	2,316,822	(20,858)
389,814	345,000	345,000	44,814
<u>6,616,844</u>	<u>5,931,180</u>	<u>5,931,180</u>	<u>685,664</u>
3,464,167	3,600,397	3,600,397	136,230
1,602,525	1,597,200	1,597,200	(5,325)
263,469	265,000	300,000	36,531
4,147,934	626,142	4,500,000	352,066
<u>9,478,095</u>	<u>6,088,739</u>	<u>9,997,597</u>	<u>519,502</u>
(2,861,251)	(157,559)	(4,066,417)	1,205,166
<u>7,612,920</u>	<u>-</u>	<u>-</u>	<u>7,612,920</u>
4,751,669	(157,559)	(4,066,417)	8,818,086
<u>1,426,938</u>	<u>332,744</u>	<u>332,744</u>	<u>1,094,194</u>
<u>6,178,607</u>	<u>175,185</u>	<u>(3,733,673)</u>	<u>9,912,280</u>

Newell-Fonda Community School District
Newell, Iowa

Notes to Required Supplementary Information – Budgetary Reporting

Year ended June 30, 2013

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

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

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. 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 functional 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 \$3,908,858.

During the year ended June 30, 2013, expenditures in the support services function exceeded the amount budgeted.

Newell-Fonda Community School District

Newell, Iowa

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

Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	Jul 1, 2009		\$ 434	434	0.0%	2,717	16.0%
2011	Jul 1, 2009	-	434	434	0.0%	2,792	15.5%
2012	Jul 1, 2009	-	434	434	0.0%	2,821	15.4%
2013	Jul 1, 2012	-	469	469	0.0%	1,818	25.8%

See Note 8 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

See accompanying independent auditor's report.

Supplementary Information

Newell-Fonda Community School District
Newell, Iowa

Schedule 1

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2013

	<u>Special Revenue</u>		
	<u>Manage- ment Levy</u>	<u>Student Activity</u>	<u>Total</u>
Assets			
Cash and pooled investments	\$ 123,787	111,849	235,636
Receivables:			
Property tax:			
Delinquent	1,252	-	1,252
Succeeding year	205,000	-	205,000
Accrued interest	165	-	165
Total assets	<u>\$ 330,204</u>	<u>111,849</u>	<u>442,053</u>
Liabilities and Fund Balances			
Liabilities:			
Deferred revenue:			
Succeeding year property tax	\$ 205,000	-	205,000
Early retirement	<u>2,153</u>	-	<u>2,153</u>
Total liabilities	207,153	-	207,153
Fund balances:			
Restricted for:			
Management levy purposes	123,051	-	123,051
Student activities	-	111,849	111,849
Total fund balances	<u>123,051</u>	<u>111,849</u>	<u>234,900</u>
Total liabilities and fund balances	<u>\$ 330,204</u>	<u>111,849</u>	<u>442,053</u>

See accompanying independent auditor's report.

Newell-Fonda Community School District
Newell, Iowa

Schedule 2

Combining Schedule of Revenues, Expenditures
and Changes in Fund Balances
Nonmajor Governmental Funds

Year ended June 30, 2013

	Special Revenue		
	Manage- ment <u>Levy</u>	Student Activity	<u>Total</u>
Revenues:			
Local sources:			
Local tax	\$ 163,154		163,154
Other	9,532	252,219	261,751
State sources	59	-	59
Total revenues	<u>172,745</u>	<u>252,219</u>	<u>424,964</u>
Expenditures:			
Current:			
Instruction:			
Regular	18,247	-	18,247
Other	-	251,001	251,001
Support services:			
Administration	75,192	-	75,192
Operation and maintenance of plant	36,745	-	36,745
Transportation	15,150	-	15,150
Total expenditures	<u>145,334</u>	<u>251,001</u>	<u>396,335</u>
Excess of revenues over expenditures	27,411	1,218	28,629
Fund balances beginning of year	95,640	110,631	206,271
Fund balances end of year	<u>\$ 123,051</u>	<u>111,849</u>	<u>234,900</u>

See accompanying independent auditor's report.

Newell-Fonda Community School District
Newell, Iowa

Schedule 3

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2013

<u>Account</u>	<u>Balance Beginning of Year</u>	<u>Revenues and Interfund Transfers</u>	<u>Expenditures</u>	<u>Intra- Fund Transfers</u>	<u>Balance End of Year</u>
Boys Basketball	\$ 7,157	11,012	11,840	-	6,329
Football	-	21,991	22,404	413	-
Baseball	-	2,448	4,901	2,453	-
Co-ed Track	-	-	4,118	4,118	-
Co-ed Golf	-	35	1,155	1,120	-
Girls Basketball	5,741	9,953	10,384	-	5,310
Volleyball	-	3,627	4,250	623	-
Softball	-	6,072	7,458	1,386	-
General Athletics	875	26,137	15,452	(10,113)	1,447
Cheerleaders	9,049	13,039	12,780	-	9,308
Drill Team	5,142	7,105	7,512	-	4,735
Tech Club	-	1,400	1,400	-	-
National Honor Society	3,191	20,128	22,098	-	1,221
All School Play	2,117	1,455	1,021	-	2,551
Speech	-	124	48	-	76
Foreign Language Club	478	-	-	-	478
MS TA - Nielsen	3,236	903	3,036	-	1,103
Student Council	6,533	5,292	6,975	-	4,850
FCCLA	1,745	3,308	3,119	-	1,934
FFA	7,442	22,606	19,463	-	10,585
After Prom	403	6,670	6,729	-	344
Girls Basketball Fund Raiser	6,731	11,226	10,313	-	7,644
Boys Basketball Fund Raiser	2,102	700	607	-	2,195
Football Fund Raiser	7,587	18,926	11,022	-	15,491
Baseball Fund Raiser	2,251	7,065	8,528	-	788
Volleyball Fund Raiser	1,035	2,569	2,063	-	1,541
Softball Fund Raiser	5,374	11,928	12,124	-	5,178
Boys Track Fund Raiser	242	-	-	-	242
Girls Track Fund Raiser	176	1,675	1,525	-	326
Boys Golf Fund Raiser	-	413	412	-	1
Girls Golf Fund Raiser	-	312	312	-	-
Class of 2012	97	-	-	(97)	-
Class of 2013	1,911	-	1,580	-	331
Class of 2014	2,061	3,135	3,182	-	2,014
Class of 2015	2,451	150	-	97	2,698

(continued)

Newell-Fonda Community School District
Newell, Iowa

Schedule 3

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2013

<u>Account</u>	<u>Balance Beginning of Year</u>	<u>Revenues and Interfund Transfers</u>	<u>Expenditures</u>	<u>Intra- Fund Transfers</u>	<u>Balance End of Year</u>
Class of 2016	-	6,950	3,929	-	3,021
Art	1,038	-	201	-	837
Shop	1,132	-	-	-	1,132
Band Fundraiser	1,699	4,273	1,657	-	4,315
Choir Fundraiser	326	96	-	-	422
Music Resale	15	-	-	-	15
Elementary PTF Funds	4,108	1,230	2,241	-	3,097
Special Projects	3,890	450	1,989	-	2,351
State Basketball Tourney Expense	35	8,819	13,895	5,041	-
Library	814	106	-	-	920
Postage	97	-	-	-	97
General Activity	500	1,533	1,533	-	500
Yearbook 11-12	1,145	315	1,429	(31)	-
Yearbook 12-13	877	6,362	6,066	31	1,204
Scholarships	-	250	250	-	-
Interest	9,828	431	-	(5,041)	5,218
Total	<u>\$ 110,631</u>	<u>252,219</u>	<u>251,001</u>	<u>-</u>	<u>111,849</u>

See accompanying independent auditor's report.

Newell-Fonda Community School District
Newell, Iowa

Schedule 4

Combining Balance Sheet
Capital Project Accounts

June 30, 2013

	Capital Projects			Total
	Construction Projects	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	
Assets				
Cash and pooled investments	\$ 4,324,926	136,209	137,196	4,598,331
Receivables:				
Property tax:				
Delinquent	-	-	1,248	1,248
Succeeding year	-	-	168,469	168,469
Accrued interest	9,819	68	92	9,979
Due from other governments	-	89,373	-	89,373
Total assets	<u>\$ 4,334,745</u>	<u>225,650</u>	<u>307,005</u>	<u>4,867,400</u>
Liabilities and Fund Balances				
Liabilities:				
Due to other funds	125,000	-	-	125,000
Deferred revenue:				
Succeeding year property tax	-	-	168,469	168,469
Total liabilities	<u>125,000</u>	<u>-</u>	<u>168,469</u>	<u>293,469</u>
Fund balances:				
Restricted for:				
School infrastructure	4,209,745	225,650	-	4,435,395
Physical plant and equipment	-	-	138,536	138,536
Total fund balances	<u>4,209,745</u>	<u>225,650</u>	<u>138,536</u>	<u>4,573,931</u>
Total liabilities and fund balances	<u>\$ 4,334,745</u>	<u>\$ 225,650</u>	<u>307,005</u>	<u>4,867,400</u>

See accompanying independent auditor's report.

Newell-Fonda Community School District
Newell, Iowa

Schedule 5

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Capital Project Accounts

Year ended June 30, 2013

	Capital Projects			Total
	Construction Projects	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	
Revenues:				
Local sources:				
Local tax	\$ -	350,630	162,853	513,483
Other	12,293	296	6,269	18,858
State sources	-	35,074	59	35,133
Total revenues	<u>12,293</u>	<u>386,000</u>	<u>169,181</u>	<u>567,474</u>
Expenditures:				
Instruction:				
Regular	-	-	11,038	11,038
Support services:				
Administration	-	-	5,368	5,368
Operation and maintenance of plant	-	-	12,600	12,600
Transportation	-	113,149	-	113,149
Other expenditures:				
Facilities acquisition	<u>3,323,159</u>	<u>4,541</u>	<u>32,191</u>	<u>3,359,891</u>
Total expenditures	<u>3,323,159</u>	<u>117,690</u>	<u>61,197</u>	<u>3,502,046</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(3,310,866)</u>	<u>268,310</u>	<u>107,984</u>	<u>(2,934,572)</u>
Other financing sources (uses):				
General obligation bonds issued	7,500,000	-	-	7,500,000
Premium on bonds issued	99,651	-	-	99,651
Operating transfers out	-	(106,302)	-	(106,302)
Total other financing sources (uses)	<u>7,599,651</u>	<u>(106,302)</u>	<u>-</u>	<u>7,493,349</u>
Excess of revenues and other financing sources over expenditures and other financing uses	<u>4,288,785</u>	<u>162,008</u>	<u>107,984</u>	<u>4,558,777</u>
Fund balances beginning of year	<u>(79,040)</u>	<u>63,642</u>	<u>30,552</u>	<u>15,154</u>
Fund balances end of year	<u>\$ 4,209,745</u>	<u>225,650</u>	<u>138,536</u>	<u>4,573,931</u>

See accompanying independent auditor's report.

Newell-Fonda Community School District
Newell, Iowa

Combining Schedule of Fiduciary Net Position

Year ended June 30, 2013

	Private Purpose Trust Funds			
	<u>Cecil Rogers Scholarship</u>	<u>Keith Carter Scholarship</u>	<u>Don Anderson Trust</u>	<u>DFS Scholarship</u>
Assets				
Cash	\$ <u>6,632</u>	<u>160,641</u>	<u>249,616</u>	<u>2,000</u>
	<u>\$ 6,632</u>	<u>160,641</u>	<u>249,616</u>	<u>2,000</u>
Net Position				
Reserved for:				
Scholarships	\$ 6,632	160,641	2,277	2,000
Athletics	-	-	903	-
Music	-	-	60,630	-
Art	-	-	92,903	-
Speech	-	-	92,903	-
	<u>\$ 6,632</u>	<u>160,641</u>	<u>249,616</u>	<u>2,000</u>

See accompanying independent auditor's report.

Schedule 6

<u>Willard Schuller Scholarship</u>	<u>Total</u>
<u>1,000</u>	<u>419,889</u>
<u>1,000</u>	<u>419,889</u>
1,000	172,550
-	903
-	60,630
-	92,903
-	92,903
<u>1,000</u>	<u>419,889</u>

Newell-Fonda Community School District
Newell, Iowa

Schedule of Changes in Fiduciary Net Position

Year ended June 30, 2013

	<u>Cecil Rogers Scholarship</u>	<u>Keith Carter Scholarship</u>	<u>Helen Harris Scholarship</u>	<u>Private Purpose Don Anderson Trust</u>
Additions:				
Local sources:				
Interest income	\$ 20	81	-	1,278
Contributions	<u>-</u>	<u>-</u>	<u>2,000</u>	<u>-</u>
	20	81	2,000	1,278
Deductions:				
Support services:				
Designated giving	<u>40</u>	<u>-</u>	<u>2,000</u>	<u>5,411</u>
Excess (deficiency) of additions over (under) deductions	(20)	81	-	(4,133)
Other financing uses:				
Transfer out	<u>-</u>	<u>-</u>	<u>-</u>	<u>(13,269)</u>
Change in net position	(20)	81	-	(17,402)
Net position beginning of year	<u>6,652</u>	<u>160,560</u>	<u>-</u>	<u>267,018</u>
Net position end of year	<u>\$ 6,632</u>	<u>160,641</u>	<u>-</u>	<u>249,616</u>

See accompanying independent auditor's report.

<u>Trust Funds</u>			
<u>DFS</u> <u>Scholarship</u>	<u>Willard Schuller</u> <u>Scholarship</u>	<u>Pioneer</u> <u>Scholarship</u>	<u>Total</u>
-	-	-	1,379
<u>2,000</u>	<u>1,000</u>	<u>500</u>	<u>5,500</u>
2,000	1,000	500	6,879
<u>-</u>	<u>-</u>	<u>500</u>	<u>7,951</u>
2,000	1,000	-	(1,072)
<u>-</u>	<u>-</u>	<u>-</u>	<u>(13,269)</u>
2,000	1,000	-	(14,341)
<u>-</u>	<u>-</u>	<u>-</u>	<u>434,230</u>
<u>2,000</u>	<u>1,000</u>	<u>-</u>	<u>419,889</u>

Newell-Fonda Community School District
 Schedule of Changes in Fiduciary Assets and Liabilities -
 Agency Fund

Schedule 8

Year ended June 30, 2013

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance End of Year</u>
Assets				
Cash	\$ 3,693	33,539	22,760	14,472
Total assets	<u>\$ 3,693</u>	<u>33,539</u>	<u>22,760</u>	<u>14,472</u>
Liabilities				
Other payables	\$ 3,693	33,539	22,760	14,472
Total liabilities	<u>\$ 3,693</u>	<u>\$ 33,539</u>	<u>\$ 22,760</u>	<u>\$ 14,472</u>

See accompanying independent auditor's report.

Newell-Fonda Community School District
Newell, Iowa

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

For the Last Ten Years

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Revenues:				
Local sources:				
Local tax	\$ 3,135,193	2,625,432	2,318,970	2,156,362
Tuition	296,438	193,138	146,700	118,116
Other	395,740	489,621	382,215	348,969
State sources	2,293,313	2,246,771	1,983,869	1,794,967
Federal sources	234,132	210,741	319,978	426,044
Total	<u>\$ 6,354,816</u>	<u>5,765,703</u>	<u>5,151,732</u>	<u>4,844,458</u>
Expenditures:				
Instruction	\$ 3,464,167	3,702,248	3,243,330	2,903,132
Support services:				
Student	124,557	104,155	116,236	90,417
Instructional staff	147,515	150,157	124,655	159,882
Administration	607,308	528,889	496,908	494,241
Operation and maintenance of plant	360,511	308,192	335,728	319,337
Transportation	362,454	334,370	237,733	276,333
Other expenditures:				
Facilities acquisition	3,359,891	544,360	320,419	1,540,756
Long-term debt:				
Principal	440,979	66,539	95,051	58,779
Interest and other charges	166,548	5,719	9,465	5,737
AEA flowthrough	180,516	172,010	177,753	175,916
Total	<u>\$ 9,214,446</u>	<u>5,916,639</u>	<u>5,157,278</u>	<u>6,024,530</u>

See accompanying independent auditor's report.

Modified Accrual Basis					
<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
2,047,959	1,748,576	1,625,426	1,422,156	1,349,135	1,447,498
101,302	107,348	77,647	67,130	69,206	75,455
364,771	411,148	432,721	351,589	268,811	370,917
2,035,299	2,229,917	2,003,601	2,113,281	1,654,735	1,600,299
<u>181,228</u>	<u>152,205</u>	<u>148,347</u>	<u>150,162</u>	<u>146,638</u>	<u>162,419</u>
<u>4,730,559</u>	<u>4,649,194</u>	<u>4,287,742</u>	<u>4,104,318</u>	<u>3,488,525</u>	<u>3,656,588</u>
2,819,448	2,962,072	2,647,909	2,617,889	2,488,717	2,270,536
83,268	96,602	71,298	74,057	71,142	90,776
165,638	141,894	136,196	118,446	102,411	124,862
387,843	394,494	442,524	437,461	404,889	383,365
342,234	337,281	338,531	382,039	388,787	416,362
250,916	216,805	229,711	275,661	268,411	181,539
175,241	89,479	57,465	30,629	8,071	6,252
56,394	30,566	-	-	-	-
8,122	1,692	-	-	-	-
<u>162,268</u>	<u>160,842</u>	<u>153,999</u>	<u>151,340</u>	<u>135,465</u>	<u>138,167</u>
<u>4,451,372</u>	<u>4,431,727</u>	<u>4,077,633</u>	<u>4,087,522</u>	<u>3,867,893</u>	<u>3,611,859</u>

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

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

We have audited 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, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Newell-Fonda Community School District as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 21, 2014. Our report expressed unqualified opinions on the financial statements except for the component unit, Newell-Fonda Music Boosters, which was not audited.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Newell-Fonda Community School District's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Newell-Fonda Community School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Newell-Fonda Community School District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified deficiencies in internal control we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in Part I of the accompanying Schedule of Findings as items I-A-13 and I-B-13 to be material weaknesses.

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2013 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Newell-Fonda Community School District's Responses to Findings

Newell-Fonda Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. Newell-Fonda Community School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Cornwell, Frideres, Maher & Associates, P.L.C.

Cornwell, Frideres, Maher & Associates, P.L.C.
Certified Public Accountants

January 21, 2014

Newell-Fonda Community School District
Newell, Iowa

Schedule of Findings

Year ended June 30, 2013

Part I: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

I-A-13 Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The cash receipts listing, bank deposits and the posting of the cash receipts journal are all done by the same person. Also, vouchers are processed, disbursements are recorded, and checks are prepared by the same person.

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

Response - We are doing everything we can within our situation and make improvements as the situation changes.

Conclusion - Response acknowledged. The District should segregate duties to the extent possible with existing personnel and utilize administrative personnel to provide additional control through review of financial transactions and reports.

I-B-13 Preparation of Financial Statements – The District does not have an internal control system designed to provide for the preparation of the financial statements in accordance with accounting principles generally accepted in the United States of America. Therefore, as auditors, we were requested to draft the financial statements and accompanying notes to the financial statements. This circumstance is not unusual for an entity similar in size to Newell-Fonda Community School District. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Newell-Fonda Community School District
Newell, Iowa

Schedule of Findings

Year ended June 30, 2013

Recommendation – We realize that obtaining the expertise necessary to prepare the financial statements, including all necessary disclosures, can be considered costly and ineffective. However, it is the responsibility of the District’s management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Response – Management feels that committing the resources to remain current on reporting requirements and corresponding footnote disclosures would lack benefit in relation to the cost, but will continue to evaluate the risks to be accepted in preparation of the financial statements.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matter were noted.

Newell-Fonda Community School District
Newell, Iowa

Schedule of Findings

Year ended June 30, 2013

Part II: Other Findings Related to Required Statutory Reporting:

II-A-13 Certified Budget - Expenditures for the year ended June 30, 2013 exceeded the amended certified budget amount in the support services function.

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

Response – Future budgets will be amended in sufficient amounts to ensure the certified budget is not exceeded.

Conclusion – Response accepted.

II-B-13 Questionable Expenditures - No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

II-C-13 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

II-D-13 Business Transactions - The following business transactions between the District and District officials or employees were noted.

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Greg Baskerville, Board Member, Spouse provides service	CNA training	\$ 2,985

In accordance with an Attorney General's opinion dated November 9, 1976, the above transactions with the Board Member's spouse does not appear to represent a conflict of interest.

Newell-Fonda Community School District
Newell, Iowa

Schedule of Findings

Year ended June 30, 2013

II-E-13 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage is reviewed annually to ensure the coverage is adequate for current operations.

II-F-13 Board Minutes - No disbursements requiring Board approval which had not been approved by the Board were noted. However, the minutes did not document the roll call vote to enter into a closed as required by Chapter 21.5 of the Code of Iowa.

Recommendation – Roll call votes for a closed session should be documented in the minutes.

Response – We will comply with Chapter 21 of the Code of Iowa regarding closed sessions.

Conclusion – Response accepted.

II-G-13 Certified Enrollment - No variances in the basic enrollment data certified to the Iowa Department of Education were noted.

II-H-13 Supplementary Weighting – No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

II-I-13 Deposits and Investments - 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 were noted.

II-J-13 Certified Annual Report – The Certified Annual Report was certified timely to the Iowa Department of Education.

Newell-Fonda Community School District
Newell, Iowa

Schedule of Findings

Year ended June 30, 2013

- II-K-13 Categorical Funding – No instances of categorical funding being used to supplant rather than supplement other funds were noted.
- II-L-13 Statewide Sales, Services and Use Tax – No instances of non-compliance with the allowable uses of the statewide sales, services and use tax revenue provided in 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, 2013, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$ 63,642
Revenues:		
Sales tax revenues	\$ 350,630	
Other local revenues	296	
School infrastructure supplemental amount	<u>35,074</u>	<u>386,000</u>
		449,642
Expenditures/transfers out:		
School infrastructure construction	4,541	
Equipment	113,149	
Transfer to other funds:		
Debt service fund	<u>106,302</u>	<u>223,992</u>
Ending balance		\$ <u>225,650</u>

For the year ended June 30, 2013, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.