

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

JUNE 30, 2013

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Newton Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
Andrew Elbert	President	2013
Nat Clark	Vice President	2015
Donna Cook	Board Member	2015
Joe Klingensmith	Board Member (Resigned Novemeber 26, 2012)	2013
Sherri Benson	Board Member (Elected December 4, 2012)	2013
Dennis Combs	Board Member	2013
Bill Perrenoud	Board Member	2015
Don Poynter	Board Member	2013
School Officials		
Steve McDermott	Superintendent	2013
Gayle Isaac	Director of Business Services District Secretary/Treasurer	2013
Ahlers and Cooney P.C.	Attorney	2013

Newton Community School District

NOLTE, CORNMAN & JOHNSON P.C.
Certified Public Accountants
(a professional corporation)
117 West 3rd Street North, Newton, Iowa 50208-3040
Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the Newton Community School District:

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 Newton Community School District, Newton, 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. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about 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 managements, 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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Newton Community School District at June 30, 2013, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 16 and 38 through 40 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements is required by the Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the required supplementary information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Newton Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the 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 7, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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 applies 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 March 15, 2014 on our consideration of Newton Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.



NOLTE, CORNMAN & JOHNSON, P.C.

March 15, 2014
Newton, Iowa

MANAGEMENT'S DISCUSSION AND ANALYSIS

Newton Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 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 \$29,248,500 in fiscal year 2012 to \$29,591,122 in fiscal year 2013, while General Fund expenditures increased from \$28,202,651 in fiscal 2012 to \$30,382,336 in fiscal 2013.
- The District's General Fund unassigned fund balance decreased from \$2,980,278 in fiscal 2012 to \$2,709,394 in fiscal 2013.
- The District financial management goals include maintaining a solvency ratio between 5% and 10%. As of the year ended June 30, 2013, the District has a 9.51% solvency ratio.

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 Newton Community School District as a whole and present an overall view of the District's finances.

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

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

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year, as well as presenting a schedule of funding progress for the retiree health plan.

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

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

Figure A-1
Newton Community School District Annual Financial Report

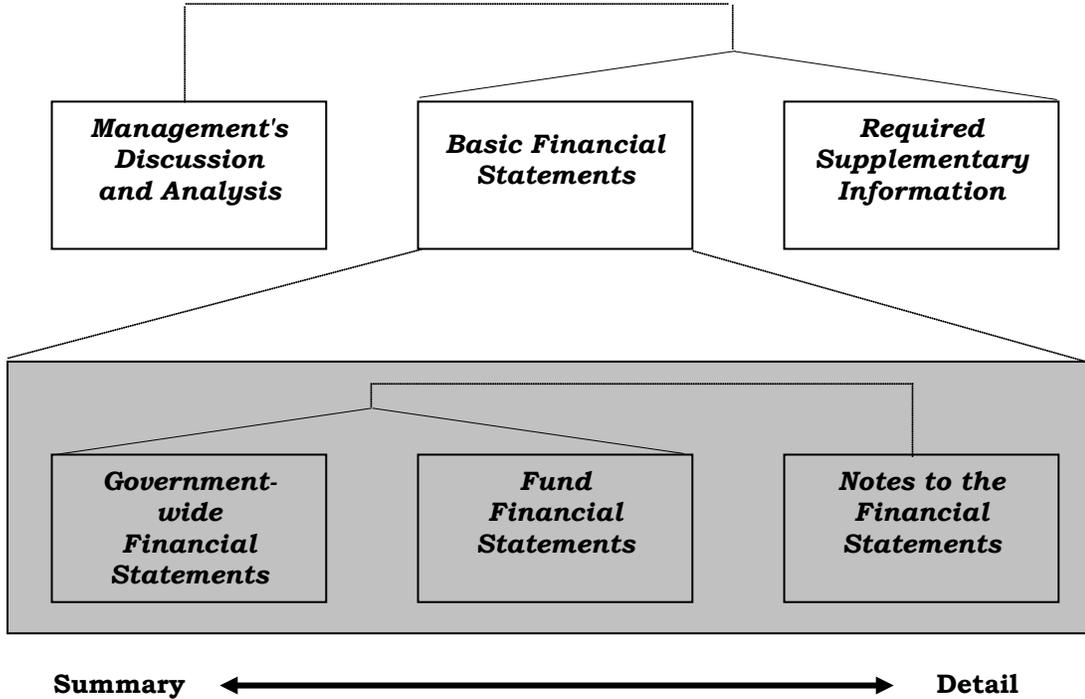


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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

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

REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net 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 they have changed. Net position – the difference between the District's assets and liabilities – are one way to measure the District's financial health or position. Over time, increases or decreases in the District's net position are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

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

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

Fund Financial Statements

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

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

The District has two kinds of funds:

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

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

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

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

The required financial statements for proprietary funds include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Net Position and a Statement of Cash Flows. Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net position at June 30, 2013 compared to June 30, 2012.

Figure A-3
Condensed Statement of Net Position

	Governmental		Business Type		Total		Total
	Activities		Activities		District		Change
	June 30,		June 30,		June 30,		June 30,
	2013	2012	2013	2012	2013	2012	2012-13
Current and other assets	\$ 19,025,327	20,165,629	613,253	643,436	19,638,580	20,809,065	-5.62%
Capital assets	30,085,737	29,594,526	230,629	180,780	30,316,366	29,775,306	1.82%
Total assets	49,111,064	49,760,155	843,882	824,216	49,954,946	50,584,371	-1.24%
Long-term liabilities	6,947,868	7,987,590	11,509	8,374	6,959,377	7,995,964	-12.96%
Other liabilities	10,949,388	11,156,221	2,395	-	10,951,783	11,156,221	-1.83%
Total liabilities	17,897,256	19,143,811	13,904	8,374	17,911,160	19,152,185	-6.48%
Net position:							
Invested in capital assets, net of related debt	23,775,737	22,164,526	230,629	180,780	24,006,366	22,345,306	7.43%
Restricted	4,911,998	5,587,292	-	-	4,911,998	5,587,292	-12.09%
Unrestricted	2,526,073	2,864,526	599,349	635,062	3,125,422	3,499,588	-10.69%
Total net position	\$ 31,213,808	30,616,344	829,978	815,842	32,043,786	31,432,186	1.95%

The District's combined net position increased by 1.95%, or \$611,600 from the prior year. The largest portion of the District's net position is invested in capital assets (e.g., land, infrastructure, buildings, and equipment), net of related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net position represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position decreased \$675,294, or 12.09% from the prior year. The decrease was primarily a result of the District's decrease in restricted fund balance for state categorical funding.

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 \$374,166 or 10.69%. This decrease in unrestricted net position was primarily a result of the decrease in fund balance of the General Fund in fiscal year 2013.

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

	Governmental Activities		Business-type Activities		Total District		Total Change
	2013	2012	2013	2012	2013	2012	2012-13
Revenues:							
Program revenues:							
Charges for services	\$ 973,396	947,232	569,579	568,445	1,542,975	1,515,677	1.80%
Operating grants, contributions and restricted interest	2,627,811	2,175,406	868,640	863,392	3,496,451	3,038,798	15.06%
Capital grants, contributions and restricted interest	219,156	36,932	-	-	219,156	36,932	493.40%
General revenues:							
Property tax	11,085,197	10,866,728	-	-	11,085,197	10,866,728	2.01%
Income surtax	427,544	434,293	-	-	427,544	434,293	-1.55%
Statewide sales, services and use tax	2,563,842	2,345,281	-	-	2,563,842	2,345,281	9.32%
Unrestricted state grants	16,297,685	16,711,470	-	-	16,297,685	16,711,470	-2.48%
Nonspecific program federal grants	-	469,853	-	-	-	469,853	-100.00%
Unrestricted investment earnings	751	5,864	227	119	978	5,983	-83.65%
Other	201,295	149,173	12,235	12,489	213,530	161,662	32.08%
Total revenues	34,396,677	34,142,232	1,450,681	1,444,445	35,847,358	35,586,677	0.73%
Program expenses:							
Governmental activities:							
Instruction	21,496,892	19,831,438	-	-	21,496,892	19,831,438	8.40%
Support services	10,014,556	8,651,637	31,959	14,075	10,046,515	8,665,712	15.93%
Non-instructional programs	5,946	6,300	1,404,586	1,271,520	1,410,532	1,277,820	10.39%
Other expenses	2,281,819	2,365,039	-	-	2,281,819	2,365,039	-3.52%
Total expenses	33,799,213	30,854,414	1,436,545	1,285,595	35,235,758	32,140,009	9.63%
Changes in net position	597,464	3,287,818	14,136	158,850	611,600	3,446,668	-82.26%
Net position beginning of year	30,616,344	27,328,526	815,842	656,992	31,432,186	27,985,518	12.32%
Net position end of year	\$ 31,213,808	30,616,344	829,978	815,842	32,043,786	31,432,186	1.95%

In fiscal 2013, property tax and unrestricted state grants account for 79.61% of the revenue from governmental activities while charges for service and operating grants and contributions account for 99.14% of the revenue from business type activities.

The District's total revenues were approximately \$35.85 million of which approximately \$34.40 million was for governmental activities and approximately \$1.45 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 0.73% increase in revenues and a 9.63% increase in expenses. Statewide sales, services and use tax revenues increased \$218,561. The increase in expenses is partly attributable to an increase in negotiated salaries and benefits paid to District employees during the year.

Governmental Activities

Revenues for governmental activities were \$34,396,677 and expenses were \$33,799,213.

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

	Total Cost of Services			Net Cost of Services		
	2013	2012	Change 2012-13	2013	2012	Change 2012-13
Instruction	\$ 21,496,892	19,831,438	8.40%	19,026,952	17,857,431	6.55%
Support services	10,014,556	8,651,637	15.75%	9,778,148	8,582,143	13.94%
Non-instructional	5,946	6,300	-5.62%	5,946	6,300	-5.62%
Other expenses	2,281,819	2,365,039	-3.52%	1,167,804	1,248,970	-6.50%
Totals	<u>\$ 33,799,213</u>	<u>30,854,414</u>	<u>9.54%</u>	<u>29,978,850</u>	<u>27,694,844</u>	<u>8.25%</u>

For the year ended June 30, 2013:

- The cost financed by users of the District's programs was \$973,396.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$2,846,967.
- The net cost of governmental activities was financed with \$11,085,197 in local property tax, \$427,544 in income surtax, \$2,563,842 in statewide sales, services and use tax, \$16,297,685 in unrestricted state grants, \$751 in interest income, and \$201,295 in other revenues.

Business-Type Activities

Revenues for business type activities during the year ended June 30, 2013 were \$1,450,681 representing an increase of less than 1% over the prior year, while expenses totaled \$1,436,545, an 11.74% increase from the prior year. The District's business type activities include the School Nutrition Fund. Revenues for this activity were comprised of charges for service, federal and state reimbursements, investment income and other general revenues.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported combined fund balances of \$7,657,547, below last year's ending fund balances of \$8,574,739.

Governmental Fund Highlights

- The District's General Fund net position decreased from \$4,196,107 in fiscal 2012 to \$3,404,893 in fiscal 2013. This decrease is a product of many factors, revenues increased in fiscal year 2013, primarily due to an increase in local tax revenues. Expenses increased by \$2,179,685 or 7.73%, which offset the increase in revenues in the current year. Carryover balance from prior years was needed to meet the additional expenditures.

- The Capital Projects Fund balance decreased from a balance of \$3,011,745 at the beginning of the fiscal year 2013 to \$2,524,515 at the end of fiscal year 2013. The decrease was the result of the District purchasing technology for instructional purposes.

Proprietary Fund Highlights

The Proprietary Fund net position increased from \$815,842 at June 30, 2012 to \$829,978 at June 30, 2013, representing an increase of 1.73%. This increase was due primarily to the increase in Federal source revenues compared to the prior year.

BUDGETARY HIGHLIGHTS

Over the course of the year, Newton Community School District amended its annual budget two times to reflect projected expenditures in all four functional areas.

The District's revenues were \$62,647 less than budgeted revenues, a variance of less than 1%. The most significant variance resulted from the District receiving less in federal source revenues than originally anticipated.

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

In spite of the District's budgetary practice, the certified budget was exceeded in the support services functional area.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2013, the District had invested \$30.32 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net increase of 1.82% from last year. More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$1,588,133.

The original cost of the District's capital assets was \$62.37 million. Governmental funds account for \$61.59 million, with the remainder of \$0.78 million in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the machinery and equipment category. The District's machinery and equipment totaled \$1,602,016 at June 30, 2012, compared to \$2,025,455 reported at June 30, 2013. This increase resulted from the District purchasing two buses and technology equipment for instructional purposes.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental		Business-type		Total		Total
	Activities		Activities		District		
	June 30,		June 30,		June 30,		
	2013	2012	2013	2012	2013	2012	2012-13
Land	\$ 1,161,495	1,161,495	-	-	1,161,495	1,161,495	0.00%
Buildings	25,208,370	24,984,097	-	-	25,208,370	24,984,097	0.90%
Land improvements	1,921,046	2,027,698	-	-	1,921,046	2,027,698	-5.26%
Machinery and equipment	1,794,826	1,421,236	230,629	180,780	2,025,455	1,602,016	26.43%
Total	\$ 30,085,737	29,594,526	230,629	180,780	30,316,366	29,775,306	1.82%

Long-Term Debt

At June 30, 2013, the District had \$6,959,377 in general obligation and other long-term debt outstanding. This represents a decrease of 12.96% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 6 to the financial statements.

- The District had outstanding general obligation bonds of \$6,310,000 at June 30, 2013.
- The District had outstanding compensated absences of \$76,781 at June 30, 2013 payable from the General Fund.
- The District had total outstanding Net OPEB liability payable from the General and School Nutrition Funds of \$561,087 and \$11,509, respectively, at June 30, 2013.

Figure A-7
Outstanding Long-Term Obligations

	Governmental		Business Type		Total		Total
	Activities		Activities		District		
	June 30,		June 30,		June 30,		
	2013	2012	2013	2012	2013	2012	2012-13
General obligation bonds	\$ 6,310,000	7,430,000	-	-	6,310,000	7,430,000	-15.07%
Compensated absences	76,781	134,335	-	-	76,781	134,335	-42.84%
Net OPEB liability	561,087	423,255	11,509	8,374	572,596	431,629	32.66%
Total	\$ 6,947,868	7,987,590	11,509	8,374	6,959,377	7,995,964	-12.96%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- On July 1, 2013, the IPERS employer contribution increase to 8.93% will increase the Newton Community School District's employer benefit costs during fiscal 2014.
- The District has received tentative results from a demographic study conducted in the prior year that indicate that the trend of declining enrollment will reverse and begin to slowly increase. This will ease financial constraints put on the District the past few years.
- The District will be implementing cost cutting measures to match expenses with available revenue streams in the next 2 years. The District will work to reduce expenditures for fiscal year 2014 by cutting non-essential costs. The District is also proposing a \$1.6 million reduction in the fiscal year 2015 budget to ease strains on the District's General Fund balance.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Gayle Isaac, Director of Business Services, Newton Community School District, 700 N. 4th Ave E. Suite 300, Newton, Iowa, 50208.

BASIC FINANCIAL STATEMENTS

NEWTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2013

	Governmental Activities	Business Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 6,342,718	532,442	6,875,160
Receivables:			
Property tax:			
Delinquent	164,214	-	164,214
Succeeding year	10,458,127	-	10,458,127
Income surtax	436,110	-	436,110
Accounts	128,385	41,517	169,902
Due from other governments	1,477,336	-	1,477,336
Inventories	18,437	39,294	57,731
Capital assets, net of accumulated depreciation	30,085,737	230,629	30,316,366
TOTAL ASSETS	49,111,064	843,882	49,954,946
LIABILITIES			
Accounts payable	441,280	-	441,280
Salaries and benefits payable	32,180	2,395	34,575
Accrued interest payable	17,718	-	17,718
Deferred revenue:			
Succeeding year property tax	10,458,127	-	10,458,127
Other	83	-	83
Long-term liabilities:			
Portion due within one year:			
General obligation bonds	1,175,000	-	1,175,000
Compensated absences	76,781	-	76,781
Portion due after one year:			
General obligation bonds	5,135,000	-	5,135,000
Net OPEB liability	561,087	11,509	572,596
TOTAL LIABILITIES	17,897,256	13,904	17,911,160
NET POSITION			
Invested in capital assets, net of related debt	23,775,737	230,629	24,006,366
Restricted for:			
Categorical funding	677,062	-	677,062
School infrastructure	1,820,995	-	1,820,995
Physical plant and equipment	703,520	-	703,520
Debt service	208,336	-	208,336
Management levy purposes	1,129,265	-	1,129,265
Student activities	372,820	-	372,820
Unrestricted	2,526,073	599,349	3,125,422
TOTAL NET POSITION	\$ 31,213,808	829,978	32,043,786

SEE NOTES TO FINANCIAL STATEMENTS.

NEWTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2013

	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Govern- mental Activities	Business- Type Activities	Total
Functions/Programs:							
Governmental activities:							
Instruction:							
Regular	\$ 13,132,898	368,575	311,728	10,383	(12,442,212)	-	(12,442,212)
Special	5,188,259	109,320	357,200	-	(4,721,739)	-	(4,721,739)
Other	3,175,735	478,475	834,259	-	(1,863,001)	-	(1,863,001)
	<u>21,496,892</u>	<u>956,370</u>	<u>1,503,187</u>	<u>10,383</u>	<u>(19,026,952)</u>	<u>-</u>	<u>(19,026,952)</u>
Support services:							
Student	1,141,645	-	-	-	(1,141,645)	-	(1,141,645)
Instructional staff	1,506,095	6,600	-	-	(1,499,495)	-	(1,499,495)
Administration	3,182,051	-	-	-	(3,182,051)	-	(3,182,051)
Operation and maintenance of plant	2,991,816	-	-	208,773	(2,783,043)	-	(2,783,043)
Transportation	1,192,949	10,426	10,609	-	(1,171,914)	-	(1,171,914)
	<u>10,014,556</u>	<u>17,026</u>	<u>10,609</u>	<u>208,773</u>	<u>(9,778,148)</u>	<u>-</u>	<u>(9,778,148)</u>
Non-instructional programs:							
Food service operations	5,946	-	-	-	(5,946)	-	(5,946)
Long-term debt interest	247,120	-	-	-	(247,120)	-	(247,120)
Other expenditures:							
AEA flowthrough	1,114,015	-	1,114,015	-	-	-	-
Depreciation(unallocated)*	920,684	-	-	-	(920,684)	-	(920,684)
	<u>2,034,699</u>	<u>-</u>	<u>1,114,015</u>	<u>-</u>	<u>(920,684)</u>	<u>-</u>	<u>(920,684)</u>
Total governmental activities	<u>33,799,213</u>	<u>973,396</u>	<u>2,627,811</u>	<u>219,156</u>	<u>(29,978,850)</u>	<u>-</u>	<u>(29,978,850)</u>
Business type activities:							
Support services:							
Instructional staff	2,191	-	-	-	-	(2,191)	(2,191)
Administration	29,394	-	-	-	-	(29,394)	(29,394)
Operations and maintenance of plant	374	-	-	-	-	(374)	(374)
	<u>31,959</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(31,959)</u>	<u>(31,959)</u>
Non-instructional programs:							
Food service operations	1,404,586	569,579	868,640	-	-	33,633	33,633
Total business-type activities	<u>1,436,545</u>	<u>569,579</u>	<u>868,640</u>	<u>-</u>	<u>-</u>	<u>1,674</u>	<u>1,674</u>
Total	<u>\$ 35,235,758</u>	<u>1,542,975</u>	<u>3,496,451</u>	<u>219,156</u>	<u>(29,978,850)</u>	<u>1,674</u>	<u>(29,977,176)</u>
General Revenues:							
Property tax levied for:							
General purposes					\$ 10,296,934	-	10,296,934
Capital outlay					788,263	-	788,263
Income surtax					427,544	-	427,544
Statewide sales, services and use tax					2,563,842	-	2,563,842
Unrestricted state grants					16,297,685	-	16,297,685
Unrestricted investment earnings					751	227	978
Other					201,295	12,235	213,530
Total general revenues					<u>30,576,314</u>	<u>12,462</u>	<u>30,588,776</u>
Changes in net position					597,464	14,136	611,600
Net position beginning of year					<u>30,616,344</u>	<u>815,842</u>	<u>31,432,186</u>
Net position end of year					<u>\$ 31,213,808</u>	<u>829,978</u>	<u>32,043,786</u>

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

SEE NOTES TO FINANCIAL STATEMENTS.

NEWTON COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2013

	General	Capital Projects	Nonmajor	Total
ASSETS				
Cash and pooled investments	\$ 3,097,971	1,509,884	1,734,863	6,342,718
Receivables:				
Property tax:				
Delinquent	141,373	11,819	11,022	164,214
Succeeding year	8,950,123	808,004	700,000	10,458,127
Income surtax	436,110	-	-	436,110
Accounts	128,385	-	-	128,385
Due from other governments	474,524	1,002,812	-	1,477,336
Due from other funds	-	-	15,526	15,526
Inventories	18,437	-	-	18,437
TOTAL ASSETS	\$ 13,246,923	3,332,519	2,461,411	19,040,853
LIABILITIES AND FUND BALANCES				
Liabilities:				
Due to other funds	\$ 15,526	-	-	15,526
Accounts payable	438,780	-	2,500	441,280
Salaries and benefits payable	1,408	-	30,772	32,180
Deferred revenue:				
Succeeding year property tax	8,950,123	808,004	700,000	10,458,127
Income surtax	436,110	-	-	436,110
Other	83	-	-	83
Total liabilities	9,842,030	808,004	733,272	11,383,306
Fund balances:				
Nonspendable	18,437	-	-	18,437
Restricted for:				
Categorical funding	677,062	-	-	677,062
School infrastructure	-	1,820,995	-	1,820,995
Physical plant and equipment	-	703,520	-	703,520
Debt service	-	-	226,054	226,054
Management levy purposes	-	-	1,129,265	1,129,265
Student activities	-	-	372,820	372,820
Unassigned	2,709,394	-	-	2,709,394
Total fund balances	3,404,893	2,524,515	1,728,139	7,657,547
TOTAL LIABILITIES AND FUND BALANCES	\$ 13,246,923	3,332,519	2,461,411	19,040,853

SEE NOTES TO FINANCIAL STATEMENTS.

NEWTON COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET POSITION
 JUNE 30, 2013

Total fund balances of governmental funds(page 20)	\$	7,657,547
 <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 in the governmental funds.		30,085,737
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.		436,110
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.		(17,718)
Long-term liabilities, including general obligation bonds payable, compensated absences payable, and other postemployment benefits payable, are not due and payable in the current period, and therefore, are not reported in the governmental funds.		(6,947,868)
		(6,947,868)
Net position of governmental activities(page 18)	\$	31,213,808
		31,213,808

SEE NOTES TO FINANCIAL STATEMENTS.

NEWTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2013

	General	Capital Projects	Nonmajor	Total
REVENUES:				
Local sources:				
Local tax	\$ 9,999,052	3,352,105	744,703	14,095,860
Tuition	334,221	-	-	334,221
Other	403,792	22,724	496,551	923,067
Intermediate sources	6,600	-	-	6,600
State sources	17,717,307	444	467	17,718,218
Federal sources	1,129,215	208,773	-	1,337,988
Total revenues	<u>29,590,187</u>	<u>3,584,046</u>	<u>1,241,721</u>	<u>34,415,954</u>
EXPENDITURES:				
Current:				
Instruction:				
Regular	12,229,726	526,900	245,387	13,002,013
Special	5,127,631	-	-	5,127,631
Other	2,684,854	5,284	403,871	3,094,009
	<u>20,042,211</u>	<u>532,184</u>	<u>649,258</u>	<u>21,223,653</u>
Support services:				
Student	1,106,758	-	10,644	1,117,402
Instructional staff	1,277,446	502,996	7,637	1,788,079
Administration	3,100,914	36,902	30,594	3,168,410
Operation and maintenance of plant	2,734,767	41,983	233,621	3,010,371
Transportation	1,006,225	159,188	66,880	1,232,293
	<u>9,226,110</u>	<u>741,069</u>	<u>349,376</u>	<u>10,316,555</u>
Non-instructional programs:				
Food service operations	-	-	5,946	5,946
Capital outlay	-	1,303,792	-	1,303,792
Long-term debt:				
Principal	-	-	1,120,000	1,120,000
Interest and fiscal charges	-	-	250,120	250,120
	<u>-</u>	<u>-</u>	<u>1,370,120</u>	<u>1,370,120</u>
Other expenditures:				
AEA flowthrough	1,114,015	-	-	1,114,015
Total expenditures	<u>30,382,336</u>	<u>2,577,045</u>	<u>2,374,700</u>	<u>35,334,081</u>
Excess(Deficiency)of revenues over(under)expenditures	(792,149)	1,007,001	(1,132,979)	(918,127)
Other financing sources(uses):				
Insurance proceeds	935	-	-	935
Transfer in	-	-	1,494,231	1,494,231
Transfer out	-	(1,494,231)	-	(1,494,231)
Total other financing sources(uses)	<u>935</u>	<u>(1,494,231)</u>	<u>1,494,231</u>	<u>935</u>
Change in fund balances	(791,214)	(487,230)	361,252	(917,192)
Fund balances beginning of year	<u>4,196,107</u>	<u>3,011,745</u>	<u>1,366,887</u>	<u>8,574,739</u>
Fund balances end of year	<u>\$ 3,404,893</u>	<u>2,524,515</u>	<u>1,728,139</u>	<u>7,657,547</u>

SEE NOTES TO FINANCIAL STATEMENTS.

NEWTON COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 YEAR ENDED JUNE 30, 2013

Change in fund balances - total governmental funds(page 22) \$ (917,192)

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

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

Expenditures for capital assets	\$ 2,046,697	
Depreciation expense	<u>(1,555,486)</u>	491,211

Income surtax accounts receivable is not available to finance expenditures of the current year period in the governmental funds. (19,277)

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. 1,120,000

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the governmental funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. 3,000

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

Compensated absences	57,554	
Other postemployment benefits	<u>(137,832)</u>	<u>(80,278)</u>

Change in net position of governmental activities(page 19) \$ 597,464

SEE NOTES TO FINANCIAL STATEMENTS.

NEWTON COMMUNITY SCHOOL DISTRICT
 STATEMENT OF NET POSITION
 PROPRIETARY FUND
 JUNE 30, 2013

		School Nutrition
ASSETS		
Cash and cash equivalents	\$	532,442
Accounts receivable		41,517
Inventories		39,294
Capital assets, net of accumulated depreciation		230,629
TOTAL ASSETS		843,882
 LIABILITIES		
Salaries and benefits payable		2,395
Net OPEB liability		11,509
TOTAL LIABILITIES		13,904
 NET POSITION		
Invested in capital assets		230,629
Unrestricted		599,349
TOTAL NET POSITION	\$	829,978

SEE NOTES TO FINANCIAL STATEMENTS.

NEWTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2013

	School Nutrition
OPERATING REVENUE:	
Local sources:	
Charges for services	\$ 569,579
Miscellaneous	12,235
	581,814
OPERATING EXPENSES:	
Support services:	
Instructional staff:	
Services	316
Supplies	1,875
Administration:	
Salaries	15,947
Benefits	2,212
Services	11,235
Operations and maintenance:	
Services	374
	31,959
Non-instructional programs:	
Food service operations:	
Salaries	514,152
Benefits	142,657
Supplies	715,130
Depreciation	32,647
	1,404,586
TOTAL OPERATING EXPENSES	1,436,545
OPERATING LOSS	(854,731)
NON-OPERATING REVENUES:	
State sources	12,595
Federal sources	856,045
Interest income	227
TOTAL NON-OPERATING REVENUES	868,867
Change in net position	14,136
Net position beginning of year	815,842
Net position end of year	\$ 829,978

SEE NOTES TO FINANCIAL STATEMENTS.

NEWTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2013

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 545,040
Cash received from miscellaneous operating activities	12,235
Cash payments to employees for services	(669,438)
Cash payments to suppliers for goods or services	(627,327)
Net cash used in operating activities	(739,490)
Cash flows from non-capital financing activities:	
State grants received	12,595
Federal grants received	759,718
Net cash provided by non-capital financing activities	772,313
Cash flows from capital financing activities:	
Acquisition of capital assets	(82,496)
Cash flows from investing activities:	
Interest on investments	227
Net decrease in cash and cash equivalents	(49,446)
Cash and cash equivalents at beginning of year	581,888
Cash and cash equivalents at end of year	\$ 532,442
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (854,731)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	96,327
Depreciation	32,647
Decrease in inventories	5,276
Increase in accounts receivable	(24,539)
Increase in salaries and benefits payable	2,395
Increase in other postemployment benefits	3,135
Net cash used in operating activities	\$ (739,490)

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2013, the District received Federal commodities valued at \$96,327.

SEE NOTES TO FINANCIAL STATEMENTS.

NEWTON COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

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

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

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

A. Reporting Entity

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

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

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net 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 three categories:

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

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

Unrestricted net position consist of net position not meeting the definition of the two preceding categories. Unrestricted net position often has constraints on resources that are imposed by management, but can be removed or modified.

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

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

The District reports the following major governmental funds:

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

The Capital Projects Fund is utilized to account for all resources used in the acquisition and construction of capital facilities, with the exception of those that are financed through enterprise funds.

The District reports the following nonmajor proprietary fund:

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net 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 - restricted 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 ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

D. Assets, Liabilities and Fund Balances

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

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

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 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, machinery, equipment and intangibles, 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.

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

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

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

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

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

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

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

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

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

Unassigned - All amounts not included in preceding classifications.

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

E. Budgets and Budgetary Accounting

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

(2) **Cash and Pooled Investments**

The District’s deposits 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.

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 Direct Government Obligations Portfolio which are valued at an amortized cost of \$6,475,214 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investments in the Iowa Schools Joint Investment Trust were rated AAA by Standard and Poor’s Financial Services.

(3) **Interfund Transfers**

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

Transfer to	Transfer from	Amount
Debt Service	Capital Projects: Statewide Sales, Services and Use Tax	\$ 1,494,231

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

(4) 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>
Management Levy	General	<u>\$ 15,526</u>

The General Fund is repaying the Management Levy Fund for early retirement benefits incorrectly paid from the Management Levy Fund. The balances between governmental funds have been eliminated from the Government-wide Statement of Net Position.

(5) Capital Assets

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

	<u>Balance Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance End of Year</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 1,161,495	-	-	1,161,495
Total capital assets not being depreciated	<u>1,161,495</u>	<u>-</u>	<u>-</u>	<u>1,161,495</u>
Capital assets being depreciated:				
Buildings	40,147,983	975,511	-	41,123,494
Land improvements	4,675,203	62,794	-	4,737,997
Machinery and equipment	14,019,530	1,008,392	458,033	14,569,889
Total capital assets being depreciated	<u>58,842,716</u>	<u>2,046,697</u>	<u>458,033</u>	<u>60,431,380</u>
Less accumulated depreciation for:				
Buildings	15,163,886	751,238	-	15,915,124
Land improvements	2,647,505	169,446	-	2,816,951
Machinery and equipment	12,598,294	634,802	458,033	12,775,063
Total accumulated depreciation	<u>30,409,685</u>	<u>1,555,486</u>	<u>458,033</u>	<u>31,507,138</u>
Total capital assets being depreciated, net	<u>28,433,031</u>	<u>491,211</u>	<u>-</u>	<u>28,924,242</u>
Governmental activities capital assets, net	<u>\$ 29,594,526</u>	<u>491,211</u>	<u>-</u>	<u>30,085,737</u>
	<u>Balance Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance End of Year</u>
Business-type activities:				
Machinery and equipment	\$ 696,468	82,496	4,854	774,110
Less accumulated depreciation	515,688	32,647	4,854	543,481
Business-type activities capital assets, net	<u>\$ 180,780</u>	<u>49,849</u>	<u>-</u>	<u>230,629</u>

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 84,112
Other	46,646
Support services:	
Instructional staff	324,973
Administration	12,106
Operation and maintenance of plant	14,694
Transportation	152,271
	<u>634,802</u>
Unallocated depreciation	<u>920,684</u>
Total governmental activities depreciation expense	<u>\$ 1,555,486</u>
Business-type activities:	
Food services	<u>\$ 32,647</u>

(6) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2013 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 7,430,000	-	1,120,000	6,310,000	1,175,000
Compensated absences	134,335	76,781	134,335	76,781	76,781
Termination benefits	-	236,881	236,881	-	-
Net OPEB liability	423,255	137,832	-	561,087	-
	<hr/>				
Total	\$ 7,987,590	451,494	1,491,216	6,947,868	1,251,781
	<hr/>				
	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Business type activities:					
Net OPEB liability	\$ 8,374	3,135	-	11,509	-

General Obligation Bonds

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

Year Ending June 30,	Bond Issue of March 5, 2007			Bond Issue of March 4, 2008			Total		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest	Principal	Interest	Total
2014	3.80 %	\$ 515,000	106,343	2.80 %	\$ 660,000	106,280	\$ 1,175,000	212,623	1,387,623
2015	3.80	530,000	86,773	2.90	685,000	87,800	1,215,000	174,573	1,389,573
2016	3.80	550,000	66,633	3.00	710,000	67,935	1,260,000	134,568	1,394,568
2017	3.85	575,000	45,733	3.10	725,000	46,635	1,300,000	92,368	1,392,368
2018	3.90	605,000	23,595	3.20	755,000	24,160	1,360,000	47,755	1,407,755
Total		<u>\$ 2,775,000</u>	<u>329,077</u>		<u>\$ 3,335,000</u>	<u>332,810</u>	<u>\$ 6,310,000</u>	<u>661,887</u>	<u>6,971,887</u>

Termination Benefits

The District offered a voluntary early retirement plan in 2013 to its full-time employees. Eligible employees were required to complete an application which was approved by the Board, must have been fifty-five years of age or older and employees must have completed ten consecutive years of service at Newton Community School District. The early retirement incentive for eligible employees includes 25% of salary based on the base schedule for teachers and nurses and 25% of salary at the time of retirement for classified personnel and administrators. The plan also provided eligibility to continue participation in the District’s group health insurance plan at the early retirees expense, in accordance with the Iowa Code 509.A.13. During the year ended June 30, 2013, the District paid \$236,881 in early retirement benefits.

(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 contribution to IPERS for the years ended June 30, 2013, 2012 and 2011 were \$1,689,543, \$1,494,469 and \$1,280,730, respectively, equal to the required contributions for each year.

(8) Other Postemployment Benefits (OPEB)

Plan Description - The District operates a single-employer health benefit plan which provides medical, prescription drug and dental benefits for employees, retirees and their spouses. There are 294 active and 25 retired members in the plan. Participants must be age 55 or older at retirement.

The medical, prescription drug, and dental coverage is provided through a fully insured plan with ISEBA. Retirees under age 65 pay the same premium for the medical, prescription drug, and dental benefit as active employees, which results in an implicit subsidy and an OPEB liability.

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

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

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

Annual required contribution	\$	205,650
Interest on net OPEB obligation		10,791
Adjustment to annual required contribution		(31,396)
Annual OPEB cost		<u>185,045</u>
Contributions made		(44,078)
Increase in net OPEB obligation		<u>140,967</u>
Net OPEB obligation beginning of year		<u>431,629</u>
Net OPEB obligation end of year	\$	<u><u>572,596</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. 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.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2013 are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2011	\$ 163,130	28.74%	\$ 324,750
2012	163,130	37.63%	431,629
2013	185,045	23.82%	572,596

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 approximately \$1.406 million, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of approximately \$1.406 million. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$16.223 million and the ratio of the UAAL to covered payroll was 8.7%. 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 health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information in the section following the Notes to the Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

As of July 1, 2012 actuarial valuation date, the closed group method with a level dollar approach was used. The actuarial assumptions includes a 2.5% discount rate based on the District's funding policy. The ultimate medical trend rate is 6%.

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

Projected claim costs of the medical plan are \$1,200 per month for retirees less than age 65. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(9) Risk Management

The District is a member in the Iowa School Employees Benefits Association (ISEBA), and Iowa Code Chapter 28E organization. ISEBA is a local government risk-sharing pool whose members include various schools throughout the State of Iowa. The Association was formed July 1999 for the purpose of managing and funding employee benefits. The Association provides coverage and

protection in the following categories: medical, dental, disability and life insurance. District contributions to ISEBA for the year ended June 30, 2013 were \$2,666,901.

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

(10) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$1,114,015 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) Budget Overexpenditure

Per the Code of Iowa, expenditures may not legally exceed budgeted appropriations at the functional area level. During the year ended June 30, 2013, expenditures in the support services functional areas exceeded the certified budget.

(12) Categorical Funding

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

Program	Amount
Home school assistance program	\$ 53,539
Gifted and talented	57,378
Dropout and dropout prevention	148,422
At-Risk Supplemental Weighting	115,605
Teacher Salary Supplement	121,137
Educator quality, Professional development	794
Nonpublic textbook services	6
Four-year-old preschool state aid	103,927
Professional development for model core curriculum	54,549
Market factor incentives	21,705
Total	\$ 677,062

(13) Reconciliation of Governmental Fund Balances to Net Position

Reconciliation of certain governmental fund balances to net position is as follows:

	Invested in Capital Assets	Debt Service	Unassigned/ Unrestricted
Fund balance (Exhibit C)	\$ -	226,054	2,709,394
Invested in capital assets, net of accumulated depreciation	30,085,737	-	-
General obligation bond capitalized indebtedness	(6,310,000)	-	-
Income Surtax	-	-	436,110
Compensated absences	-	-	(76,781)
Accrued interest payable	-	(17,718)	-
Net OPEB liability	-	-	(561,087)
Nonspendable	-	-	18,437
Net position (Exhibit A)	\$ 23,775,737	208,336	2,526,073

REQUIRED SUPPLEMENTARY INFORMATION

NEWTON COMMUNITY SCHOOL DISTRICT
BUDGETARY COMPARISON OF REVENUES, EXPENDITURES/EXPENSES
AND CHANGES IN BALANCES -
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
AND PROPRIETARY FUND
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2013

	Governmental Funds Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance
				Original	Final	
Revenues:						
Local sources	\$ 15,353,148	582,041	15,935,189	15,144,079	15,144,079	791,110
Intermediate sources	6,600	-	6,600	5,000	5,000	1,600
State sources	17,718,218	12,595	17,730,813	17,993,116	17,993,116	(262,303)
Federal sources	1,337,988	856,045	2,194,033	2,787,087	2,787,087	(593,054)
Total revenues	<u>34,415,954</u>	<u>1,450,681</u>	<u>35,866,635</u>	<u>35,929,282</u>	<u>35,929,282</u>	<u>(62,647)</u>
Expenditures/Expenses:						
Instruction	21,223,653	-	21,223,653	21,065,000	21,517,614	293,961
Support services	10,316,555	31,959	10,348,514	9,089,100	10,298,218	(50,296)
Non-instructional programs	5,946	1,404,586	1,410,532	1,443,000	1,414,027	3,495
Other expenditures	3,787,927	-	3,787,927	3,442,152	3,800,922	12,995
Total expenditures/expenses	<u>35,334,081</u>	<u>1,436,545</u>	<u>36,770,626</u>	<u>35,039,252</u>	<u>37,030,781</u>	<u>260,155</u>
Excess(Deficiency)of revenues over(under)expenditures/expenses	(918,127)	14,136	(903,991)	890,030	(1,101,499)	197,508
Other financing sources, net	935	-	935	-	-	935
Excess(Deficiency)of revenues and other financing sources over(under) expenditures/expenses	(917,192)	14,136	(903,056)	890,030	(1,101,499)	198,443
Balance beginning of year	<u>8,574,739</u>	<u>815,842</u>	<u>9,390,581</u>	<u>7,992,212</u>	<u>7,992,212</u>	<u>1,398,369</u>
Balance end of year	<u>\$ 7,657,547</u>	<u>829,978</u>	<u>8,487,525</u>	<u>8,882,242</u>	<u>6,890,713</u>	<u>1,596,812</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NEWTON COMMUNITY SCHOOL DISTRICT
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 the GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted two budget amendments, increasing budgeted expenditures by \$1,991,529.

During the year ended June 30, 2013, the expenditures in the support services functional area exceeded the certified budget.

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

REQUIRED SUPPLEMENTARY INFORMATION

For Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2009	July 1, 2008	\$ -	\$ 2,124,000	\$ 2,124,000	0.00%	\$ 18,965,687	11.2%
2010	July 1, 2008	-	2,124,000	2,124,000	0.00%	18,971,192	11.2%
2011	July 1, 2010	-	1,310,420	1,310,420	0.00%	18,758,761	7.0%
2012	July 1, 2010	-	1,310,420	1,310,420	0.00%	18,518,822	7.1%
2013	July 1, 2012	-	1,405,815	1,405,815	0.00%	16,223,207	8.7%

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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SUPPLEMENTARY INFORMATION

NEWTON COMMUNITY SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2013

	Special Revenue				
	Management Levy	Student Activity	Total Special Revenue	Debt Service	Total
ASSETS					
Cash and pooled investments	\$ 1,135,989	372,820	1,508,809	226,054	1,734,863
Receivables:					
Property tax					
Delinquent	11,022	-	11,022	-	11,022
Succeeding year	700,000	-	700,000	-	700,000
Due from other funds	15,526	-	15,526	-	15,526
TOTAL ASSETS	\$ 1,862,537	372,820	2,235,357	226,054	2,461,411
LIABILITIES AND FUND EQUITY					
Liabilities:					
Accounts payable	\$ 2,500	-	2,500	-	2,500
Salaries and benefits payable	30,772	-	30,772	-	30,772
Deferred revenue:					
Succeeding year property tax	700,000	-	700,000	-	700,000
Total liabilities	<u>733,272</u>	<u>-</u>	<u>733,272</u>	<u>-</u>	<u>733,272</u>
Fund Balances					
Restricted for:					
Debt Service	-	-	-	226,054	226,054
Management levy purposes	1,129,265	-	1,129,265	-	1,129,265
Student activities	-	372,820	372,820	-	372,820
Total fund balances	<u>1,129,265</u>	<u>372,820</u>	<u>1,502,085</u>	<u>226,054</u>	<u>1,728,139</u>
TOTAL LIABILITIES AND FUND EQUITY	\$ 1,862,537	372,820	2,235,357	226,054	2,461,411

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NEWTON COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2013

	Special Revenue					Total
	Mangagement Levy	Student Activity	Support Trust	Total Special Revenue	Debt Service	
Revenues:						
Local sources:						
Local tax	\$ 744,703	-	-	744,703	-	744,703
Other	17,889	478,653	-	496,542	9	496,551
State sources	467	-	-	467	-	467
Total revenues	763,059	478,653	-	1,241,712	9	1,241,721
Expenditures:						
Current:						
Instruction:						
Regular	245,387	-	-	245,387	-	245,387
Other	-	403,871	-	403,871	-	403,871
Support services:						
Student	10,644	-	-	10,644	-	10,644
Instructional staff	5,129	2,508	-	7,637	-	7,637
Administration	29,429	1,165	-	30,594	-	30,594
Operation and maintenance of plant	221,621	-	12,000	233,621	-	233,621
Transportation	66,880	-	-	66,880	-	66,880
Non-instructional programs:						
Food service operations	5,946	-	-	5,946	-	5,946
Long-term debt:						
Principal	-	-	-	-	1,120,000	1,120,000
Interest and fiscal charges	-	-	-	-	250,120	250,120
Total expenditures	585,036	407,544	12,000	1,004,580	1,370,120	2,374,700
Excess(Deficiency) of revenues over(under) expenditures	178,023	71,109	(12,000)	237,132	(1,370,111)	(1,132,979)
Other financing sources:						
Transfer in	-	-	-	-	1,494,231	1,494,231
Change in fund balances	178,023	71,109	(12,000)	237,132	124,120	361,252
Fund balances beginning of year	951,242	301,711	12,000	1,264,953	101,934	1,366,887
Fund balances end of year	\$ 1,129,265	372,820	-	1,502,085	226,054	1,728,139

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NEWTON COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 CAPITAL PROJECT ACCOUNTS
 JUNE 30, 2013

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Assets			
Cash and pooled investments	\$ 818,183	691,701	1,509,884
Receivables:			
Delinquent	-	11,819	11,819
Succeeding year	-	808,004	808,004
Due from other governments	1,002,812	-	1,002,812
Total assets	\$ 1,820,995	1,511,524	3,332,519
Liabilities and fund balances			
Liabilities:			
Deferred revenue			
Succeeding year property tax	\$ -	808,004	808,004
Fund balances:			
Restricted for:			
School infrastructure	1,820,995	-	1,820,995
Physical plant and equipment	-	703,520	703,520
Total fund balances	1,820,995	703,520	2,524,515
Total liabilities and fund balances	\$ 1,820,995	1,511,524	3,332,519

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NEWTON COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 CAPITAL PROJECT ACCOUNTS
 YEAR ENDED JUNE 30, 2013

	Capital Projects		Total
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	
Revenues:			
Local sources:			
Local tax	\$ 2,563,842	788,263	3,352,105
Other	10,474	12,250	22,724
State sources	-	444	444
Federal sources	208,773	-	208,773
Total revenues	<u>2,783,089</u>	<u>800,957</u>	<u>3,584,046</u>
Expenditures:			
Current:			
Instruction:			
Regular	526,900	-	526,900
Other	5,284	-	5,284
Support services:			
Instructional staff	309,824	193,172	502,996
Adminstration	-	36,902	36,902
Operation and maintenance of plant	-	41,983	41,983
Transportation	-	159,188	159,188
Capital outlay	863,014	440,778	1,303,792
Total expenditures	<u>1,705,022</u>	<u>872,023</u>	<u>2,577,045</u>
Excess(Deficiency) of revenues over(under) expenditures	1,078,067	(71,066)	1,007,001
Other financing uses:			
Transfer out	(1,494,231)	-	(1,494,231)
Change in fund balances	(416,164)	(71,066)	(487,230)
Fund balances beginning of year	<u>2,237,159</u>	<u>774,586</u>	<u>3,011,745</u>
Fund balances end of year	<u>\$ 1,820,995</u>	<u>703,520</u>	<u>2,524,515</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NEWTON COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND,
 STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2013

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance Change	Balance End of Year
Aurora Heights Elementary	\$ 3,297	1,979	1,693	-	3,583
Berg Elementary	1,883	2,430	2,046	(348)	1,919
Emerson Hough Elementary	615	-	18	-	597
Woodrow Wilson Elementary	13,416	2,802	3,406	(11,802)	1,010
Thomas Jefferson Elementary	7,617	12,398	1,088		18,927
Berg Middle School:					
Band	562	1,084	1,346	-	300
Orchestra	714	-	-	-	714
Athletics	5,097	680	3,286	-	2,491
Yearbook	929	5,094	60	-	5,963
Other Clubs	27,133	7,654	5,416	-	29,371
Basic and Beyond	312	-	-	-	312
Newton High School:					
Band	4,892	3,355	5,100	-	3,147
Athletics	148,327	305,742	264,339	14,125	203,855
FFA	43,931	34,252	39,981	-	38,202
Newtonia Yearbook	-	29,946	24,444	(2,031)	3,471
Other Clubs	42,986	71,237	55,321	56	58,958
Total	\$ 301,711	478,653	407,544	-	372,820

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

NEWTON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
ALL GOVERNMENTAL FUNDS
FOR THE LAST TEN YEARS

	Modified Accrual Basis									
	Years Ended June 30,									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Revenues:										
Local sources:										
Local tax	\$ 14,095,860	13,647,788	13,359,537	12,252,922	11,719,479	11,851,436	12,410,072	11,752,090	11,721,050	11,362,868
Tuition	334,221	294,731	300,666	328,426	308,713	358,973	407,365	389,737	453,358	412,233
Other	923,067	807,338	955,050	863,053	1,033,755	1,385,806	1,446,704	1,215,597	1,083,872	1,117,614
Intermediate sources	6,600	386	9,614	24,903	2,780	3,026	37,042	-	-	-
State sources	17,718,218	18,068,512	17,552,804	15,616,711	18,319,956	17,244,967	16,453,692	15,439,232	14,795,545	14,091,309
Federal sources	1,337,988	1,324,763	1,526,272	2,740,885	1,058,659	645,206	687,711	607,179	640,338	638,873
Total	\$ 34,415,954	34,143,718	33,703,943	31,826,900	32,443,342	31,489,414	31,442,586	29,403,835	28,694,163	27,622,897
Expenditures:										
Instruction:										
Regular	\$ 13,002,013	12,567,086	12,484,315	12,892,745	13,642,927	12,346,172	11,900,595	11,302,885	11,020,249	10,613,601
Special	5,127,631	4,729,865	4,556,376	4,330,367	4,159,947	4,156,274	4,180,153	4,018,027	3,758,206	3,992,418
Other	3,094,009	2,455,941	2,604,633	2,841,332	1,820,753	2,518,259	2,423,583	2,301,863	2,279,455	1,957,337
Support services:										
Student	1,117,402	973,929	876,392	1,001,661	958,135	873,075	1,054,028	1,158,342	1,324,277	1,539,283
Instructional staff	1,788,079	1,048,286	1,168,633	983,643	1,004,424	1,030,576	1,021,096	824,532	537,635	397,022
Administration	3,168,410	2,842,988	2,723,391	2,932,858	2,844,321	2,791,821	2,803,015	2,492,461	2,094,346	2,217,113
Operation and maintenance of plant	3,010,371	2,680,331	2,436,582	2,485,694	2,737,257	2,491,188	2,441,837	2,660,013	2,311,969	2,228,373
Transportation	1,232,293	1,192,399	1,116,360	1,070,877	923,833	1,084,928	1,008,545	1,027,112	955,630	903,706
Non-instructional programs	5,946	6,300	6,406	6,279	5,739	6,294	8,912	7,357	18,262	19,239
Capital outlay	1,303,792	334,182	148,879	158,007	1,914,869	1,542,778	1,052,457	2,535,681	3,777,744	967,623
Long-term debt:										
Principal	1,120,000	4,015,000	1,940,000	1,870,000	1,745,000	1,655,000	1,620,000	1,565,000	1,540,000	740,150
Interest and other charges	250,120	373,146	429,730	486,568	582,902	742,917	790,155	847,201	881,928	679,812
Other expenditures:										
AEA flow-through	1,114,015	1,116,069	1,245,501	1,235,280	1,149,159	1,087,516	1,044,205	973,735	938,061	946,198
Total	\$ 35,334,081	34,335,522	31,737,198	32,295,311	33,489,266	32,326,798	31,348,581	31,714,209	31,437,762	27,201,875

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

NEWTON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2013

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	PROGRAM EXPENDITURES
INDIRECT:			
DEPARTMENT OF AGRICULTURE:			
IOWA DEPARTMENT OF EDUCATION:			
SCHOOL NUTRITION CLUSTER PROGRAMS:			
SCHOOL BREAKFAST PROGRAM	10.553	FY 13	140,095
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY 13	710,585 *
SPECIAL MILK PROGRAM FOR CHILDREN	10.556	FY 13	2,898
SUMMER FOOD SERVICE PROGRAM FOR CHILDREN	10.559	FY 13	2,467
			856,045
DEPARTMENT OF JUSTICE:			
IOWA DEPARTMENT OF JUSTICE:			
PUBLIC SAFETY PARTNERSHIP AND COMMUNITY			
POLICING GRANTS	16.710	FY 13	208,773
DEPARTMENT OF EDUCATION:			
IOWA DEPARTMENT OF EDUCATION:			
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	FY 13	532,248
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES(CARRY OVER)	84.010	FY 13	1,947
			534,195
VOCATIONAL EDUCATION - BASIC GRANTS TO STATES	84.048	FY 13	26,584
PARENTAL ASSISTANCE CENTERS GRANT	84.310	FY 12	6,170
IMPROVING TEACHER QUALITY STATE GRANTS(TITLE IIA)	84.367	FY 13	97,348
GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES(TITLE VI A)	84.369	FY 13	19,084
HEARTLAND AEA:			
SPECIAL EDUCATION CLUSTER:			
SPECIAL EDUCATION - GRANTS TO STATES (HIGH COST CLAIM)	84.027	FY 13	87,834
SPECIAL EDUCATION - GRANTS TO STATES (PART B)	84.027	FY 13	168,902
			256,736
NATIONAL ENDOWMENT FOR THE ARTS:			
IOWA ARTS COUNCIL:			
PROMOTION OF THE ARTS - PARTNERSHIP AGREEMENTS (BIG YELLOW SCHOOL BUS)	45.025	FY13	800
TOTAL			\$ 2,005,735

* Includes \$96,327 of non-cash awards.

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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NOLTE, CORNMAN & JOHNSON P.C.
Certified Public Accountants
(a professional corporation)
117 West 3rd Street North, Newton, Iowa 50208-3040
Telephone (641) 792-1910

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

To the Board of Education of the Newton Community School District:

We have audited in accordance with U.S. generally accepted auditing standard 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 Newton Community School District as of and for the year ended June 30, 2013, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 15, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Newton 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 Newton Community School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Newton 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 and Questioned Costs, we identified a deficiency in internal control over financial reporting we consider to be a material weakness.

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

Compliance and Other Matters

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

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

Newton Community School District's Responses to Findings

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

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 Newton Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



NOLTE, CORNMAN & JOHNSON, P.C.

March 15, 2014
Newton, Iowa

NOLTE, CORNMAN & JOHNSON P.C.
Certified Public Accountants
(a professional corporation)
117 West 3rd Street North, Newton, Iowa 50208-3040
Telephone (641) 792-1910

**Independent Auditor's Report on Compliance for Each
Major Federal Program, on Internal Control over Compliance
and on the Schedule of Expenditures of Federal Awards
Required by OMB Circular A-133**

To the Board of Education of Newton Community School District:

Report on Compliance for Each Major Federal Program

We have audited Newton Community School District compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of Newton Community School District's major federal programs for the year ended June 30, 2013. Newton Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Newton Community School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Newton Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Newton Community School District's compliance with those requirements.

Opinion on Each Major Federal Program

In our opinion, Newton Community School District complied, in all material respects, with the requirements referred to above that could have a direct and material effect to each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

The management of Newton Community School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements

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referred to above. In planning and performing our audit of compliance, we considered Newton Community School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Newton Community School District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified.

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

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-A-13 to be a significant deficiency.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.


NOLTE, CORNMAN & JOHNSON, P.C.

March 15, 2014
Newton, Iowa

NEWTON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2013

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

- (a) Unmodified opinions were issued on the financial statements.
- (b) A material weakness in internal control over financial reporting was disclosed by the audit of the financial statements.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) A significant deficiency in internal control over the major programs was noted.
- (e) An unmodified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit did not disclose any audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:

Individual Programs:

- CFDA Number 84.010 - Title I Grants to Local Educational Agencies

Clustered Programs:

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

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

NEWTON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2013

Part II: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

II-A-13 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. One individual has control over each of the following areas for the District:

1) Receipts - mail is opened and distributed by accounting personnel, one person responsible for maintaining accounts receivable, receipting, posting and reconciliations.

2) Journal entries - writing, posting and approval

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

Response - We are redesigning the work flow as it pertains to opening and distributing mail. A non-business office staff member will be opening the mail and that person will maintain a list of all checks received in the mail, endorse the checks with a stamp and pass the checks to A/R. All proposed journal entries will require the SBO's approval evidenced by signature before posting.

Conclusion - Response accepted.

OTHER MATTERS:

II-B-13 Negative Lunch Account Balances - It was noted during the audit that the Nutrition Fund is carrying several significant negative student lunch account balances on the books.

Recommendation - The District should review their procedures and policies in regard to negative student lunch account balances. The District should try various collection techniques to collect the balances from the families. Another option would be to give these families a free/reduced lunch application to see if they qualify.

Response - The District currently sends out free/reduced lunch applications to the families with negative account balances. We are vigorously attempting to collect on these past due accounts.

Conclusion - Response accepted.

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

CFDA Number 10.553: School Breakfast Program and
CFDA Number 10.555: National School Lunch Program
CFDA Number 10.556 - Special Milk Program for Children
CFDA Number 10.559: Summer Food Service Program
Federal Award Year: 2013
U.S. Department of Agriculture
Passed through the Iowa Department of Education

CFDA Number 84.010 - Title I Grants to Local Educational Agencies
Federal Award Year: 2013
U.S. Department of Education
Passed through the Iowa Department of Education

III-A-13 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. One individual has control over each of the following areas for the District:

- 1) Receipts - mail is opened and distributed by accounting personnel, one person responsible for maintaining accounts receivable, posting and reconciliations.
- 2) Journal entries - writing, posting and approval

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

Response - We are redesigning the work flow as it pertains to opening and distributing mail. A non-business office staff member will be opening the mail and that person will maintain a list of all checks received in the mail, endorse the checks with a stamp and pass the checks to A/R. All proposed journal entries will require the SBO's approval evidenced by signature before posting.

Conclusion - Response accepted.

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-13 Certified Budget - District expenditures for the year ended June 30, 2013 exceeded the certified amounts in the support services functional area.

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

Response - We will strive to more accurately budget our expenditures and will amend the budget when needed.

Conclusion - Response accepted.

IV-B-13 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.

IV-C-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. However, we noted that an employee on District business, paid for a hotel room on the District credit card and did not provide the District with a detailed receipt. District policy 803.12 states "Board members, administrators and other employees using a District credit card must submit detailed documentation in addition to a credit card receipt indicating the date, purpose and nature of the expense for each claim item. Failure to provide proper receipts shall make the expense a personal expense."

Recommendation - The District should review its procedures regarding District credit card use to ensure that the District is following its policies set forth by the Board of Education.

Response - We will be more diligent on the requirement of itemized receipts as well as the documentation for the purpose and nature of the expense.

Conclusion - Response accepted.

IV-D-13 Business Transactions - No business transactions between the District and District officials were noted.

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

IV-F-13 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

IV-G-13 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.

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

IV-I-13 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

IV-J-13 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely, and we noted no significant deficiencies in the amounts reported.

IV-K-13 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.

IV-L-13 Statewide Sales and Services Tax - No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2013, reported the following regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$ 2,237,159
Revenues:		
Sales tax revenues	\$ 2,563,842	
Other local revenues	10,474	
Federal revenues	208,773	2,783,089
		<u>5,020,248</u>
Expenditures/transfers out:		
School infrastructure	863,014	
Equipment	836,724	
Other	5,284	
Transfers to other funds:		
Debt service fund	1,494,231	3,199,253
		<u>3,199,253</u>
Ending balance		<u>\$ 1,820,995</u>

For the year ended June 30, 2013, the District reduced the following levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa:

	Rate of Levy Reduction Per \$1,000 of Taxable Valuation	Property Tax Dollars Reduced
Debt service levy	<u>\$ 1.73000</u>	<u>\$ 1,369,420</u>

IV-M-13 District and Regional Rents - We noted during our audit that the District receives money for the use of facilities when hosting district and regional events. The District currently receipts district and regional rents into the Student Activity Fund.

Recommendation - Chapter 297.9 of the Code of Iowa requires rent to be receipted into the General Fund. The District should receipt rent collected for facility usage into the General Fund.

Response - The District was in error on our understanding of where the regional fees were to be receipted. We will deposit the receipts in the proper fund in the future.

Conclusion - Response accepted.

IV-N-13 Interfund Loans - The District has an interfund loan on the books that was not paid back before the October 1, 2013 deadline. As of June 30, 2013, the General Fund owes the Management Levy Fund \$15,526.

According to a declaratory order issued by the Iowa Department of Education to the Auditor of State dated April 11, 2008, interfund loans on the District's year-end financial statements must be repaid to their respective funds on or before October 1st of the following fiscal year or the date of the District's Board of Directors organizational meeting, whichever is later. If the District is unable to repay the interfund loans by that time, the District must seek external borrowing options to repay the interfund loans according to Iowa Code Chapter 74.

Recommendation - The District should seek and obtain external borrowings to comply with the declaratory ruling in order to repay the interund loan.

Response - This was an early retirement stipend that was paid from the wrong fund and not corrected in a timely manner. Once this was brought to our attention it was immediately corrected.

Conclusion - Response accepted.

IV-O-13 Music Boosters - We noted that the Newton Music Boosters Club sells activity passes for concerts performed by Newton Community School District's fine arts program and these passes were accepted as admission at the events. However, the revenue from the passes sold was not received by the District, instead it was received by the Newton Music Booster Club which is an outside organization; it is separate from the school with its own records and tax status. The District did not subsequently bill the Newton Music Booster Club for the value of activity passes sold. The District should refrain from giving away revenue to outside organizations.

Recommendation - The District should look into ways of ensuring that the District is the sole beneficiary of revenue received for events held by the District. The District should either sell the music passes through the Student Activity Fund, not honor the passes as admission at District events, or bill the Music Boosters for the amount of activity passes used at each event. It should also review its gate procedures on what is an acceptable activity pass, and enforce those rules to ensure the District receives the money it has earned from hosting the event.

Response - The District will determine what steps to take by calling a meeting with the Music Boosters Club with the Activity Director and the SBO as District representatives.

Conclusion - Response accepted.