

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

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

YEAR ENDED JUNE 30, 2014

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

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Newell-Fonda Community School District
Newell, Iowa

Officials

| <u>Name</u> | <u>Title</u> | <u>Term Expires</u> |
|-------------|--------------|---------------------|
|-------------|--------------|---------------------|

Board of Education

(Before September 2013 Election)

| | | |
|------------------|----------------|------------------|
| Roger Sarchet | President | 2015 |
| Greg Baskerville | Vice President | 2013 |
| Kyle Scheidegger | Board Member | 2015 |
| John Sievers | Board Member | (Appointed) 2013 |
| Geoff Smith | Board Member | 2015 |

(After September 2013 Election)

| | | |
|------------------|----------------|------|
| Roger Sarchet | President | 2015 |
| Kyle Scheidegger | Vice President | 2015 |
| Chris Mercer | Board Member | 2017 |
| John Sievers | Board Member | 2017 |
| Geoff Smith | Board Member | 2015 |

School Officials

| | | |
|----------------|--|------------|
| Jeff Dicks | Superintendent | 2014 |
| Marcia Johnson | District Secretary/Treasurer and Business Manager | Indefinite |
| Steve Avery | Attorney | Indefinite |

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Certified Public Accountants

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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Newell-Fonda Community School District, Newell, Iowa, as of and for the year ended June 30, 2014, and the related Notes to 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 from 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 management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information.

Basis for Disclaimer of Opinion on Discretely Presented Component Unit

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

Disclaimer of Opinion on Discretely Presented Component Unit

Because the Music Boosters' financial statements have not been audited, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements of the discretely presented component unit. Accordingly, we do not express an opinion on the financial statements of the discretely presented component unit of the Newell-Fonda Community School District, as of and for the year ended June 30, 2014.

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 Newell-Fonda Community School District as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the

Retiree Health Plan on pages 6 through 17 and 52 through 55 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Newell-Fonda Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the year ended June 30, 2013 (which are not presented herein) and expressed unmodified opinions on those financial statements. Other auditors previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the eight years ended June 30, 2012. The supplementary information included in Schedules 1 through 12, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated January 22, 2015 on our consideration of Newell-Fonda Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or

on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Newell-Fonda Community School District's internal control over financial reporting and compliance.

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

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

January 22, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

Newell-Fonda Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2014. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2014 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$4,860,224 in fiscal year 2013 to \$4,973,653 in fiscal year 2014, while General Fund expenditures increased from \$4,708,538 in fiscal year 2013 to \$4,958,470 in fiscal year 2014. The District's General Fund balance increased from \$1,318,602 at the end of fiscal year 2013, to \$1,333,785 at the end of fiscal year 2014, a 1% increase.
- The fiscal year 2014 General Fund revenue increase was attributable to increases in other local sources and state sources. The increase in expenditures was due primarily to an increase in negotiated salaries and benefits. The increase in revenue was enough to cover the increase in expenditures resulting in the increase in the General Fund balance.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

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

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

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

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

Supplementary Information provides detailed information about the nonmajor governmental funds.

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

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

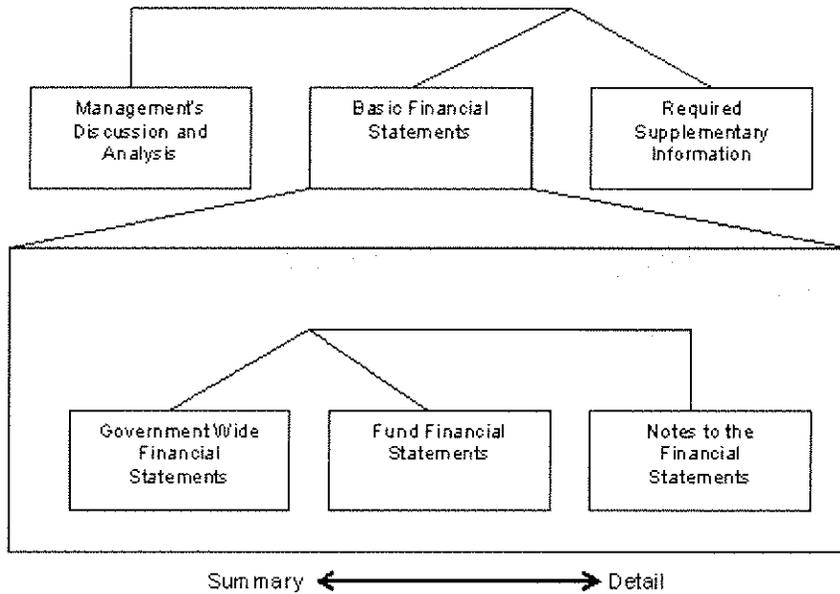


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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

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

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

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

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

The required financial statements for governmental funds include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances.

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

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

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

- 3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust and Agency Funds.
 - Private-Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.
 - Agency Funds – These are funds through which the District administers and accounts for certain federal and/or state grants as a fiscal agent.

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net position at June 30, 2014 compared to June 30, 2013.

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

| | Governmental Activities | | Business Type Activities | | Total District | | Total Change |
|--------------------------------|----------------------------|---------------|-----------------------------|-----------|-------------------|---------------|-----------------|
| | June 30, | | June 30, | | June 30, | | June 30, |
| | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 | 2013-2014 |
| Current and other assets | \$ 6,140 | 9,233 | 55 | 51 | 6,195 | 9,284 | -33.3% |
| Capital assets | <u>9,195</u> | <u>5,869</u> | <u>1</u> | <u>1</u> | <u>9,196</u> | <u>5,870</u> | <u>56.7%</u> |
| Total assets | <u>15,335</u> | <u>15,102</u> | <u>56</u> | <u>52</u> | <u>15,391</u> | <u>15,154</u> | <u>1.6%</u> |
| Long-term liabilities | 7,189 | 7,608 | --- | --- | 7,189 | 7,608 | -5.5% |
| Other liabilities | <u>287</u> | <u>173</u> | <u>3</u> | <u>2</u> | <u>290</u> | <u>175</u> | <u>65.7%</u> |
| Total liabilities | <u>7,476</u> | <u>7,781</u> | <u>3</u> | <u>2</u> | <u>7,479</u> | <u>7,783</u> | <u>- 3.9%</u> |
| Deferred inflows of resources | <u>2,755</u> | <u>2,747</u> | --- | --- | <u>2,755</u> | <u>2,747</u> | <u>0.3%</u> |
| Net position: | | | | | | | |
| Net invested in capital assets | 2,722 | 2,701 | 1 | 1 | 2,723 | 2,702 | 0.8% |
| Restricted | 1,229 | 922 | --- | --- | 1,229 | 922 | 33.3% |
| Unrestricted | <u>1,153</u> | <u>951</u> | <u>52</u> | <u>49</u> | <u>1,205</u> | <u>1,000</u> | <u>20.5%</u> |
| Total net position | <u>\$ 5,104</u> | <u>4,574</u> | <u>53</u> | <u>50</u> | <u>5,157</u> | <u>4,624</u> | <u>11.5%</u> |

The District's total net position increased 12%, or approximately \$533,000 from the prior year. The largest portion of the District's net position is invested in capital assets (e.g., land, infrastructure, intangibles, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets.

Restricted net position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position increased approximately \$307,000 or 33% over the prior year. The increase was primarily a result of the increase in net position of the Capital Projects Fund.

Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased approximately \$205,000, or 20.5%. This increase in unrestricted net position was a result of changes in unrestricted assets and liabilities.

Figure A-4 shows the changes in net position for the year ended June 30, 2014 compared to the year ended June 30, 2013.

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

| | Governmental Activities | | Business Type Activities | | Total District | | Total Change |
|---|-------------------------|--------------|--------------------------|------------|----------------|--------------|--------------|
| | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 | 2013-2014 |
| Revenues: | | | | | | | |
| Program revenues: | | | | | | | |
| Charges for service | \$ 659 | 568 | 114 | 103 | 773 | 671 | 15.2% |
| Operating grants, contributions and restricted interest | 847 | 832 | 172 | 158 | 1,019 | 990 | 2.9% |
| Capital grants, contributions and restricted interest | --- | --- | --- | --- | --- | --- | 0.0% |
| General revenues: | | | | | | | |
| Property tax | 2,692 | 2,638 | --- | --- | 2,692 | 2,638 | 2.0% |
| Statewide sales, services and use tax | 402 | 351 | --- | --- | 402 | 351 | 14.5% |
| Income surtax | 188 | 150 | --- | --- | 188 | 150 | 25.3% |
| Unrestricted state grants | 1,679 | 1,695 | --- | --- | 1,679 | 1,695 | -0.1% |
| Unrestricted investment earnings | 13 | 19 | --- | --- | 13 | 19 | -31.6% |
| Other | 84 | 106 | --- | --- | 84 | 106 | -20.8% |
| Total revenues | <u>6,564</u> | <u>6,359</u> | <u>286</u> | <u>261</u> | <u>6,850</u> | <u>6,620</u> | <u>3.5%</u> |
| Program expenses: | | | | | | | |
| Instruction | 3,550 | 3,440 | --- | --- | 3,550 | 3,440 | 3.2% |
| Support services | 1,874 | 1,650 | 1 | --- | 1,875 | 1,650 | 13.6% |
| Non-instructional programs | --- | --- | 282 | 264 | 282 | 264 | 6.8% |
| Other expenses | 610 | 582 | --- | --- | 610 | 582 | 4.8% |
| Total expenses | <u>6,034</u> | <u>5,672</u> | <u>283</u> | <u>264</u> | <u>6,317</u> | <u>5,936</u> | <u>6.4%</u> |
| Transfers | --- | 13 | --- | --- | --- | 13 | -100.0% |
| Change in net position | 530 | 700 | 3 | (3) | 533 | 697 | -23.5% |
| Net position beginning of year | 4,574 | 3,874 | 50 | 53 | 4,624 | 3,927 | 17.7% |
| Net position end of year | <u>\$ 5,104</u> | <u>4,574</u> | <u>53</u> | <u>50</u> | <u>5,157</u> | <u>4,624</u> | <u>11.5%</u> |

In fiscal year 2014, property tax and unrestricted state grants accounted for 66.6% of governmental activities revenues while charges for service and operating grants, contributions and restricted interest accounted for 100% of business type activities revenue. The District's total revenues were approximately \$6.9 million, of which approximately 6.6 million was for governmental activities and less than \$1 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 3.5% increase in revenues and a 6.4% increase in expenses. Property tax increased approximately \$54,000 to fund the increase in expenses. The increase in expenses is related to increases in negotiated salaries and benefits and increased debt interest expense.

Governmental Activities

Revenues for governmental activities were \$6,564,109 and expenses were \$6,033,520 for the year ended June 30, 2014.

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, 2014 compared to the year ended June 30, 2013.

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

| | Total Cost of Services | | | Net Cost of Services | | |
|----------------------------|------------------------|-------|---------------------|----------------------|-------|---------------------|
| | 2014 | 2013 | Change 2013-2014 | 2014 | 2013 | Change 2013-2014 |
| Instruction | 3,550 | 3,440 | 3.2% | 2,316 | 2,229 | 3.9% |
| Support services | 1,874 | 1,650 | 13.6% | 1,788 | 1,641 | 9.0% |
| Non-instructional programs | --- | --- | 0.0% | --- | --- | 0.0% |
| Other expenses | 610 | 582 | 4.8% | 424 | 402 | 5.5% |
| Total | 6,034 | 5,672 | 6.4% | 4,528 | 4,272 | 6.0% |

For the year ended June 30, 2014:

- The cost financed by users of the District's programs was \$658,903.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$846,855.
- The net cost of governmental activities was financed with \$3,281,677 in property and other taxes and \$1,679,580 in unrestricted state grants.

Business Type Activities

Revenues for business type activities during the year ended June 30, 2014 were \$285,977, representing a 9.1% increase over the prior year, while expenses totaled \$283,282, a 7.4% increase from the prior year. The District's business type activities include the School Nutrition Fund and Entrepreneurship Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balances of \$2,902,051, well below last year's ending fund balances of \$6,128,362. However, the primary reason for the decrease in combined fund balances at the end of fiscal year 2014 is due to expenditures for the building addition construction project.

Governmental Fund Highlights

- The General Fund balance increased from \$1,318,602 to \$1,333,785.
- The Debt Service Fund balance decreased from \$929 at the end of fiscal year 2013 to \$556 at the end of fiscal year 2014. Revenues and expenditures did not vary significantly from the prior year.
- The Capital Projects Fund balance decreased from \$4,573,931 at the end of fiscal year 2013 to \$1,285,181 at the end of fiscal year 2014. This was due to current year construction expenditures.

Proprietary Fund Highlights

School Nutrition Fund net position increased from \$50,245 at June 30, 2013 to \$50,862 at June 30, 2014, representing an increase of approximately 1%.

The District added a new fund, the Entrepreneurship Fund, during fiscal year 2014 which had a net position of \$2,075 at June 30, 2014.

BUDGETARY HIGHLIGHTS

Over the course of the year, Newell-Fonda Community School District amended its budget one time to reflect additional expenditures associated with additional support services added after the budget.

The District's total revenues were \$311,600 more than budgeted revenues, a variance of 4.8%.

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 and amending the budget, the certified budget was exceeded in the support services functional area due to underestimating expenditures by \$23,836.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2014, the District had invested approximately \$9.2 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net increase of 56.7% from last year. More detailed information about the District's capital assets is presented in Note 5 to the financial statements. Depreciation expense for the year was \$278,995.

The original cost of the District's capital assets was approximately \$11.7 million. Governmental funds account for approximately \$11.7 million, with less than \$0.1 million accounted for in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the construction in progress category as the building addition project continues.

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

| | Governmental Activities | | Business Type Activities | | Total District | | Total Change |
|-----------------------------------|-------------------------|-------|--------------------------|------|----------------|-------|--------------|
| | June 30, | | June 30, | | June 30, | | June 30, |
| | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 | 2013-2014 |
| Land | \$ 2 | 2 | - | - | 2 | 2 | 0.0% |
| Construction in progress | 5,845 | 2,908 | - | - | 5,845 | 2,908 | 101.0% |
| Buildings | 2,724 | 2,379 | - | - | 2,724 | 2,379 | 14.5% |
| Improvements other than buildings | 20 | 5 | - | - | 20 | 5 | 3.0% |
| Furniture and equipment | 605 | 574 | 1 | 1 | 606 | 575 | 5.4% |
| Total | \$ 9,196 | 5,868 | 1 | 1 | 9,197 | 5,869 | 56.7% |

Long-Term Debt

At June 30, 2014, the District had \$7,184,450 in total long-term debt outstanding. This represents a decrease of approximately 5.5% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 6 to the financial statements.

The Constitution of the State of Iowa limits the amount of general obligation debt districts can issue to 5 percent of the assessed value of all taxable property within the District. The District's outstanding general obligation debt is significantly below its constitutional debt limit of approximately \$16 million.

In July 2012, the District issued \$7.5 million of general obligation bonds for the construction of a building addition. The District had total outstanding bonded indebtedness at June 30, 2014 of \$6,929,645 which includes a bond premium of \$89,645.

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

| | Total District | | Total Change |
|--------------------------|-------------------|-------|-----------------|
| | June 30, | | June 30, |
| | 2014 | 2013 | 2013-2014 |
| General obligation bonds | \$ 6,929 | 7,250 | -4.4% |
| Computer lease payable | 170 | 268 | -36.6% |
| Compensated absences | 31 | 25 | 24.0% |
| Early retirement payable | 54 | 58 | -6.9% |
| Total | \$ 7,184 | 7,601 | -5.5% |

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

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

- The Iowa legislature has continued the operational sharing incentive funding for fiscal year 2015. The District is taking advantage of opportunities for operational sharing with a neighboring district. For 2015, operational sharing positions will include Superintendent, Business Manager and Transportation Director. This will result in additional funding from the State. Library and Talented and Gifted teaching positions will also be shared in fiscal year 2015, which will not produce increased funding, but instead will offer cost savings for those positions.
- The District has seen an increased need for services to At Risk and ELL students. This has necessitated the addition of full-time positions for the ELL program and Dropout Prevention program. The addition of the At Risk Coordinator position will result in the need to apply for additional Dropout Prevention dollars in fiscal year 2015.
- Enrollment numbers increased by 24 students from fiscal year 2013 to fiscal year 2014, which will result in a significant increase in state revenue. However, the District anticipates a decrease in enrollment for fiscal year 2015 resulting in decreased revenue. As technology improvements and facilities improvements are completed, Newell-Fonda remains an attractive school district in our area. However, management's opinion is that the lack of housing and the lack of a daycare facility in the area has become a factor in enrollment. The District will continue to explore ways to collaborate with the communities in an effort to keep our district an attractive option for families.
- Tax valuations have increased, and further increases are anticipated as wind generators expand in our area. This trend should continue for the next several years in a staggered fashion. The windmills are represented in three different expansion projects, and their assessed value increases 5% per year until they reach 30% taxable valuation. This is a positive, long-term increase to our tax base.
- The District's voted PPEL is a flat amount of \$100,000. The September 2013 election resulted in the continuation of the voted PPEL. The District anticipates the asbestos abatement and demolition of the middle school building in Fonda during fiscal year 2015, which will cost over \$250,000 to be paid from either the PPEL or Sales Tax funds.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

Basic Financial Statements

Newell-Fonda Community School District
Newell, Iowa

Exhibit A

Statement of Net Position

June 30, 2014

| | Governmental Activities | Business Type Activities | Total | Component Unit Newell-Fonda Music Boosters |
|---|----------------------------|-----------------------------|-------------------|---|
| Assets | | | | |
| Cash and cash equivalents | \$ 2,959,625 | 35,854 | 2,995,479 | 18,541 |
| Receivables: | | | | |
| Property tax: | | | | |
| Delinquent | 17,735 | - | 17,735 | - |
| Succeeding year | 2,754,669 | - | 2,754,669 | - |
| Accounts | 12,192 | 15,133 | 27,325 | - |
| Due from other governments | 396,230 | - | 396,230 | - |
| Inventories | - | 3,832 | 3,832 | - |
| Capital assets, net of accumulated depreciation | 9,195,431 | 968 | 9,196,399 | - |
| Total assets | <u>15,335,882</u> | <u>55,787</u> | <u>15,391,669</u> | <u>18,541</u> |
| Liabilities | | | | |
| Accounts payable | 219,336 | - | 219,336 | - |
| Early retirement payable | 3,457 | - | 3,457 | - |
| Salaries and benefits payable | 33,218 | - | 33,218 | - |
| Unearned revenue | - | 2,847 | 2,847 | - |
| Accrued interest payable | 31,420 | - | 31,420 | - |
| Long-term liabilities: | | | | |
| Portion due within one year: | | | | |
| General obligation bonds | 320,000 | - | 320,000 | - |
| Computer lease payable | 54,875 | - | 54,875 | - |
| Early retirement | 12,907 | - | 12,907 | - |
| Compensated absences | 30,888 | - | 30,888 | - |
| Portion due after one year: | | | | |
| General obligation bonds | 6,520,000 | - | 6,520,000 | - |
| Bond premium | 89,645 | - | 89,645 | - |
| Computer lease payable | 115,207 | - | 115,207 | - |
| Early retirement | 40,928 | - | 40,928 | - |
| Net OPEB liability | 5,046 | - | 5,046 | - |
| Total liabilities | <u>7,476,927</u> | <u>2,847</u> | <u>7,479,774</u> | <u>-</u> |
| Deferred Inflows of Resources | | | | |
| Unavailable property tax revenue | 2,754,669 | - | 2,754,669 | - |

Newell-Fonda Community School District
Newell, Iowa

Exhibit A

Statement of Net Position

June 30, 2014

| | Governmental Activities | Business Type Activities | Total | Component Unit Newell-Fonda Music Boosters |
|----------------------------------|----------------------------|-----------------------------|------------------|---|
| Net Position | | | | |
| Net investment in capital assets | 2,722,085 | 968 | 2,723,053 | - |
| Restricted for: | | | | |
| Categorical funding | 340,881 | - | 340,881 | - |
| Management levy purposes | 109,272 | - | 109,272 | - |
| Physical plant and equipment | 160,388 | - | 160,388 | - |
| School infrastructure | 498,412 | - | 498,412 | - |
| Student activities | 119,422 | - | 119,422 | - |
| Debt service | 556 | - | 556 | - |
| Music Booster purposes | - | - | - | 18,541 |
| Unrestricted | 1,153,270 | 51,972 | 1,205,242 | - |
| Total net position | \$ 5,104,286 | 52,940 | 5,157,226 | 18,541 |

See notes to financial statements.

Newell-Fonda Community School District
Newell, Iowa
Statement of Activities
Year ended June 30, 2014

| | <u>Expenses</u> | <u>Program Revenues</u> | | |
|---------------------------------------|------------------|----------------------------|--|--|
| | | <u>Charges for Service</u> | <u>Operating Grants, Contributions and Restricted Interest</u> | <u>Capital Grants, Contributions and Restricted Interest</u> |
| Functions/Programs: | | | | |
| Governmental activities: | | | | |
| Instruction: | | | | |
| Regular instruction | \$ 2,302,253 | 281,460 | 404,465 | - |
| Special instruction | 360,963 | 41,283 | 100,229 | - |
| Other instruction | 886,564 | 281,252 | 125,036 | - |
| | <u>3,549,780</u> | <u>603,995</u> | <u>629,730</u> | <u>-</u> |
| Support services: | | | | |
| Student | 157,890 | - | 4,745 | - |
| Instructional staff | 287,443 | 11,683 | 22,675 | - |
| Administration | 696,133 | 33,279 | 1,151 | - |
| Operation and maintenance of plant | 399,283 | - | - | - |
| Transportation | 332,767 | 9,946 | 2,161 | - |
| | <u>1,873,516</u> | <u>54,908</u> | <u>30,732</u> | <u>-</u> |
| Other expenditures: | | | | |
| Facilities acquisition | 103,616 | - | - | - |
| Long-term debt interest | 187,843 | - | - | - |
| AEA flowthrough | 186,393 | - | 186,393 | - |
| Depreciation (unallocated)* | 132,372 | - | - | - |
| | <u>610,224</u> | <u>-</u> | <u>186,393</u> | <u>-</u> |
| Total governmental activities | <u>6,033,520</u> | <u>658,903</u> | <u>846,855</u> | <u>-</u> |
| Business type activities: | | | | |
| Support services: | | | | |
| Administration | 172 | - | - | - |
| Operation and maintenance of plant | 808 | - | - | - |
| Non-instructional programs: | | | | |
| Food service operations | 275,477 | 105,122 | 171,852 | - |
| Entrepreneurship | 6,825 | 8,900 | - | - |
| Total business type activities | <u>283,282</u> | <u>114,022</u> | <u>171,852</u> | <u>-</u> |
| Total | <u>6,316,802</u> | <u>772,925</u> | <u>1,018,707</u> | <u>-</u> |
| Component Unit: | | | | |
| Music Boosters | 27,584 | 27,020 | - | - |
| General Revenues: | | | | |
| Property tax levied for: | | | | |
| General purposes | | | | |
| Debt service | | | | |
| Capital outlay | | | | |
| Income surtax | | | | |
| Statewide sales, services and use tax | | | | |
| Unrestricted state grants | | | | |
| Unrestricted investment earnings | | | | |
| Other | | | | |
| Total general revenues | | | | |
| Change in net position | | | | |
| Net position beginning of year | | | | |
| Net position end of year | | | | |

* This amount excludes the depreciation/amortization included in the direct expenses of the various programs.

See notes to financial statements.

| Net (Expense) Revenue and Changes in Net Position | | | Component Unit |
|--|-----------------------------|--------------------|--------------------------------|
| Governmental Activities | Business Type Activities | Total | Newell-Fonda Music Boosters |
| (1,616,328) | - | (1,616,328) | - |
| (219,451) | - | (219,451) | - |
| (480,276) | - | (480,276) | - |
| <u>(2,316,055)</u> | <u>-</u> | <u>(2,316,055)</u> | <u>-</u> |
| (153,145) | - | (153,145) | - |
| (253,085) | - | (253,085) | - |
| (661,703) | - | (661,703) | - |
| (399,283) | - | (399,283) | - |
| (320,660) | - | (320,660) | - |
| <u>(1,787,876)</u> | <u>-</u> | <u>(1,787,876)</u> | <u>-</u> |
| (103,616) | - | (103,616) | - |
| (187,843) | - | (187,843) | - |
| - | - | - | - |
| (132,372) | - | (132,372) | - |
| (423,831) | - | (423,831) | - |
| <u>(4,527,762)</u> | <u>-</u> | <u>(4,527,762)</u> | <u>-</u> |
| - | (172) | (172) | - |
| - | (808) | (808) | - |
| - | 1,497 | 1,497 | - |
| - | 2,075 | 2,075 | - |
| - | 2,592 | 2,592 | - |
| <u>(4,527,762)</u> | <u>2,592</u> | <u>(4,525,170)</u> | <u>-</u> |
| - | - | - | (564) |
| 2,022,944 | - | 2,022,944 | - |
| 500,444 | - | 500,444 | - |
| 168,365 | - | 168,365 | - |
| 188,274 | - | 188,274 | - |
| 401,650 | - | 401,650 | - |
| 1,679,580 | - | 1,679,580 | - |
| 13,018 | 103 | 13,121 | 12 |
| 84,076 | - | 84,076 | - |
| <u>5,058,351</u> | <u>103</u> | <u>5,058,454</u> | <u>12</u> |
| 530,589 | 2,695 | 533,284 | (552) |
| 4,573,697 | 50,245 | 4,623,942 | 19,093 |
| <u>\$ 5,104,286</u> | <u>52,940</u> | <u>5,157,226</u> | <u>18,541</u> |

Newell-Fonda Community School District
Newell, Iowa

Exhibit C

Balance Sheet
Governmental Funds

June 30, 2014

| | <u>General</u> | <u>Capital Projects</u> | <u>Debt Service</u> | <u>Nonmajor Governmental Funds</u> | <u>Total</u> |
|---|---------------------|-----------------------------|-------------------------|--|------------------|
| Assets | | | | | |
| Cash and cash equivalents | \$ 1,275,335 | 1,330,650 | 43 | 272,444 | 2,878,472 |
| Receivables: | | | | | |
| Property tax: | | | | | |
| Delinquent | 11,979 | 1,109 | 3,297 | 1,350 | 17,735 |
| Succeeding year | 1,861,244 | 173,475 | 499,949 | 220,001 | 2,754,669 |
| Accounts | - | - | - | 12,192 | 12,192 |
| Due from other funds | 2,784 | - | - | - | 2,784 |
| Due from other governments | 269,996 | 126,234 | - | - | 396,230 |
| Total assets | <u>\$ 3,421,338</u> | <u>1,631,468</u> | <u>503,289</u> | <u>505,987</u> | <u>6,062,082</u> |
| Liabilities, Deferred Inflows of Resources and Fund Balances | | | | | |
| Liabilities: | | | | | |
| Accounts payable | \$ 46,524 | 172,812 | - | - | 219,336 |
| Salaries and benefits payable | 33,218 | - | - | - | 33,218 |
| Due to other funds | - | - | 2,784 | - | 2,784 |
| Early retirement payable | - | - | - | 3,457 | 3,457 |
| Total liabilities | <u>79,742</u> | <u>172,812</u> | <u>2,784</u> | <u>3,457</u> | <u>258,795</u> |
| Deferred inflows of resources: | | | | | |
| Unavailable revenues: | | | | | |
| Succeeding year property tax | 1,861,244 | 173,475 | 499,949 | 220,001 | 2,754,669 |
| Income surtax | 146,567 | - | - | - | 146,567 |
| Total deferred inflows of resources | <u>2,007,811</u> | <u>173,475</u> | <u>499,949</u> | <u>220,001</u> | <u>2,901,236</u> |
| Fund balances: | | | | | |
| Restricted for: | | | | | |
| Categorical funding | 340,881 | - | - | - | 340,881 |
| Debt service | - | - | 556 | - | 556 |
| Management levy purposes | - | - | - | 163,107 | 163,107 |
| Student activities | - | - | - | 119,422 | 119,422 |
| School infrastructure | - | 1,124,793 | - | - | 1,124,793 |
| Physical plant and equipment | - | 160,388 | - | - | 160,388 |
| Unassigned | 992,904 | - | - | - | 992,904 |
| Total fund balances | <u>1,333,785</u> | <u>1,285,181</u> | <u>556</u> | <u>282,529</u> | <u>2,902,051</u> |
| Total liabilities, deferred inflows of resources and fund balances | <u>\$ 3,421,338</u> | <u>1,631,468</u> | <u>503,289</u> | <u>505,987</u> | <u>6,062,082</u> |

See notes to financial statements.

Newell-Fonda Community School District
Newell, Iowa

Exhibit D

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

June 30, 2014

Total fund balances of governmental funds (page 22) \$ 2,902,051

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. 9,195,431

Other long-term assets are not available to pay current year expenditures and, therefore, are recognized as deferred inflows resources in the governmental funds. 146,567

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. (31,420)

Long-term liabilities, including bonds, termination benefits, lease obligations, and other postemployment benefits payable, are not due and payable in the current year and therefore, are not reported in the governmental funds. (7,189,496)

An internal service fund is used by the District to charge costs of the medical deductible reimbursement plan and the employee flexible benefit program to the individual funds. The assets and liabilities of the internal service fund are included with governmental activities. 81,153

Net position of governmental activities (page 19) \$ 5,104,286

See notes to financial statements.

Newell-Fonda Community School District

Exhibit E

Newell, Iowa

Statement of Revenues, Expenditures and Changes in Fund Balances
 Governmental Funds
 Year ended June 30, 2014

| | <u>General</u> | <u>Capital Projects</u> | <u>Debt Service</u> | <u>Nonmajor Governmental Funds</u> | <u>Total</u> |
|---|---------------------|-----------------------------|-------------------------|--|--------------------|
| Revenues: | | | | | |
| Local sources: | | | | | |
| Local tax | \$ 1,991,710 | 168,365 | 500,444 | 204,873 | 2,865,392 |
| Tuition | 272,374 | - | - | - | 272,374 |
| Other | 183,408 | 6,421 | 275 | 293,517 | 483,621 |
| State sources | 2,303,040 | 401,703 | 157 | 64 | 2,704,964 |
| Federal sources | 223,121 | - | - | - | 223,121 |
| Total revenues | <u>4,973,653</u> | <u>576,489</u> | <u>500,876</u> | <u>498,454</u> | <u>6,549,472</u> |
| Expenditures: | | | | | |
| Current: | | | | | |
| Instruction: | | | | | |
| Regular | 2,270,758 | 24,089 | - | 23,105 | 2,317,952 |
| Special | 361,024 | - | - | - | 361,024 |
| Other | 617,663 | - | - | 268,268 | 885,931 |
| | <u>3,249,445</u> | <u>24,089</u> | <u>-</u> | <u>291,373</u> | <u>3,564,907</u> |
| Support services: | | | | | |
| Student | 157,934 | - | - | - | 157,934 |
| Instructional staff | 163,425 | 29,186 | - | - | 192,611 |
| Administration | 586,702 | 12,557 | - | 93,435 | 692,694 |
| Operation and maintenance of plant | 341,739 | 7,529 | - | 47,498 | 396,766 |
| Transportation | 272,832 | 16,500 | - | 18,519 | 307,851 |
| | <u>1,522,632</u> | <u>65,772</u> | <u>-</u> | <u>159,452</u> | <u>1,747,856</u> |
| Other expenditures: | | | | | |
| Facilities acquisition | - | 3,669,075 | - | - | 3,669,075 |
| Long-term debt: | | | | | |
| Principal | - | - | 413,001 | - | 413,001 |
| Interest and fiscal charges | - | - | 194,551 | - | 194,551 |
| AEA flowthrough | 186,393 | - | - | - | 186,393 |
| | <u>186,393</u> | <u>3,669,075</u> | <u>607,552</u> | <u>-</u> | <u>4,463,020</u> |
| Total expenditures | <u>4,958,470</u> | <u>3,758,936</u> | <u>607,552</u> | <u>450,825</u> | <u>9,775,783</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>15,183</u> | <u>(3,182,447)</u> | <u>(106,676)</u> | <u>47,629</u> | <u>(3,226,311)</u> |
| Other financing sources (uses): | | | | | |
| Operating transfers in | - | - | 106,303 | - | 106,303 |
| Operating transfers out | - | (106,303) | - | - | (106,303) |
| Total other financing sources (uses) | <u>-</u> | <u>(106,303)</u> | <u>106,303</u> | <u>-</u> | <u>-</u> |
| Change in fund balances | 15,183 | (3,288,750) | (373) | 47,629 | (3,226,311) |
| Fund balances beginning of year | <u>1,318,602</u> | <u>4,573,931</u> | <u>929</u> | <u>234,900</u> | <u>6,128,362</u> |
| Fund balances end of year | <u>\$ 1,333,785</u> | <u>1,285,181</u> | <u>556</u> | <u>282,529</u> | <u>2,902,051</u> |

See notes to financial statements.

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

Year ended June 30, 2014

Change in fund balances - total governmental funds (page 24) \$ (3,226,311)

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

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

| | | |
|---------------------------------|------------------|-----------|
| Expenditures for capital assets | 3,605,286 | |
| Depreciation | <u>(278,732)</u> | 3,326,554 |

Income surtax not collected for several months after year end is not considered available revenue and is recognized as deferred inflows of resources in the governmental funds. 14,637

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

| | | |
|--------|----------------|---------|
| Repaid | <u>413,000</u> | 413,000 |
|--------|----------------|---------|

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. 1,706

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

| | | |
|-------------------------------|--------------|-------|
| Bond premium | 5,003 | |
| Early retirement | 3,778 | |
| Compensated absences | (5,371) | |
| Other postemployment benefits | <u>1,954</u> | 5,364 |

An internal service fund is used to charge the cost of the flex spending plan to individual funds. The net revenue (expense) of the internal service fund is reported with governmental activities. (4,361)

Change in net position of governmental activities (page 21) \$ 530,589

See notes to financial statements.

Newell-Fonda Community School District
Newell, Iowa

Exhibit G

Statement of Net Position
Proprietary Fund

June 30, 2014

| | Nonmajor Enterprise <u>Funds</u> | Governmental Activities - Internal <u>Service Fund</u> |
|---|--|---|
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 35,854 | 81,153 |
| Accounts receivable | 15,133 | - |
| Inventories | <u>3,832</u> | <u>-</u> |
| Total current assets | <u>54,819</u> | <u>81,153</u> |
| Noncurrent assets: | | |
| Capital assets, net of accumulated depreciation | <u>968</u> | <u>-</u> |
| Total noncurrent assets | <u>968</u> | <u>-</u> |
| Total assets | <u>55,787</u> | <u>81,153</u> |
| Liabilities | | |
| Current liabilities: | | |
| Unearned revenue | <u>2,847</u> | <u>-</u> |
| Total current liabilities | <u>2,847</u> | <u>-</u> |
| Total liabilities | <u>2,847</u> | <u>-</u> |
| Net Position | | |
| Net investment in capital assets | 968 | - |
| Unrestricted | <u>51,972</u> | <u>81,153</u> |
| Total net position | <u>\$ 52,940</u> | <u>81,153</u> |

See notes to financial statements.

Newell-Fonda Community School District
Newell, Iowa

Exhibit H

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

Year ended June 30, 2014

| | Nonmajor Enterprise Funds | Governmental Activities - Internal Service Fund |
|-------------------------------------|---------------------------------|--|
| Operating revenues: | | |
| Local sources: | | |
| Charges for service | \$ 104,537 | 91,371 |
| Miscellaneous | 9,486 | - |
| Total operating revenues | <u>114,023</u> | <u>91,371</u> |
| Operating expenses: | | |
| Support services: | | |
| Administration | 172 | 95,768 |
| Operation and maintenance of plant | 808 | - |
| | <u>980</u> | <u>95,768</u> |
| Non-instructional programs: | | |
| Salaries | 109,751 | - |
| Benefits | 17,937 | - |
| Purchased services | 583 | - |
| Supplies | 153,768 | - |
| Depreciation | 263 | - |
| | <u>282,302</u> | <u>-</u> |
| Total operating expenses | <u>283,282</u> | <u>95,768</u> |
| Operating income (loss) | <u>(169,259)</u> | <u>(4,397)</u> |
| Non-operating revenues: | | |
| State sources | 2,841 | - |
| Federal sources | 169,010 | - |
| Interest income | 103 | 36 |
| Total non-operating revenues | <u>171,954</u> | <u>36</u> |
| Increase (decrease) in net position | 2,695 | (4,361) |
| Net position beginning of year | <u>50,245</u> | <u>85,514</u> |
| Net position end of year | <u>\$ 52,940</u> | <u>81,153</u> |
| See notes to financial statements. | | |

Newell-Fonda Community School District
Newell, Iowa

Exhibit I

Statement of Cash Flows
Proprietary Fund

Year ended June 30, 2014

| | Nonmajor Enterprise Funds | Governmental Activities - Internal Service Fund |
|---|---------------------------------|--|
| Cash flows from operating activities: | | |
| Cash received from sale of lunches and breakfasts | \$ 91,055 | - |
| Cash received from other services | 9,486 | 91,371 |
| Cash paid to employees for services | (127,688) | (95,768) |
| Cash paid to suppliers for goods or services | <u>(146,890)</u> | <u>-</u> |
| Net cash used by operating activities | <u>(174,037)</u> | <u>(4,397)</u> |
| Cash flows from non-capital financing activities: | | |
| State grants received | 2,841 | - |
| Federal grants received | <u>160,270</u> | <u>-</u> |
| Net cash provided by non-capital financing activities | <u>163,111</u> | <u>-</u> |
| Cash flows from investing activities: | | |
| Interest on investments | <u>103</u> | <u>39</u> |
| Net increase (decrease) in cash and cash equivalents | (10,823) | (4,358) |
| Cash and cash equivalents beginning of year | <u>46,677</u> | <u>85,511</u> |
| Cash and cash equivalents end of year | <u>\$ 35,854</u> | <u>81,153</u> |

(continued)

Newell-Fonda Community School District
Newell, Iowa

Exhibit I

Statement of Cash Flows
Proprietary Fund

Year ended June 30, 2014

| | Nonmajor Enterprise Funds | Governmental Activities - Internal Service Fund |
|--|---------------------------------|--|
| Reconciliation of operating income (loss) to net cash used by operating activities: | | |
| Operating income (loss) | \$ (169,259) | (4,397) |
| Adjustments to reconcile operating income (loss) to net cash used by operating activities: | | |
| Commodities used | 8,740 | - |
| Depreciation | 263 | - |
| (Increase) in accounts receivable | (14,603) | - |
| (Increase) in inventories | (299) | - |
| Increase in unearned revenue | 1,121 | - |
| Net cash used by operating activities | <u>\$ (174,037)</u> | <u>(4,397)</u> |

Non-cash investing, capital and related financing activities:

During the year ended June 30, 2014, the District received \$8,740 of federal commodities.

See notes to financial statements.

Newell-Fonda Community School District
Newell, Iowa

Exhibit J

Statement of Fiduciary Net Position
Fiduciary Funds

June 30, 2014

| | Private Purpose Trust <u>Scholarship</u> | <u>Agency</u> |
|---------------------------|---|---------------|
| Assets | | |
| Cash and cash equivalents | \$ 415,635 | <u>22,362</u> |
| Total assets | <u>415,635</u> | <u>22,362</u> |
| Liabilities | | |
| Other payables | <u>-</u> | <u>22,362</u> |
| Total liabilities | <u>-</u> | <u>22,362</u> |
| Net Position | | |
| Reserved for: | | |
| Scholarships | 167,413 | - |
| Athletics | 906 | - |
| Music | 60,846 | - |
| Art | 93,235 | - |
| Speech | <u>93,235</u> | <u>-</u> |
| | <u>\$ 415,635</u> | <u>-</u> |

See notes to financial statements.

Newell-Fonda Community School District
Newell, Iowa

Exhibit K

Statement of Changes in Fiduciary Net Position
Fiduciary Funds

Year ended June 30, 2014

| | <u>Private Purpose Trust Scholarship</u> |
|--------------------------------|--|
| Additions: | |
| Local sources: | |
| Gifts and contributions | \$ 4,500 |
| Interest income | <u>1,323</u> |
| Total additions | 5,823 |
| Deductions: | |
| Instruction: | |
| Regular: | |
| Scholarships awarded | <u>10,077</u> |
| Change in net position | (4,254) |
| Net position beginning of year | <u>419,889</u> |
| Net position end of year | <u><u>\$ 415,635</u></u> |

See notes to financial statements.

Newell-Fonda Community School District
Newell, Iowa

Notes to Financial Statements

June 30, 2014

(1) Summary of Significant Accounting Policies

Newell-Fonda Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the cities of Newell and Fonda, Iowa, and the predominate agricultural territory in Buena Vista, Calhoun, Pocahontas and Sac counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

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

A. Reporting Entity

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

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

Newell-Fonda Community School District
Newell, Iowa

Notes to Financial Statements

June 30, 2014

Discretely Presented Component Unit – The Newell-Fonda Music Boosters is a separate nonprofit organization organized to raise funds for the music programs of the District. The records are maintained on the basis of cash receipts and disbursements. The Music Booster Club meets the definition of a component unit which should be discretely presented.

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

B. Basis of Presentation

Government-wide Financial Statements – The Statement of Net Position 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, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Net position is reported in the following categories:

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

Restricted net position results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

Newell-Fonda Community School District
Newell, Iowa

Notes to Financial Statements

June 30, 2014

Unrestricted net position consists of net position not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

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

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

The District reports the following major governmental funds:

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

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

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

Newell-Fonda Community School District
Newell, Iowa

Notes to Financial Statements

June 30, 2014

The Districts' proprietary funds are the Enterprise, School Nutrition, Entrepreneurship and Internal Service Fund. The School Nutrition Fund is used to account for the food service operations of the District. The Entrepreneurship Fund is used to account for major resale activities that support school programs. The Internal Service Fund is used to account for the District's self-funded health insurance. The Internal Service Fund is charged back to the Governmental Funds and shown combined in the Statement of Net Position and the Statement of Activities.

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

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

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

C. Measurement Focus and Basis of Accounting

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

Newell-Fonda Community School District
Newell, Iowa

Notes to Financial Statements

June 30, 2014

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

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

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

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

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal

Newell-Fonda Community School District
Newell, Iowa

Notes to Financial Statements

June 30, 2014

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, Deferred Inflows of Resources and Fund Equity

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

Cash and Cash Equivalents – The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for non-negotiable certificates of deposit which are stated at cost.

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

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

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next 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

Newell-Fonda Community School District
Newell, Iowa

Notes to Financial Statements

June 30, 2014

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, 2012 assessed property valuations; is for the tax accrual period July 1, 2013 through June 30, 2014 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2013.

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

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

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

Newell-Fonda Community School District
Newell, Iowa

Notes to Financial Statements

June 30, 2014

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

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

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

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.

Compensated Absences – District employees accumulate a limited amount of earned but unused vacation for subsequent use. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2014. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

Newell-Fonda Community School District
Newell, Iowa

Notes to Financial Statements

June 30, 2014

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.

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

Deferred inflows of resources 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.

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

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

Unassigned – All amounts not included in the preceding classification.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2014, expenditures exceeded the amounts budgeted in the support services function.

Newell-Fonda Community School District
Newell, Iowa

Notes to Financial Statements

June 30, 2014

(2) Cash and Cash Equivalents

The District's deposits in banks at June 30, 2014 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The District had no investments at June 30, 2014.

(3) Due From and Due to Other Funds

The detail of interfund receivables and payables at June 30, 2014 is as follows:

| <u>Receivable Fund</u> | <u>Payable Fund</u> | <u>Amount</u> |
|------------------------|---------------------|-----------------|
| General | Debt Service | \$ <u>2,784</u> |

The Debt Service Fund owes the General Fund for funds used to cover a cash deficit. The balance is to be repaid by June 30, 2015.

(4) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2014 is as follows:

| <u>Transfer to</u> | <u>Transfer from</u> | <u>Amount</u> |
|--------------------|----------------------|-------------------|
| Debt Service | Capital Projects | \$ <u>106,303</u> |
| Total | | \$ <u>106,303</u> |

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

Newell-Fonda Community School District
Newell, Iowa

Notes to Financial Statements

June 30, 2014

(5) Capital Assets

Capital assets activity for the year ended June 30, 2014 was as follows:

| | Balance Beginning of Year | Increases | Decreases | Balance End of Year |
|--|---------------------------------|------------------|------------------|---------------------------|
| Governmental activities: | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 2,000 | --- | --- | 2,000 |
| Construction in progress | <u>2,908,721</u> | <u>2,935,911</u> | --- | <u>5,844,632</u> |
| Total capital assets not being depreciated | <u>2,910,721</u> | <u>2,935,911</u> | --- | <u>5,846,632</u> |
| Capital assets being depreciated: | | | | |
| Buildings | 3,405,105 | 434,710 | --- | 3,839,815 |
| Improvements other than buildings | 5,089 | 16,535 | --- | 21,624 |
| Furniture and equipment | <u>1,839,301</u> | <u>218,130</u> | <u>(108,329)</u> | <u>1,949,102</u> |
| Total capital assets being depreciated | <u>5,249,495</u> | <u>669,375</u> | <u>(108,329)</u> | <u>5,810,541</u> |
| Less accumulated depreciation for: | | | | |
| Buildings | 1,025,805 | 90,327 | --- | 1,116,132 |
| Improvements other than buildings | 254 | 1,356 | --- | 1,610 |
| Furniture and equipment | <u>1,265,280</u> | <u>187,049</u> | <u>(108,329)</u> | <u>1,344,000</u> |
| Total accumulated depreciation | <u>2,291,339</u> | <u>278,732</u> | <u>(108,329)</u> | <u>2,461,742</u> |
| Total capital assets being depreciated, net | <u>2,958,156</u> | <u>390,643</u> | --- | <u>3,348,799</u> |
| Governmental activities capital assets, net | <u>\$ 5,868,877</u> | <u>3,326,554</u> | --- | <u>9,195,431</u> |
| | | | | |
| | Balance Beginning of Year | Increases | Decreases | Balance End of Year |
| Business type activities: | | | | |
| Furniture and equipment | \$ 25,513 | --- | --- | 25,513 |
| Less accumulated depreciation | <u>24,282</u> | <u>263</u> | --- | <u>24,545</u> |
| Business type activities capital assets, net | <u>\$ 1,231</u> | <u>(263)</u> | --- | <u>968</u> |

Newell-Fonda Community School District
Newell, Iowa

Notes to Financial Statements

June 30, 2014

Depreciation expense was charged to the following functions:

| | | |
|--|----|----------------|
| Governmental activities: | | |
| Instruction: | | |
| Regular | \$ | 2,417 |
| Other | | 937 |
| Support services: | | |
| Instructional staff | | 100,590 |
| Operation and maintenance of plant | | 1,000 |
| Transportation | | <u>41,416</u> |
| | | 146,360 |
| Unallocated | | <u>132,372</u> |
| Total depreciation expense – governmental activities | | <u>278,732</u> |
| Business type activities: | | |
| Food service operations | \$ | <u>263</u> |

(6) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2014 are summarized as follows:

| | Balance Beginning of Year | Additions | Reductions | Balance End of Year | Due Within One Year |
|-------------------------------|---------------------------------|--------------|----------------|---------------------------|---------------------------|
| Governmental activities: | | | | | |
| General obligation bonds | \$ 7,249,648 | --- | 320,003 | 6,929,645 (1) | 320,000 |
| Computer lease payable – 2010 | 44,867 | --- | 44,867 | --- | --- |
| Computer lease payable – 2012 | 223,215 | --- | 53,133 | 170,082 | 54,875 |
| Compensated absences | 25,517 | 5,371 | --- | 30,888 | 30,888 |
| Early retirement | 57,613 | --- | 3,778 | 53,835 | 12,907 |
| Net OPEB liability | <u>7,000</u> | --- | <u>1,954</u> | <u>5,046</u> | --- |
| Total | <u>\$ 7,607,860</u> | <u>5,371</u> | <u>423,735</u> | <u>7,189,496</u> | <u>418,670</u> |

(1) Bonds were sold at a premium, unamortized premium at June 30, 2014 totaled \$89,645.

Termination Benefits

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

Newell-Fonda Community School District
Newell, Iowa

Notes to Financial Statements

June 30, 2014

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

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

A new plan was offered during fiscal year 2014 where the early retirement incentive is equal to one quarter of the employee's base salary, including career increments, plus \$60 per day for unused sick leave days at the end of the school year. The payment can be taken in one or two payments or applied toward health insurance premiums.

At June 30, 2014, the District has obligations to four participants with a total liability of \$53,835. Actual early retirement expenditures for the year ended June 30, 2014 totaled \$22,821.

General Obligation Refunding Bonds

Details of the District's June 30, 2014, general obligation bonded indebtedness are as follows:

| Year Ending June 30, | <u>Bond Issue of July 10, 2012</u> | | | |
|----------------------------|------------------------------------|---------------------|------------------|------------------|
| | Interest Rates | Principal | Interest | Total |
| 2015 | 2.00% | \$ 320,000 | 179,450 | 499,450 |
| 2016 | 2.00 | 325,000 | 173,050 | 498,050 |
| 2017 | 2.00 | 335,000 | 166,550 | 501,550 |
| 2018 | 2.00 | 340,000 | 159,850 | 499,850 |
| 2019 | 2.00 | 345,000 | 153,050 | 498,050 |
| 2020-2024 | 2.00-3.00 | 1,855,000 | 647,350 | 2,502,350 |
| 2025-2029 | 3.00 | 2,125,000 | 374,400 | 2,499,400 |
| 2030-2032 | 3.00 | <u>1,195,000</u> | <u>65,250</u> | <u>1,260,250</u> |
| Total | | <u>\$ 6,840,000</u> | <u>1,918,950</u> | <u>8,758,950</u> |

Newell-Fonda Community School District
Newell, Iowa

Notes to Financial Statements

June 30, 2014

Capital Lease Purchases

In August 2010, the District entered into a capital lease-purchase agreement with Apple Inc. to finance the purchase of laptops totaling \$143,987. The lease was financed for four years at an interest rate of 4.98%. There are no remaining future lease payments at June 30, 2014.

Payments under the agreement totaled \$46,337 for the year ended June 30, 2014.

In June 2012, the District entered into a capital lease-purchase agreement with Apple Inc. to finance the purchase of 165 laptops totaling \$276,208. The lease is financed for five years at an interest rate of 3.253%. The following is a schedule of the future minimum lease payments, including interest per annum, and the net present value of future minimum lease payments under the agreement at June 30, 2014:

| <u>Year Ending June 30,</u> | <u>Amount</u> |
|---|-------------------|
| 2015 | \$ 59,965 |
| 2016 | 59,965 |
| 2017 | <u>59,965</u> |
| Total minimum lease payments | 179,895 |
| Less amount representing interest | <u>(9,813)</u> |
| Net present value of minimum lease payments | <u>\$ 170,082</u> |

Payments under the agreement totaled \$59,965 for the year ended June 30, 2014.

(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.

Newell-Fonda Community School District
Newell, Iowa

Notes to Financial Statements

June 30, 2014

Plan members are required to contribute 5.95% of their annual covered salary and the District is required to contribute 8.93% of annual covered salary. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2014, 2013 and 2012 were \$281,009, \$253,124 and \$229,222, 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 and prescription drug benefits for employees, retirees and their spouses. There are 90 active and nine retired members in the plan. Retired participants must be age 55 or older at retirement.

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

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

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

Newell-Fonda Community School District
Newell, Iowa

Notes to Financial Statements

June 30, 2014

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2014, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

| | |
|--|------------------------|
| Annual required contribution | \$ 64,000 |
| Interest on net OPEB obligation | 315 |
| Adjustment to annual required contribution | <u>(269)</u> |
| Annual OPEB cost | 64,046 |
| Contributions made | <u>(66,000)</u> |
| Increase in net OPEB obligation | (1,954) |
| Net OPEB obligation beginning of year | <u>7,000</u> |
| Net OPEB obligation end of year | \$ <u><u>5,046</u></u> |

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2014.

For the year ended June 30, 2014, the District contributed \$66,000 to the medical plan. Plan members eligible for benefits contributed \$53,720, or 45% of the premium costs.

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

| Year Ended June 30, | Annual OPEB Cost | Percentage of Annual OPEB Cost Contributed | Net OPEB Obligation |
|------------------------|---------------------|--|---------------------------|
| 2012 | \$ 40,000 | 100.0% | \$ --- |
| 2013 | 64,000 | 100.0 | 7,000 |
| 2014 | 64,046 | 92.1 | 5,046 |

Newell-Fonda Community School District
Newell, Iowa

Notes to Financial Statements

June 30, 2014

Funded Status and Funding Progress – As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2013 through June 30, 2014, the actuarial accrued liability was \$469,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$469,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$1,895,000 and the ratio of the UAAL to covered payroll was 24.7%. As of June 30, 2014, there were no trust fund assets.

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

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

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

Newell-Fonda Community School District
Newell, Iowa

Notes to Financial Statements

June 30, 2014

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

Projected claim costs of the health insurance plan are \$434 per month for retirees less than age 65 and \$476 per month for retirees who have attained age 65. The salary increase rate was assumed to be 3.5% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(9) Risk Management

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

(10) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the Area Education Agency. The District's actual amount for this purpose totaled \$186,393 for the year ended June 30, 2014 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Newell-Fonda Community School District
Newell, Iowa

Notes to Financial Statements

June 30, 2014

(11) Operating Leases

The District entered into an operating lease with Advanced Systems Inc. for the rental of two copiers on January 3, 2012 for a period of 63 months. The amount paid for the fiscal year ended June 30, 2014 was \$4,690. Future rentals are scheduled as follows:

| Year Ending <u>June 30,</u> | |
|-----------------------------------|------------------|
| 2015 | \$ 4,690 |
| 2016 | 4,690 |
| 2017 | <u>3,518</u> |
| | <u>\$ 12,898</u> |

(12) Categorical Funding

The District's restricted fund balance for categorical funding at June 30, 2014 is comprised of the following programs:

| <u>Program</u> | <u>Amount</u> |
|--|-------------------|
| Four-year-old preschool | \$ 227,556 |
| Teacher salary supplement | 21,556 |
| Successful progression for early readers | 14,042 |
| Professional development – core curriculum | 40,450 |
| Professional development | 25,183 |
| Teacher leadership | 6,693 |
| Home school | <u>5,401</u> |
| Total | <u>\$ 340,881</u> |

(13) Construction Commitment

The District has entered into a contract totaling \$5,992,107 for the construction of a building addition. As of June 30, 2014, costs of \$5,588,309 had been incurred against the contract. The balance of \$403,798 remaining at June 30, 2014 will be paid as work on the project progresses.

Newell-Fonda Community School District
Newell, Iowa

Notes to Financial Statements

June 30, 2014

(14) Prospective Accounting Change

The Governmental Accounting Standards Board has issued Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB No. 27. This statement will be implemented for the fiscal year ending June 30, 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, the Statement of Net Position is expected to include a significant liability for the government's proportionate share of the employee pension plan.

(15) Subsequent Events

Subsequent events have been evaluated through January 22, 2015, which is the date the financial statements were available to be issued.

On October 13, 2014 the Board approved the demolition of the former Newell-Fonda middle school building for \$196,500.

Required Supplementary Information

Newell-Fonda Community School District
Newell, Iowa

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

Required Supplementary Information

Year ended June 30, 2014

| | Governmental Funds <u>Actual</u> | Proprietary Fund <u>Actual</u> |
|--|--|--------------------------------------|
| Revenues: | | |
| Local sources | \$ 3,621,387 | 114,126 |
| State sources | 2,704,964 | 2,841 |
| Federal sources | <u>223,121</u> | <u>169,010</u> |
| Total revenues | <u>6,549,472</u> | <u>285,977</u> |
| Expenditures/Expenses: | | |
| Instruction | 3,564,907 | - |
| Support services | 1,747,856 | 980 |
| Non-instructional programs | - | 282,302 |
| Other expenditures | <u>4,463,020</u> | <u>-</u> |
| Total expenditures/expenses | <u>9,775,783</u> | <u>283,282</u> |
| Excess (deficiency) of revenues over (under) expenditures/expenses | (3,226,311) | 2,695 |
| Other financing sources, net | <u>-</u> | <u>-</u> |
| Excess (deficiency) of revenues and other financing sources over (under) expenditures/expenses and other financing uses | (3,226,311) | 2,695 |
| Balances beginning of year | <u>6,128,362</u> | <u>50,245</u> |
| Balances end of year | <u>\$ 2,902,051</u> | <u>52,940</u> |

See accompanying independent auditor's report.

| <u>Total Actual</u> | <u>Budgeted Amounts</u> | | <u>Final to Actual Variance</u> |
|-------------------------|-------------------------|-------------------|---|
| | <u>Original</u> | <u>Final</u> | |
| 3,735,513 | 3,968,384 | 3,968,384 | (232,871) |
| 2,707,805 | 2,196,465 | 2,196,465 | 511,340 |
| 392,131 | 359,000 | 359,000 | 33,131 |
| <u>6,835,449</u> | <u>6,523,849</u> | <u>6,523,849</u> | <u>311,600</u> |
| 3,564,907 | 4,090,000 | 4,090,000 | 525,093 |
| 1,748,836 | 1,678,000 | 1,725,000 | (23,836) |
| 282,302 | 320,000 | 320,000 | 37,698 |
| 4,463,020 | 4,544,505 | 4,544,505 | 81,485 |
| <u>10,059,065</u> | <u>10,632,505</u> | <u>10,679,505</u> | <u>620,440</u> |
| (3,223,616) | (4,108,656) | (4,155,656) | 932,040 |
| <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| (3,223,616) | (4,108,656) | (4,155,656) | 932,040 |
| <u>6,178,607</u> | <u>5,570,073</u> | <u>5,570,073</u> | <u>608,534</u> |
| <u>2,954,991</u> | <u>1,461,417</u> | <u>1,414,417</u> | <u>1,540,574</u> |

Newell-Fonda Community School District
Newell, Iowa

Notes to Required Supplementary Information – Budgetary Reporting

Year ended June 30, 2014

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

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

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment, increasing budgeted expenditures by \$47,000.

During the year ended June 30, 2014, expenditures in the support services function exceeded the amount budgeted.

Newell-Fonda Community School District

Newell, Iowa

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

Required Supplementary Information

| Year Ended June 30, | Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Liability (AAL) (b) | Unfunded AAL (UAAL) (b-a) | Funded Ratio (a/b) | Covered Payroll (c) | UAAL as a Percentage of Covered Payroll ((b-a)/c) |
|---------------------|--------------------------|-------------------------------|-------------------------------|---------------------------|--------------------|---------------------|---|
| 2010 | Jul 1, 2009 | - | \$ 434 | 434 | 0.0% | 2,717 | 16.0% |
| 2011 | Jul 1, 2009 | - | 434 | 434 | 0.0% | 2,792 | 15.5% |
| 2012 | Jul 1, 2009 | - | 434 | 434 | 0.0% | 2,821 | 15.4% |
| 2013 | Jul 1, 2012 | - | 469 | 469 | 0.0% | 1,818 | 25.8% |
| 2014 | Jul 1, 2012 | - | 469 | 469 | 0.0% | 1,895 | 24.7% |

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

See accompanying independent auditor's report.

Newell-Fonda Community School District
Newell, Iowa

Schedule 1

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2014

| | <u>Special Revenue</u> | | |
|---|--------------------------------|---------------------|----------------|
| | Manage- ment <u>Levy</u> | Student Activity | <u>Total</u> |
| Assets | | | |
| Cash and cash equivalents | \$ 165,214 | 107,230 | 272,444 |
| Receivables: | | | |
| Property tax: | | | |
| Delinquent | 1,350 | - | 1,350 |
| Succeeding year | 220,001 | - | 220,001 |
| Accounts | - | 12,192 | 12,192 |
| Total assets | <u>386,565</u> | <u>119,422</u> | <u>505,987</u> |
| Liabilities, Deferred Inflows of Resources and Fund Balances | | | |
| Liabilities: | | | |
| Early retirement | <u>3,457</u> | - | <u>3,457</u> |
| Total liabilities | <u>3,457</u> | - | <u>3,457</u> |
| Deferred inflows of resources: | | | |
| Unavailable revenues: | | | |
| Succeeding year property tax | 220,001 | - | 220,001 |
| Other | <u>-</u> | <u>-</u> | <u>-</u> |
| Total deferred inflows of resources | <u>220,001</u> | <u>-</u> | <u>220,001</u> |
| Fund balances: | | | |
| Restricted for: | | | |
| Management levy purposes | 163,107 | - | 163,107 |
| Student activities | <u>-</u> | <u>119,422</u> | <u>119,422</u> |
| Total fund balances | <u>163,107</u> | <u>119,422</u> | <u>282,529</u> |
| Total liabilities, deferred inflows of resources and fund balances | <u>\$ 386,565</u> | <u>119,422</u> | <u>505,987</u> |

See accompanying independent auditor's report.

Newell-Fonda Community School District
Newell, Iowa

Schedule 2

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

Year ended June 30, 2014

| | <u>Special Revenue</u> | | |
|--------------------------------------|----------------------------------|-----------------------------|----------------|
| | <u>Manage- ment Levy</u> | <u>Student Activity</u> | <u>Total</u> |
| Revenues: | | | |
| Local sources: | | | |
| Local tax | \$ 204,873 | | 204,873 |
| Other | 9,878 | 283,639 | 293,517 |
| State sources | 64 | - | 64 |
| Total revenues | <u>214,815</u> | <u>283,639</u> | <u>498,454</u> |
| Expenditures: | | | |
| Current: | | | |
| Instruction: | | | |
| Regular | 23,105 | - | 23,105 |
| Other | - | 268,268 | 268,268 |
| Support services: | | | |
| Administration | 93,435 | - | 93,435 |
| Operation and maintenance of plant | 39,700 | 7,798 | 47,498 |
| Transportation | 18,519 | - | 18,519 |
| Total expenditures | <u>174,759</u> | <u>276,066</u> | <u>450,825</u> |
| Excess of revenues over expenditures | 40,056 | 7,573 | 47,629 |
| Fund balances beginning of year | <u>123,051</u> | <u>111,849</u> | <u>234,900</u> |
| Fund balances end of year | <u>\$ 163,107</u> | <u>119,422</u> | <u>282,529</u> |

See accompanying independent auditor's report.

Newell-Fonda Community School District
Newell, Iowa

Schedule 3

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2014

| <u>Account</u> | <u>Balance Beginning of Year</u> | <u>Revenues and Interfund Transfers</u> | <u>Expenditures</u> | <u>Intra- Fund Transfers</u> | <u>Balance End of Year</u> |
|------------------------------|--|---|---------------------|--------------------------------------|------------------------------------|
| Boys Basketball | \$ 6,329 | 10,495 | 10,694 | - | 6,130 |
| Football | - | 19,194 | 19,194 | - | - |
| Baseball | - | 5,088 | 5,088 | - | - |
| Co-ed Track | - | 1,936 | 1,936 | - | - |
| Co-ed Golf | - | 1,703 | 1,703 | - | - |
| Girls Basketball | 5,310 | 9,364 | 8,691 | - | 5,983 |
| Volleyball | - | 6,858 | 6,858 | - | - |
| Softball | - | 11,233 | 11,233 | - | - |
| General Athletics | 1,447 | 8,635 | 10,082 | - | - |
| Cheerleaders | 9,308 | 12,314 | 13,057 | - | 8,565 |
| Drill Team | 4,735 | 6,594 | 8,774 | - | 2,555 |
| Tech Club | - | 2,175 | 2,175 | - | - |
| National Honor Society | 1,221 | 3,110 | 1,763 | - | 2,568 |
| All School Play | 2,551 | 1,908 | 1,686 | - | 2,773 |
| Speech | 76 | 141 | 217 | - | - |
| Foreign Language Club | 478 | - | - | - | 478 |
| MS TA - Nielsen | 1,103 | 13,991 | 9,731 | - | 5,363 |
| Student Council | 4,850 | 4,752 | 6,281 | - | 3,321 |
| FCCLA | 1,934 | 659 | 1,083 | - | 1,510 |
| FFA | 10,585 | 18,420 | 20,490 | - | 8,515 |
| After Prom | 344 | 5,678 | 5,698 | - | 324 |
| Girls Basketball Fund Raiser | 7,644 | 9,440 | 10,060 | - | 7,024 |
| Boys Basketball Fund Raiser | 2,195 | 6,027 | 7,315 | - | 907 |
| Football Fund Raiser | 15,491 | 18,367 | 23,030 | - | 10,828 |
| Baseball Fund Raiser | 788 | 8,656 | 7,096 | - | 2,348 |
| Volleyball Fund Raiser | 1,541 | 1,590 | 2,153 | - | 978 |
| Softball Fund Raiser | 5,178 | 9,542 | 9,962 | - | 4,758 |
| Boys Track Fund Raiser | 242 | - | - | - | 242 |
| Girls Track Fund Raiser | 326 | 1,670 | 1,340 | - | 656 |
| Boys Golf Fund Raiser | 1 | 800 | 675 | - | 126 |
| Girls Golf Fund Raiser | - | 1,038 | 851 | - | 187 |
| Class of 2013 | 331 | 25 | 356 | - | - |
| Class of 2014 | 2,014 | 500 | 1,259 | - | 1,255 |
| Class of 2015 | 2,698 | 1,658 | 2,256 | - | 2,100 |

(continued)

Newell-Fonda Community School District
Newell, Iowa

Schedule 3

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2014

| <u>Account</u> | <u>Balance Beginning of Year</u> | <u>Revenues and Interfund Transfers</u> | <u>Expenditures</u> | <u>Intra- Fund Transfers</u> | <u>Balance End of Year</u> |
|----------------------|--|---|---------------------|--------------------------------------|------------------------------------|
| Class of 2016 | 3,021 | - | - | - | 3,021 |
| Class of 2017 | - | 5,291 | 3,102 | - | 2,189 |
| Art | 837 | - | - | - | 837 |
| Shop | 1,132 | - | - | - | 1,132 |
| Band Fundraiser | 4,315 | 24,354 | 15,525 | - | 13,144 |
| Choir Fundraiser | 422 | 2,462 | 1,277 | - | 1,607 |
| Music Resale | 15 | - | - | - | 15 |
| Elementary PTF Funds | 3,097 | 2,939 | 2,202 | - | 3,834 |
| Special Projects | 2,351 | 2,173 | 2,305 | - | 2,219 |
| State Tournament | - | 29,215 | 27,081 | - | 2,134 |
| Library | 920 | 35 | - | - | 955 |
| Postage | 97 | - | - | - | 97 |
| General Activity | 500 | 368 | 496 | - | 372 |
| Yearbook 12-13 | 1,204 | 1,161 | 2,365 | - | - |
| Yearbook 13-14 | - | 9,443 | 7,964 | - | 1,479 |
| Scholarships | - | 250 | 250 | - | - |
| Interest | 5,218 | 2,387 | 712 | - | 6,893 |
| Total | <u>\$ 111,849</u> | <u>283,639</u> | <u>276,066</u> | <u>-</u> | <u>119,422</u> |

See accompanying independent auditor's report.

Newell-Fonda Community School District
Newell, Iowa

Schedule 4

Combining Balance Sheet
Capital Project Accounts

June 30, 2014

| | Capital Projects | | | Total |
|---|--------------------------|---|--|------------------|
| | Construction Projects | Statewide Sales, Services and Use Tax | Physical Plant and Equipment Levy | |
| Assets | | | | |
| Cash and cash equivalents | \$ 803,684 | 367,687 | 159,279 | 1,330,650 |
| Receivables: | | | | |
| Property tax: | | | | |
| Delinquent | - | - | 1,109 | 1,109 |
| Succeeding year | - | - | 173,475 | 173,475 |
| Due from other governments | - | 126,234 | - | 126,234 |
| Total assets | <u>803,684</u> | <u>493,921</u> | <u>333,863</u> | <u>1,631,468</u> |
| Liabilities, Deferred Inflows of Resources and Fund Balances | | | | |
| Liabilities: | | | | |
| Accounts payable | <u>172,812</u> | - | - | <u>172,812</u> |
| Total liabilities | <u>172,812</u> | - | - | <u>172,812</u> |
| Deferred inflows of resources: | | | | |
| Unavailable revenues: | | | | |
| Succeeding year property tax | - | - | 173,475 | 173,475 |
| Total deferred inflows of resources | - | - | 173,475 | 173,475 |
| Fund balances: | | | | |
| Restricted for: | | | | |
| School infrastructure | 630,872 | 493,921 | - | 1,124,793 |
| Physical plant and equipment | - | - | 160,388 | 160,388 |
| Total fund balances | <u>630,872</u> | <u>493,921</u> | <u>160,388</u> | <u>1,285,181</u> |
| Total liabilities, deferred inflows of resources and fund balances | <u>\$ 803,684</u> | <u>\$ 493,921</u> | <u>333,863</u> | <u>1,631,468</u> |

See accompanying independent auditor's report.

Newell-Fonda Community School District
Newell, Iowa

Schedule 5

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

Year ended June 30, 2014

| | Capital Projects | | | Total |
|---|--------------------------|---|--|--------------------|
| | Construction Projects | Statewide Sales, Services and Use Tax | Physical Plant and Equipment Levy | |
| Revenues: | | | | |
| Local sources: | | | | |
| Local tax | \$ - | - | 168,365 | 168,365 |
| Other | 4,491 | 805 | 1,125 | 6,421 |
| State sources | - | 401,650 | 53 | 401,703 |
| Total revenues | <u>4,491</u> | <u>402,455</u> | <u>169,543</u> | <u>576,489</u> |
| Expenditures: | | | | |
| Instruction: | | | | |
| Regular | - | - | 24,089 | 24,089 |
| Support services: | | | | |
| Instructional staff | - | 8,894 | 20,292 | 29,186 |
| Administration | - | - | 12,557 | 12,557 |
| Operation and maintenance of plant | - | - | 7,529 | 7,529 |
| Transportation | - | - | 16,500 | 16,500 |
| Other expenditures: | | | | |
| Facilities acquisition | <u>3,583,364</u> | <u>18,987</u> | <u>66,724</u> | <u>3,669,075</u> |
| Total expenditures | <u>3,583,364</u> | <u>27,881</u> | <u>147,691</u> | <u>3,758,936</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(3,578,873)</u> | <u>374,574</u> | <u>21,852</u> | <u>(3,182,447)</u> |
| Other financing sources (uses): | | | | |
| Operating transfers out | - | (106,303) | - | (106,303) |
| Total other financing sources (uses) | - | <u>(106,303)</u> | - | <u>(106,303)</u> |
| Change in fund balances | (3,578,873) | 268,271 | 21,852 | (3,288,750) |
| Fund balances beginning of year | <u>4,209,745</u> | <u>225,650</u> | <u>138,536</u> | <u>4,573,931</u> |
| Fund balances end of year | <u>\$ 630,872</u> | <u>493,921</u> | <u>160,388</u> | <u>1,285,181</u> |

See accompanying independent auditor's report.

Newell-Fonda Community School District
Newell, Iowa

Schedule 6

Combining Schedule of Net Position
Nonmajor Enterprise Funds

June 30, 2014

| | <u>School Nutrition</u> | <u>Entrepreneurship</u> | <u>Total</u> |
|---|-----------------------------|-------------------------|---------------|
| Assets | | | |
| Current assets: | | | |
| Cash and cash equivalents | \$ 33,776 | 2,078 | 35,854 |
| Accounts receivable | 15,133 | - | 15,133 |
| Inventories | 3,832 | - | 3,832 |
| Total current assets | <u>52,741</u> | <u>2,078</u> | <u>54,819</u> |
| Noncurrent assets: | | | |
| Capital assets, net of accumulated depreciation | <u>968</u> | <u>-</u> | <u>968</u> |
| Total noncurrent assets | <u>968</u> | <u>-</u> | <u>968</u> |
| Total assets | <u>53,709</u> | <u>2,078</u> | <u>55,787</u> |
| Liabilities | | | |
| Current liabilities: | | | |
| Unearned revenue | <u>2,847</u> | <u>-</u> | <u>2,847</u> |
| Total current liabilities | <u>2,847</u> | <u>-</u> | <u>2,847</u> |
| Total liabilities | <u>2,847</u> | <u>-</u> | <u>2,847</u> |
| Net Position | | | |
| Net investment in capital assets | 968 | - | 968 |
| Unrestricted | <u>49,894</u> | <u>2,078</u> | <u>51,972</u> |
| Total net position | <u>\$ 50,862</u> | <u>2,078</u> | <u>52,940</u> |

See accompanying independent auditor's report.

Newell-Fonda Community School District
Newell, Iowa

Schedule 7

Combining Schedule of Revenues, Expenses, and Changes in Fund Net Position
Nonmajor Enterprise Funds

Year ended June 30, 2014

| | School <u>Nutrition</u> | <u>Entrepreneurship</u> | <u>Total</u> |
|------------------------------------|----------------------------|-------------------------|------------------|
| Operating revenues: | | | |
| Local sources: | | | |
| Charges for service | \$ 104,537 | - | 104,537 |
| Miscellaneous | <u>586</u> | <u>8,900</u> | <u>9,486</u> |
| Total operating revenues | <u>105,123</u> | <u>8,900</u> | <u>114,023</u> |
| Operating expenses: | | | |
| Support services: | | | |
| Administration | 172 | - | 172 |
| Operation and maintenance of plant | <u>808</u> | <u>-</u> | <u>808</u> |
| | <u>980</u> | <u>-</u> | <u>980</u> |
| Non-instructional programs: | | | |
| Salaries | 109,751 | - | 109,751 |
| Benefits | 17,937 | - | 17,937 |
| Purchased services | 583 | - | 583 |
| Supplies | 146,943 | 6,825 | 153,768 |
| Depreciation | <u>263</u> | <u>-</u> | <u>263</u> |
| | <u>275,477</u> | <u>6,825</u> | <u>282,302</u> |
| Total operating expenses | <u>276,457</u> | <u>6,825</u> | <u>283,282</u> |
| Operating income (loss) | <u>\$ (171,334)</u> | <u>2,075</u> | <u>(169,259)</u> |

(continued)

Newell-Fonda Community School District
Newell, Iowa

Schedule 7

Combining Schedule of Revenues, Expenses, and Changes in Fund Net Position
Nonmajor Enterprise Funds

Year ended June 30, 2014

| | School <u>Nutrition</u> | <u>Entrepreneurship</u> | <u>Total</u> |
|-------------------------------------|----------------------------|-------------------------|----------------|
| Non-operating revenues: | | | |
| State sources | \$ 2,841 | - | 2,841 |
| Federal sources | 169,010 | - | 169,010 |
| Interest income | 100 | 3 | 103 |
| Total non-operating revenues | <u>171,951</u> | <u>3</u> | <u>171,954</u> |
| | | | |
| Increase (decrease) in net position | 617 | 2,078 | 2,695 |
| | | | |
| Net position beginning of year | <u>50,245</u> | - | <u>50,245</u> |
| Net position end of year | <u>\$ 50,862</u> | <u>2,078</u> | <u>52,940</u> |

See accompanying independent auditor's report.

Newell-Fonda Community School District
Newell, Iowa

Schedule 8

Combining Schedule of Cash Flows
Nonmajor Enterprise Funds

Year ended June 30, 2014

| | School <u>Nutrition</u> | <u>Entrepreneurship</u> | <u>Total</u> |
|---|----------------------------|-------------------------|------------------|
| Cash flows from operating activities: | | | |
| Cash received from sale of lunches and breakfasts | \$ 91,055 | - | 91,055 |
| Cash received from other services | 586 | 8,900 | 9,486 |
| Cash paid to employees for services | (127,688) | - | (127,688) |
| Cash paid to suppliers for goods or services | <u>(140,065)</u> | <u>(6,825)</u> | <u>(146,890)</u> |
| Net cash provided by (used by) operating activities | <u>(176,112)</u> | <u>2,075</u> | <u>(174,037)</u> |
| Cash flows from non-capital financing activities: | | | |
| State grants received | 2,841 | - | 2,841 |
| Federal grants received | <u>160,270</u> | <u>-</u> | <u>160,270</u> |
| Net cash provided by non-capital financing activities | <u>163,111</u> | <u>-</u> | <u>163,111</u> |
| Cash flows from investing activities: | | | |
| Interest on investments | <u>100</u> | <u>3</u> | <u>103</u> |
| Net increase (decrease) in cash and cash equivalents | (12,901) | 2,078 | (10,823) |
| Cash and cash equivalents beginning of year | <u>46,677</u> | <u>-</u> | <u>46,677</u> |
| Cash and cash equivalents end of year | <u>\$ 33,776</u> | <u>2,078</u> | <u>35,854</u> |

(continued)

Newell-Fonda Community School District
Newell, Iowa

Schedule 8

Combining Schedule of Cash Flows
Nonmajor Enterprise Funds

Year ended June 30, 2014

| | School <u>Nutrition</u> | <u>Entrepreneurship</u> | <u>Total</u> |
|--|----------------------------|-------------------------|------------------|
| Reconciliation of operating income (loss) to net cash provided by (used by) operating activities: | | | |
| Operating income (loss) | \$ (171,334) | 2,075 | (169,259) |
| Adjustments to reconcile operating income (loss) to net cash provided by (used by) operating activities: | | | |
| Commodities used | 8,740 | - | 8,740 |
| Depreciation | 263 | - | 263 |
| (Increase) in accounts receivable | (14,603) | - | (14,603) |
| (Increase) in inventories | (299) | - | (299) |
| Increase in unearned revenue | <u>1,121</u> | - | <u>1,121</u> |
| Net cash provided by (used by) operating activities | <u>\$ (176,112)</u> | <u>2,075</u> | <u>(174,037)</u> |

Non-cash investing, capital and related financing activities:

During the year ended June 30, 2014, the District received \$8,740 of federal commodities.

See accompanying independent auditor's report.

Newell-Fonda Community School District
Newell, Iowa

Schedule 9

Combining Schedule of Fiduciary Net Position

Year ended June 30, 2014

| | Private Purpose Trust Funds | | | Total |
|---------------------------|-----------------------------|-----------------------------|-----------------------|----------------|
| | Cecil Rogers Scholarship | Keith Carter Scholarship | Don Anderson Trust | |
| Assets | | | | |
| Cash and cash equivalents | \$ 6,675 | 160,738 | 248,222 | 415,635 |
| Total assets | <u>\$ 6,675</u> | <u>160,738</u> | <u>248,222</u> | <u>415,635</u> |
| Net Position | | | | |
| Reserved for: | | | | |
| Scholarships | \$ 6,675 | 160,738 | - | 167,413 |
| Athletics | - | - | 906 | 906 |
| Music | - | - | 60,846 | 60,846 |
| Art | - | - | 93,235 | 93,235 |
| Speech | - | - | 93,235 | 93,235 |
| | <u>\$ 6,675</u> | <u>160,738</u> | <u>248,222</u> | <u>415,635</u> |

See accompanying independent auditor's report.

Newell-Fonda Community School District
Newell, Iowa

Schedule of Changes in Fiduciary Net Position

Year ended June 30, 2014

| | Cecil Rogers Scholarship | Keith Carter Scholarship | Helen Harris Scholarship | Private Purpose Don Anderson Trust |
|--------------------------------|-----------------------------|-----------------------------|-----------------------------|--|
| Additions: | | | | |
| Local sources: | | | | |
| Interest income | \$ 43 | 397 | - | 883 |
| Contributions | <u>-</u> | <u>-</u> | <u>1,000</u> | <u>-</u> |
| Total additions | 43 | 397 | 1,000 | 883 |
| Deductions: | | | | |
| Instruction: | | | | |
| Regular: | | | | |
| Scholarships awarded | <u>-</u> | <u>300</u> | <u>1,000</u> | <u>2,277</u> |
| Change in net position | 43 | 97 | - | (1,394) |
| Net position beginning of year | <u>6,632</u> | <u>160,641</u> | <u>-</u> | <u>249,616</u> |
| Net position end of year | <u>\$ 6,675</u> | <u>160,738</u> | <u>-</u> | <u>248,222</u> |

See accompanying independent auditor's report.

Trust Funds

| <u>DFS Scholarship</u> | <u>Willard Schuller Scholarship</u> | <u>Sandy Wells Scholarship</u> | <u>John Wells Scholarship</u> | <u>BJK Scholarship</u> | <u>Total</u> |
|----------------------------|---|------------------------------------|-----------------------------------|----------------------------|----------------|
| - | - | - | - | - | 1,323 |
| <u>2,000</u> | <u>-</u> | <u>500</u> | <u>500</u> | <u>500</u> | <u>4,500</u> |
| 2,000 | - | 500 | 500 | 500 | 5,823 |
| <u>4,000</u> | <u>1,000</u> | <u>500</u> | <u>500</u> | <u>500</u> | <u>10,077</u> |
| (2,000) | (1,000) | - | - | - | (4,254) |
| <u>2,000</u> | <u>1,000</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>419,889</u> |
| <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>415,635</u> |

Newell-Fonda Community School District
Newell, Iowa

Schedule 11

Schedule of Changes in Fiduciary Assets and Liabilities -
Agency Fund

Year ended June 30, 2014

| | <u>Balance Beginning of Year</u> | <u>Additions</u> | <u>Deductions</u> | <u>Balance End of Year</u> |
|---------------------------|--|------------------|-------------------|------------------------------------|
| Assets | | | | |
| Cash and cash equivalents | \$ 14,472 | 31,315 | 23,425 | 22,362 |
| Total assets | <u>\$ 14,472</u> | <u>31,315</u> | <u>23,425</u> | <u>22,362</u> |
| Liabilities | | | | |
| Other payables | \$ 14,472 | 31,315 | 23,425 | 22,362 |
| Total liabilities | <u>\$ 14,472</u> | <u>31,315</u> | <u>23,425</u> | <u>22,362</u> |

See accompanying independent auditor's report.

Newell-Fonda Community School District
Newell, Iowa

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

For the Last Ten Years

| | <u>2014</u> | <u>2013</u> | <u>2012</u> | <u>2011</u> |
|------------------------------------|---------------------|------------------|------------------|------------------|
| Revenues: | | | | |
| Local sources: | | | | |
| Local tax | \$ 2,865,392 | 3,135,193 | 2,625,432 | 2,318,970 |
| Tuition | 272,374 | 296,438 | 193,138 | 146,700 |
| Other | 483,621 | 395,740 | 489,621 | 382,215 |
| State sources | 2,704,964 | 2,293,313 | 2,246,771 | 1,983,869 |
| Federal sources | 223,121 | 234,132 | 210,741 | 319,978 |
| Total | <u>\$ 6,549,472</u> | <u>6,354,816</u> | <u>5,765,703</u> | <u>5,151,732</u> |
| Expenditures: | | | | |
| Instruction | \$ 3,564,907 | \$ 3,464,167 | 3,702,248 | 3,243,330 |
| Support services: | | | | |
| Student | 157,934 | 124,557 | 104,155 | 116,236 |
| Instructional staff | 192,611 | 147,515 | 150,157 | 124,655 |
| Administration | 692,694 | 607,308 | 528,889 | 496,908 |
| Operation and maintenance of plant | 396,766 | 360,511 | 308,192 | 335,728 |
| Transportation | 307,851 | 362,454 | 334,370 | 237,733 |
| Other expenditures: | | | | |
| Facilities acquisition | 3,669,075 | 3,359,891 | 544,360 | 320,419 |
| Long-term debt: | | | | |
| Principal | 413,001 | 440,979 | 66,539 | 95,051 |
| Interest and other charges | 194,551 | 166,548 | 5,719 | 9,465 |
| AEA flowthrough | 186,393 | 180,516 | 172,010 | 177,753 |
| Total | <u>\$ 9,775,783</u> | <u>9,214,446</u> | <u>5,916,639</u> | <u>5,157,278</u> |

See accompanying independent auditor's report.

| Modified Accrual Basis | | | | | |
|------------------------|------------------|------------------|------------------|------------------|------------------|
| <u>2010</u> | <u>2009</u> | <u>2008</u> | <u>2007</u> | <u>2006</u> | <u>2005</u> |
| 2,156,362 | 2,047,959 | 1,748,576 | 1,625,426 | 1,422,156 | 1,349,135 |
| 118,116 | 101,302 | 107,348 | 77,647 | 67,130 | 69,206 |
| 348,969 | 364,771 | 411,148 | 432,721 | 351,589 | 268,811 |
| 1,794,967 | 2,035,299 | 2,229,917 | 2,003,601 | 2,113,281 | 1,654,735 |
| 426,044 | 181,228 | 152,205 | 148,347 | 150,162 | 146,638 |
| <u>4,844,458</u> | <u>4,730,559</u> | <u>4,649,194</u> | <u>4,287,742</u> | <u>4,104,318</u> | <u>3,488,525</u> |
| 2,903,132 | 2,819,448 | 2,962,072 | 2,647,909 | 2,617,889 | 2,488,717 |
| 90,417 | 83,268 | 96,602 | 71,298 | 74,057 | 71,142 |
| 159,882 | 165,638 | 141,894 | 136,196 | 118,446 | 102,411 |
| 494,241 | 387,843 | 394,494 | 442,524 | 437,461 | 404,889 |
| 319,337 | 342,234 | 337,281 | 338,531 | 382,039 | 388,787 |
| 276,333 | 250,916 | 216,805 | 229,711 | 275,661 | 268,411 |
| 1,540,756 | 175,241 | 89,479 | 57,465 | 30,629 | 8,071 |
| 58,779 | 56,394 | 30,566 | - | - | - |
| 5,737 | 8,122 | 1,692 | - | - | - |
| 175,916 | 162,268 | 160,842 | 153,999 | 151,340 | 135,465 |
| <u>6,024,530</u> | <u>4,451,372</u> | <u>4,431,727</u> | <u>4,077,633</u> | <u>4,087,522</u> | <u>3,867,893</u> |

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

Certified Public Accountants

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

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

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Newell-Fonda Community School District as of and for the year ended June 30, 2014, and the related Notes to the Financial Statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 22, 2015. Our report expressed unqualified opinions on the financial statements except for a disclaimer of opinion on the component unit, Newell-Fonda Music Boosters, which was not audited.

Internal Control Over Financial Reporting

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

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

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in Part I of the accompanying Schedule of Findings as items I-A-14 and I-B-14 to be material weaknesses.

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2014 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Newell-Fonda Community School District's Responses to the Findings

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

Purpose of this Report

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

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

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

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

January 22, 2015

Newell-Fonda Community School District
Newell, Iowa

Schedule of Findings

Year ended June 30, 2014

Part I: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

I-A-14 Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The cash receipts listing, bank deposits and the posting of the cash receipts journal are all done by the same person. Also, vouchers are processed, disbursements are recorded, and checks are prepared by the same person.

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

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

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

I-B-14 Preparation of Financial Statements – The District does not have an internal control system designed to provide for the preparation of the financial statements in accordance with accounting principles generally accepted in the United States of America. Therefore, as auditors, we were requested to draft the financial statements and accompanying notes to the financial statements. This circumstance is not unusual for an entity similar in size to Newell-Fonda Community School District. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Newell-Fonda Community School District
Newell, Iowa

Schedule of Findings

Year ended June 30, 2014

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

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

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matter were noted.

Newell-Fonda Community School District
Newell, Iowa

Schedule of Findings

Year ended June 30, 2014

Part II: Other Findings Related to Required Statutory Reporting:

II-A-14 Certified Budget - Expenditures for the year ended June 30, 2014 exceeded the amended certified budget amount in the support services function.

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

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

Conclusion – Response accepted.

II-B-14 Questionable Expenditures - No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

II-C-14 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

II-D-14 Business Transactions - The following business transactions between the District and District officials or employees were noted.

| <u>Name, Title and Business Connection</u> | <u>Transaction Description</u> | <u>Amount</u> |
|--|------------------------------------|-----------------|
| Greg Baskerville, Board Member, Spouse provides service | CNA training | <u>\$ 3,104</u> |

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

Newell-Fonda Community School District
Newell, Iowa

Schedule of Findings

Year ended June 30, 2014

II-E-14 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 ensure the coverage is adequate for current operations.

II-F-14 Board Minutes - The Scholarship Fund disbursements requiring Board approval had not been approved by the Board as required by Chapter 279.29 of the Code of Iowa and one additional invoice had insufficient documentation it had been approved for payment by the Superintendent in advance of Board approval as allowed by Chapter 279.30 of the Code of Iowa.

Recommendation – All disbursements should be approved by the Board and sufficient documentation should be maintained to evidence proper Superintendent approval of disbursements paid in advance of Board approval.

Response – All disbursements will be approved by the Board and procedures have been revised to ensure the Superintendent's approval of disbursements prior to Board meetings is adequately documented.

Conclusion – Response accepted.

II-G-14 Certified Enrollment - No variances in the basic enrollment data certified to the Iowa Department of Education were noted.

II-H-14 Supplementary Weighting – No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

II-I-14 Deposits and Investments - No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.

II-J-14 Certified Annual Report – The Certified Annual Report was certified timely to the Iowa Department of Education.

II-K-14 Categorical Funding – No instances of categorical funding being used to supplant rather than supplement other funds were noted.

Newell-Fonda Community School District
Newell, Iowa

Schedule of Findings

Year ended June 30, 2014

- II-L-14 Statewide Sales, Services and Use Tax – No instances of non-compliance with the allowable uses of the statewide sales, services and use tax revenue provided in Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2014, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

| | | |
|------------------------------------|----------------|-------------------|
| Beginning balance | | \$ 225,650 |
| Revenues: | | |
| Sales tax revenues | 401,650 | |
| Other local revenues | <u>806</u> | <u>402,456</u> |
| | | 628,106 |
| Expenditures/transfers out: | | |
| School infrastructure construction | 18,987 | |
| Equipment | 8,894 | |
| Transfer to other funds: | | |
| Debt service fund | <u>106,303</u> | <u>134,185</u> |
| Ending balance | | \$ <u>493,921</u> |

For the year ended June 30, 2014, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.