

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

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

YEAR ENDED JUNE 30, 2015

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>
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Board of Education

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	2015
Marcia Johnson	District Secretary/Treasurer and Business Manager	Indefinite
Steve Avery	Attorney	Indefinite

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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, 2015, 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. Except as explained in the Basis for Disclaimer of Opinion paragraph, we conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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, 2015.

Opinions

In our opinion, the financial statements referred to in the first paragraph of this report 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, 2015, 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.

Emphasis of Matter

As discussed in Note 12 to the financial statements, Newell-Fonda Community School District adopted new accounting guidance related to Governmental Accounting Standards Board (GASB) Statement No 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the District's Proportionate Share of the Net Pension Liability, the Schedule of District Contributions and the Schedule of Funding Progress for the Retiree Health Plan on pages 6 through 18 and 60 through 68 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 two years ended June 30, 2014 (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 seven 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 20, 2016 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 20, 2016

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, 2015. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2015 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$4,973,653 in fiscal year 2014 to \$5,132,521 in fiscal year 2015, while General Fund expenditures increased from \$4,958,470 in fiscal year 2014 to \$5,196,363 in fiscal year 2015. The District's General Fund balance decreased from \$1,333,785 at the end of fiscal year 2014, to \$1,270,994 at the end of fiscal year 2015, a 4.7% decrease.
- The fiscal year 2015 General Fund revenue increase was attributable to increases in local tax, other local sources, state sources, and federal sources. The increase in expenditures was due primarily to an increase in negotiated salaries and benefits. The increase in revenue was not enough to cover the increase in expenditures resulting in the decrease 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 financial 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, the District's proportionate share of the net pension liability and related contributions, 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

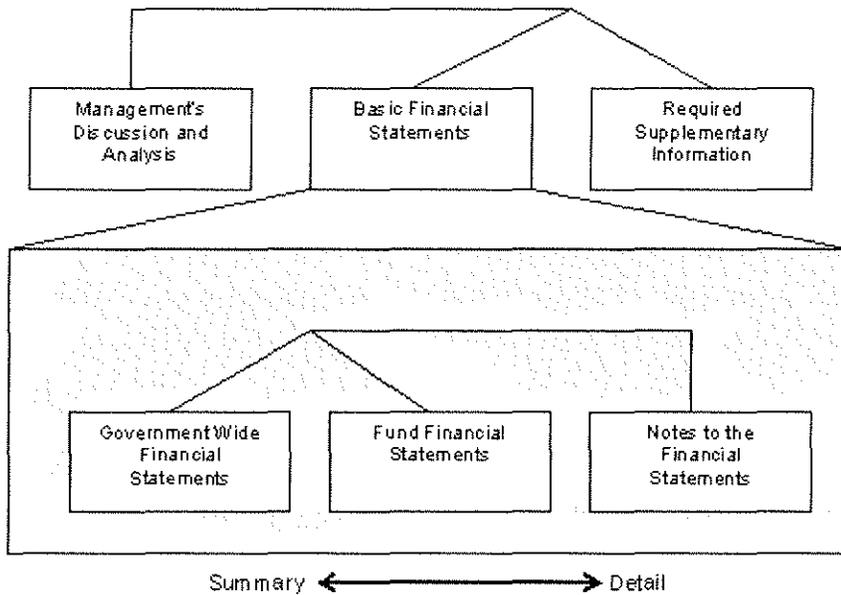


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

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

	Government-wide	Fund Statements		
	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 position • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net position • Statement of revenues, expenses and changes in fund net position • Statement of cash flows 	<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 deferred outflow/inflow information	Consumption/ acquisition of net position that is applicable to a future reporting period	Consumption/ acquisition of fund balance that is applicable to a future reporting period	Consumption/ acquisition of net position that is applicable to a future reporting period	Consumption/ acquisition of net position that is applicable to a future reporting period
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 three 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.
- *Component units:* This includes the activities of the Newell-Fonda Music Booster Club. The District receives significant financial benefits from this component unit although it is a legally separate entity.

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, 2015 compared to June 30, 2014.

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

	Governmental Activities		Business Type Activities		Total District		Total Change June 30, 2014-2015
	June 30, 2014 (Not restated)		June 30, 2014 (Not restated)		June 30, 2014 (Not restated)		
Current and other assets	\$5,403	6,140	64	55	5,467	6,195	-11.8%
Capital assets	9,791	9,195	14	1	9,805	9,196	6.6%
Total assets	15,194	15,335	78	56	15,272	15,391	-0.8%
Deferred outflows of resources	481	---	16	---	497	---	100.0%
Long-term liabilities	8,623	7,189	61	---	8,684	7,189	20.8%
Other liabilities	132	287	4	3	136	290	-53.1%
Total liabilities	8,755	7,476	65	3	8,820	7,479	17.9%
Deferred inflows of resources	3,625	2,755	23	---	3,648	2,755	32.4%
Net position:							
Net investment in capital assets	3,071	2,722	14	1	3,085	2,723	13.3%
Restricted	1,193	1,229	---	---	1,193	1,229	-2.9%
Unrestricted	(969)	1,153	(8)	52	(977)	1,205	-181.1%
Total net position	\$3,295	5,104	6	53	3,301	5,157	-36.0%

The District's total net position decreased 36%, or approximately \$1,856,000 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 decreased approximately \$36,000 or 2.9% from the prior year. The decrease was primarily a result of the decrease in net position of the Capital Projects Fund.

Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased approximately \$2,182,000, or 181.1%. This reduction in unrestricted net position was a result of the District's net pension liability and pension expense recorded in the current year.

Governmental Accounting Standards board Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27 was implemented during fiscal year 2015. The beginning net position as of July 1, 2014 for governmental activities and business type activities were restated by \$2,202,183 and \$72,664, respectively, to retroactively report the net pension liability as of June 30, 2013, and deferred outflows of resources related to contributions made after June 30, 2013 but prior to July 1, 2014. Fiscal year 2013 and 2014 financial statement amounts for net pension liabilities, pension expense, deferred outflows of resources and deferred inflows of resources were not restated because the information was not available. In the past, pension expense was the amount of the employer contribution. Current reporting provides a more comprehensive measure of pension expense which is more reflective of the amounts employees earn during the year.

Figure A-4 shows the changes in net position for the year ended June 30, 2015 compared to the year ended June 30, 2014.

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

	Governmental Activities		Business Type Activities		Total District		Total Change 2014-2015
	2015	2014	2015	2014	2015	2014	
	(Not restated)	(Not restated)	(Not restated)	(Not restated)	(Not restated)	(Not restated)	
Revenues:							
Program revenues:							
Charges for service	\$ 635	659	114	114	749	773	-3.1%
Operating grants, contributions and restricted interest	879	847	181	172	1,060	1,019	4.0%
Capital grants, contributions and restricted interest	---	---	15	---	15	---	100.0%
General revenues:							
Property tax	2,764	2,692	---	---	2,764	2,692	2.7%
Statewide sales, services and use tax	453	402	---	---	453	402	12.7%
Income surtax	186	188	---	---	186	188	-1.1%
Unrestricted state grants	1,783	1,679	---	---	1,783	1,679	6.2%
Unrestricted investment earnings	8	13	---	---	8	13	-38.5%
Other	100	84	---	---	100	84	19.0%
Sale of fixed assets	1	---	---	---	1	---	100.0%
Total revenues	<u>6,809</u>	<u>6,564</u>	<u>310</u>	<u>286</u>	<u>7,119</u>	<u>6,850</u>	<u>3.9%</u>

Program expenses:							
Instruction	3,504	3,550	---	---	3,504	3,550	-1.3%
Support services	1,961	1,874	1	1	1,962	1,875	4.6%
Non-instructional programs	---	---	283	282	283	282	0.4%
Other expenses	<u>956</u>	<u>610</u>	<u>---</u>	<u>---</u>	<u>956</u>	<u>610</u>	<u>56.7%</u>
Total expenses	<u>6,421</u>	<u>6,034</u>	<u>284</u>	<u>283</u>	<u>6,705</u>	<u>6,317</u>	<u>6.1%</u>
Transfers	<u>5</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>5</u>	<u>---</u>	<u>100.0%</u>
Change in net position	393	530	26	3	419	533	-21.4%
Net position beginning of year, as restated	<u>2,902</u>	<u>4,574</u>	<u>(20)</u>	<u>50</u>	<u>2,882</u>	<u>4,624</u>	<u>-37.7%</u>
Net position end of year	<u>\$ 3,295</u>	<u>5,104</u>	<u>6</u>	<u>53</u>	<u>3,301</u>	<u>5,157</u>	<u>-36.0%</u>

In fiscal year 2015, property tax and unrestricted state grants accounted for 66.8% of governmental activities revenues while charges for service and operating grants, contributions and restricted interest accounted for 95.2% of business type activities revenue. The District's total revenues were approximately \$7.1 million, of which approximately 6.8 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 3.9% increase in revenues and a 6.1% increase in expenses. Property tax increased approximately \$72,000 to fund the increase in expenses. The increase in expenses is related to increases in negotiated salaries and benefits.

Governmental Activities

Revenues for governmental activities were \$6,809,316 and expenses were \$6,421,546 for the year ended June 30, 2015.

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, 2015 compared to the year ended June 30, 2014.

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

	Total Cost of Services			Net Cost of Services		
	2015	2014 (Not restated)	Change 2014-2015	2015	2014 (Not restated)	Change 2014-2015
Instruction	3,504	3,550	-1.3%	2,304	2,316	-0.5%
Support services	1,961	1,874	4.6%	1,848	1,788	3.4%
Non-instructional programs	---	---	0.0%	---	---	0.0%
Other expenses	<u>956</u>	<u>610</u>	<u>56.7%</u>	<u>755</u>	<u>424</u>	<u>78.1%</u>
Total	<u>6,421</u>	<u>6,034</u>	<u>6.4%</u>	<u>4,907</u>	<u>4,528</u>	<u>8.4%</u>

For the year ended June 30, 2015:

- The cost financed by users of the District's programs was \$634,849.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$879,466.
- The net cost of governmental activities was financed with \$3,404,008 in property and other taxes and \$1,783,056 in unrestricted state grants.

Business Type Activities

Revenues for business type activities during the year ended June 30, 2015 were \$309,494, representing an 8.2% increase over the prior year, while expenses totaled \$283,791, a 0.2% 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 \$2,100,122, below last year's ending fund balances of \$2,902,051. However, the primary reason for the decrease in combined fund balances at the end of fiscal year 2015 is due to expenditures for the building addition construction project.

Governmental Fund Highlights

- The General Fund balance decreased from \$1,333,785 to \$1,270,994.
- The Debt Service Fund balance increased from \$556 at the end of fiscal year 2014 to \$8,115 at the end of fiscal year 2015. Revenues and expenditures did not vary significantly from the prior year.
- The Capital Projects Fund balance decreased from \$1,285,181 at the end of fiscal year 2014 to \$509,576 at the end of fiscal year 2015. This was due to current year construction expenditures.

Proprietary Fund Highlights

School Nutrition Fund net position increased from a deficit of \$21,804 at June 30, 2014 to \$2,014 at June 30, 2015, representing an increase of approximately 109%.

The Entrepreneurship Fund net position increased from \$2,078 at June 30, 2014 to \$3,963 at June 30, 2015, representing an increase of approximately 91%.

BUDGETARY HIGHLIGHTS

Over the course of the year, Newell-Fonda Community School District did not amend its budget.

The District's total revenues were \$43,854 less than budgeted revenues, a variance of 0.6%.

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

In spite of the District's budgetary practice, the certified budget was exceeded in the other expenditures functional area due to underestimating expenditures by \$292,522.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2015, the District had invested approximately \$9.8 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 6.5% from last year. More detailed information about the District's capital assets is presented in Note 4 to the financial statements. Depreciation expense for the year was \$426,269.

The original cost of the District's capital assets was approximately \$12.4 million. Governmental funds account for approximately \$12.4 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 buildings category as the building addition project was finished this year.

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

	Governmental		Business Type		Total		Total
	Activities		Activities		District		Change
	June 30,		June 30,		June 30,		June 30,
	2015	2014	2015	2014	2015	2014	2014-2015
Land	\$ 5	2	-	-	5	2	150.0%
Construction in progress	-	5,845	-	-	-	5,845	-100.0%
Buildings	8,943	2,724	-	-	8,943	2,724	228.3%
Improvements other than buildings	40	20	-	-	40	20	100.0%
Furniture and equipment	803	605	14	1	817	606	34.8%
Total	\$ 9,791	9,196	14	1	9,805	9,197	6.6%

Long-Term Debt

At June 30, 2015, the District had \$6,764,215 in total long-term debt outstanding. This represents a decrease of approximately 5.8% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 5 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 \$20 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, 2015 of \$6,604,641 which includes a bond premium of \$84,641.

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

	Total		Total
	District		Change
	June 30,		June 30,
	2015	2014	2014-2015
General obligation bonds	\$ 6,605	6,929	-4.7%
Computer lease payable	115	170	-32.4%
Compensated absences	13	31	-58.1%
Early retirement payable	31	54	-42.6%
Total	\$ 6,764	7,184	-5.8%

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 2015, the final phase of the construction project was completed. The bond funds were all expended as this project reached final completion. The board and the new superintendent plan on developing a 10 year plan for continuing to upgrade and improve facilities. For 2016, the west side of the building will undergo a facelift, and new football and track facilities and a performing arts center are future projects being considered. The board will be looking at bonding against future sales tax revenues to fund these projects
- 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 arts, music and speech allocations are being considered for use in the performing arts center and classroom upgrades are being planned.
- The Iowa legislature has continued the operational sharing incentive funding for fiscal year 2016. The District is continuing to take advantage of opportunities for operational sharing with a neighboring district. For 2016, 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 once again be shared in fiscal year 2016, which will not produce increased funding, but instead will offer cost savings for those positions.
- The District continues to experience an increased need for services to At Risk and ELL students. These needs are continually being assessed and monitored for additional services that may need to be provided. Therefore, it is anticipated that the Dropout Prevention budget could possibly increase in 2016 and beyond.
- Enrollment numbers decreased by 17 students from fiscal year 2014 to fiscal year 2015, which will result in a significant decrease in state revenue. However, the District anticipates an increase in enrollment for fiscal year 2016 resulting in increased 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 District 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.
- In light of the need for daycare facilities, the District purchased the local daycare building located adjacent to the school, and will operate a before/after school program in 2016. The District will weigh options during 2016 with plans to start a full-day daycare facility in the near future. This should attract young families to our District in the future.

- 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 completed the asbestos abatement and demolition of the middle school building in Fonda during fiscal year 2015. The property was then donated to the City of Fonda, which should reduce costs. Projects to be paid for in 2016 are a bus barn addition, new dugouts, press boxes and fencing at the baseball and softball complexes, and the purchase of a double lot next to the football field. These purchases will enhance our outdoor athletic facilities and provide options for the District in the future.

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, 2015

	Governmental Activities	Business Type Activities	Total	Component Unit Newell-Fonda Music Boosters
Assets				
Cash and cash equivalents	\$ 2,129,568	50,329	2,179,897	25,498
Receivables:				
Property tax:				
Delinquent	16,793	-	16,793	-
Succeeding year	2,920,767	-	2,920,767	-
Accounts	1,597	7,303	8,900	-
Due from other governments	316,589	-	316,589	-
Inventories	-	6,163	6,163	-
Prepaid expenses	18,014	-	18,014	-
Capital assets, net of accumulated depreciation	9,790,634	14,345	9,804,979	-
Total assets	<u>15,193,962</u>	<u>78,140</u>	<u>15,272,102</u>	<u>25,498</u>
Deferred Outflows of Resources				
Pension related deferred outflows	481,136	15,876	497,012	-
Liabilities				
Accounts payable	64,128	638	64,766	-
Early retirement payable	1,748	-	1,748	-
Salaries and benefits payable	36,919	-	36,919	-
Unearned revenue	-	3,246	3,246	-
Accrued interest payable	29,622	-	29,622	-
Long-term liabilities:				
Portion due within one year:				
General obligation bonds	325,000	-	325,000	-
Computer lease payable	56,675	-	56,675	-
Early retirement payable	8,736	-	8,736	-
Compensated absences	13,049	-	13,049	-
Portion due after one year:				
General obligation bonds	6,195,000	-	6,195,000	-
Bond premium	84,641	-	84,641	-
Computer lease payable	58,532	-	58,532	-
Early retirement payable	22,582	-	22,582	-
Net pension liability	1,846,280	60,922	1,907,202	-
Net OPEB liability	12,079	-	12,079	-
Total liabilities	<u>8,754,991</u>	<u>64,806</u>	<u>8,819,797</u>	<u>-</u>
Deferred Inflows of Resources				
Unavailable property tax revenue	2,920,767	-	2,920,767	-
Pension related deferred inflows	704,119	23,233	727,352	-
Total deferred inflows of resources	<u>3,624,886</u>	<u>23,233</u>	<u>3,648,119</u>	<u>-</u>

Statement of Net Position

June 30, 2015

	Governmental Activities	Business Type Activities	Total	Component Unit Newell-Fonda Music Boosters
Net Position				
Net investment in capital assets	3,070,786	14,345	3,085,131	-
Restricted for:				
Categorical funding	403,423	-	403,423	-
Management levy purposes	182,235	-	182,235	-
Physical plant and equipment	97,440	-	97,440	-
School infrastructure	412,136	-	412,136	-
Student activities	97,884	-	97,884	-
Music Booster purposes	-	-	-	25,498
Unrestricted	(968,683)	(8,368)	(977,051)	-
Total net position	\$ 3,295,221	5,977	3,301,198	25,498

See notes to financial statements.

Newell-Fonda Community School District
Newell, Iowa
Statement of Activities
Year ended June 30, 2015

	<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	\$ 2,248,107	269,907	431,905	-
Special instruction	348,964	10,516	90,447	-
Other instruction	907,642	251,473	146,597	-
	<u>3,504,713</u>	<u>531,896</u>	<u>668,949</u>	<u>-</u>
Support services:				
Student	192,559	-	4,890	-
Instructional staff	298,623	15,343	676	-
Administration	733,215	60,591	1,226	-
Operation and maintenance of plant	418,445	14,487	-	-
Transportation	318,002	12,532	2,656	-
	<u>1,960,844</u>	<u>102,953</u>	<u>9,448</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	283,711	-	-	-
Long-term debt interest	179,238	-	-	-
AEA flowthrough	201,069	-	201,069	-
Depreciation (unallocated)*	291,971	-	-	-
	<u>955,989</u>	<u>-</u>	<u>201,069</u>	<u>-</u>
Total governmental activities	<u>6,421,546</u>	<u>634,849</u>	<u>879,466</u>	<u>-</u>
Business type activities:				
Support services:				
Administration	453	-	-	-
Operation and maintenance of plant	186	-	-	-
Non-instructional programs:				
Food service operations	272,718	101,001	181,137	14,878
Entrepreneurship	10,434	12,306	-	-
Total business type activities	<u>283,791</u>	<u>113,307</u>	<u>181,137</u>	<u>14,878</u>
Total	<u>6,705,337</u>	<u>748,156</u>	<u>1,060,603</u>	<u>14,878</u>
Component Unit:				
Music Boosters	21,878	28,835	-	-
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				
Sale of fixed assets				
Transfers				
Total general revenues				
Change in net position				
Net position beginning of year, as restated				
Net position end of year				

* This amount excludes the depreciation 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
(1,546,295)	-	(1,546,295)	-
(248,001)	-	(248,001)	-
(509,572)	-	(509,572)	-
<u>(2,303,868)</u>	<u>-</u>	<u>(2,303,868)</u>	<u>-</u>
(187,669)	-	(187,669)	-
(282,604)	-	(282,604)	-
(671,398)	-	(671,398)	-
(403,958)	-	(403,958)	-
(302,814)	-	(302,814)	-
<u>(1,848,443)</u>	<u>-</u>	<u>(1,848,443)</u>	<u>-</u>
(283,711)	-	(283,711)	-
(179,238)	-	(179,238)	-
-	-	-	-
(291,971)	-	(291,971)	-
(754,920)	-	(754,920)	-
<u>(4,907,231)</u>	<u>-</u>	<u>(4,907,231)</u>	<u>-</u>
-	(453)	(453)	-
-	(186)	(186)	-
-	24,298	24,298	-
-	1,872	1,872	-
-	25,531	25,531	-
<u>(4,907,231)</u>	<u>25,531</u>	<u>(4,881,700)</u>	<u>-</u>
-	-	-	6,957
2,088,572	-	2,088,572	-
501,712	-	501,712	-
174,079	-	174,079	-
186,178	-	186,178	-
453,467	-	453,467	-
1,783,056	-	1,783,056	-
8,008	172	8,180	-
99,878	-	99,878	-
51	-	51	-
5,348	-	5,348	-
<u>5,300,349</u>	<u>172</u>	<u>5,300,521</u>	<u>-</u>
393,118	25,703	418,821	6,957
2,902,103	(19,726)	2,882,377	18,541
<u>\$ 3,295,221</u>	<u>5,977</u>	<u>3,301,198</u>	<u>25,498</u>

Newell-Fonda Community School District
Newell, Iowa

Exhibit C

Balance Sheet
Governmental Funds

June 30, 2015

	<u>General</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Assets					
Cash and cash equivalents	\$ 1,284,101	442,142	5,070	292,232	2,023,545
Receivables:					
Property tax:					
Delinquent	11,349	1,057	3,045	1,342	16,793
Succeeding year	2,044,674	175,542	500,550	200,001	2,920,767
Accounts	-	-	-	1,597	1,597
Due from other governments	245,881	70,708	-	-	316,589
Prepaid expenditures	-	-	-	18,014	18,014
Total assets	<u>\$ 3,586,005</u>	<u>689,449</u>	<u>508,665</u>	<u>513,186</u>	<u>5,297,305</u>
 Liabilities, Deferred Inflows of Resources and Fund Balances					
Liabilities:					
Accounts payable	\$ 59,797	4,331	-	-	64,128
Salaries and benefits payable	36,919	-	-	-	36,919
Early retirement payable	-	-	-	1,748	1,748
Total liabilities	<u>96,716</u>	<u>4,331</u>	<u>-</u>	<u>1,748</u>	<u>102,795</u>
Deferred inflows of resources:					
Unavailable revenues:					
Succeeding year property tax	2,044,674	175,542	500,550	200,001	2,920,767
Income surtax	173,621	-	-	-	173,621
Total deferred inflows of resources	<u>2,218,295</u>	<u>175,542</u>	<u>500,550</u>	<u>200,001</u>	<u>3,094,388</u>
Fund balances:					
Restricted for:					
Categorical funding	403,423	-	-	-	403,423
Debt service	-	-	8,115	-	8,115
Management levy purposes	-	-	-	213,553	213,553
Student activities	-	-	-	97,884	97,884
School infrastructure	-	412,136	-	-	412,136
Physical plant and equipment	-	97,440	-	-	97,440
Unassigned	867,571	-	-	-	867,571
Total fund balances	<u>1,270,994</u>	<u>509,576</u>	<u>8,115</u>	<u>311,437</u>	<u>2,100,122</u>
 Total liabilities, deferred inflows of resources and fund balances	 <u>\$ 3,586,005</u>	 <u>689,449</u>	 <u>508,665</u>	 <u>513,186</u>	 <u>5,297,305</u>

See notes to financial statements.

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

June 30, 2015

Total fund balances of governmental funds (page 23)			\$ 2,100,122
<i>Amounts reported for governmental activities in the Statement of Net Position are different because:</i>			
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.			9,790,634
Other long-term assets are not available to pay current year expenditures and, therefore, are recognized as deferred inflows of resources in the governmental funds.			173,621
Accrued interest payable on long-term liabilities is not due and payable in the current year and, therefore, is not reported as a liability in the governmental funds.			(29,622)
Pension related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental funds, as follows:			
Deferred outflows of resources	481,136		
Deferred inflows of resources	<u>(704,119)</u>	(222,983)	
Long-term liabilities, including bonds and notes payable, compensated absences, termination benefits, lease obligations, other postemployment benefits payable and net pension liability, are not due and payable in the current year and therefore, are not reported in the governmental funds.			(8,622,574)
An internal service fund is used by the District to charge costs of the medical deductible reimbursement plan and the employee flexible benefit program to the individual funds. The assets and liabilities of the internal service fund are included with governmental activities.			<u>106,023</u>
Net position of governmental activities (page 19)			<u>\$ 3,295,221</u>

See notes to financial statements.

Newell-Fonda Community School District
Newell, Iowa

Exhibit E

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year ended June 30, 2015

	<u>General</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Revenues:					
Local sources:					
Local tax	\$ 2,026,936	174,079	501,712	220,760	2,923,487
Tuition	233,854	-	-	-	233,854
Other	220,845	24,441	288	263,307	508,881
State sources	2,415,055	455,725	6,509	2,869	2,880,158
Federal sources	235,831	-	-	-	235,831
Total revenues	<u>5,132,521</u>	<u>654,245</u>	<u>508,509</u>	<u>486,936</u>	<u>6,782,211</u>
Expenditures:					
Current:					
Instruction:					
Regular	2,303,192	50,733	-	23,015	2,376,940
Special	359,058	-	-	-	359,058
Other	649,760	-	-	273,778	923,538
	<u>3,312,010</u>	<u>50,733</u>	<u>-</u>	<u>296,793</u>	<u>3,659,536</u>
Support services:					
Student	197,513	-	-	-	197,513
Instructional staff	214,498	15,145	-	-	229,643
Administration	660,327	17,575	-	90,877	768,779
Operation and maintenance of plant	361,169	19,935	-	49,603	430,707
Transportation	249,777	91,377	-	21,255	362,409
	<u>1,683,284</u>	<u>144,032</u>	<u>-</u>	<u>161,735</u>	<u>1,989,051</u>
Other expenditures:					
Facilities acquisition	-	1,179,968	-	-	1,179,968
Long-term debt:					
Principal	-	-	374,875	-	374,875
Interest and fiscal charges	-	-	186,040	-	186,040
AEA flowthrough	201,069	-	-	-	201,069
	<u>201,069</u>	<u>1,179,968</u>	<u>560,915</u>	<u>-</u>	<u>1,941,952</u>
Total expenditures	<u>5,196,363</u>	<u>1,374,733</u>	<u>560,915</u>	<u>458,528</u>	<u>7,590,539</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(63,842)</u>	<u>(720,488)</u>	<u>(52,406)</u>	<u>28,408</u>	<u>(808,328)</u>
Other financing sources (uses):					
Sale of assets	1,051	-	-	-	1,051
Operating transfers in	-	4,848	59,965	500	65,313
Operating transfers out	-	(59,965)	-	-	(59,965)
Total other financing sources (uses)	<u>1,051</u>	<u>(55,117)</u>	<u>59,965</u>	<u>500</u>	<u>6,399</u>
Change in fund balances	(62,791)	(775,605)	7,559	28,908	(801,929)
Fund balances beginning of year	<u>1,333,785</u>	<u>1,285,181</u>	<u>556</u>	<u>282,529</u>	<u>2,902,051</u>
Fund balances end of year	<u>\$ 1,270,994</u>	<u>509,576</u>	<u>8,115</u>	<u>311,437</u>	<u>2,100,122</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, 2015

Change in fund balances - total governmental funds (page 24) \$ (801,929)

*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	1,020,971	
Depreciation	(424,768)	
Loss on sale of fixed assets	<u>(1,000)</u>	595,203

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. 27,054

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 repayments are as follows:

Repaid	<u>374,875</u>	374,875
--------	----------------	---------

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. 1,798

The current year District employer share of IPERS contributions are reported as expenditures in the governmental funds, but are reported as a deferred outflow of resources in the Statement of Net Position. 132,920

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	5,004	
Early retirement	22,517	
Compensated absences	17,839	
Other postemployment benefits	<u>(7,033)</u>	38,327

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

Year ended June 30, 2015

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.

24,870

Change in net position of governmental activities (page 21)

\$ 393,118

See notes to financial statements.

Newell-Fonda Community School District
Newell, Iowa

Exhibit G

Statement of Net Position
Proprietary Fund

June 30, 2015

	Nonmajor Enterprise Funds	Governmental Activities - Internal Service Fund
Assets		
Current assets:		
Cash and cash equivalents	\$ 50,329	106,023
Accounts receivable	7,303	-
Inventories	6,163	-
Total current assets	<u>63,795</u>	<u>106,023</u>
Noncurrent assets:		
Capital assets, net of accumulated depreciation	<u>14,345</u>	<u>-</u>
Total noncurrent assets	<u>14,345</u>	<u>-</u>
Total assets	<u>78,140</u>	<u>106,023</u>
Deferred Outflows of Resources		
Pension related deferred outflows	<u>15,876</u>	<u>-</u>
Liabilities		
Current liabilities:		
Accounts payable	638	-
Unearned revenue	3,246	-
Total current liabilities	<u>3,884</u>	<u>-</u>
Noncurrent liabilities:		
Net pension liability	<u>60,922</u>	<u>-</u>
Total noncurrent liabilities	<u>60,922</u>	<u>-</u>
Total liabilities	<u>64,806</u>	<u>-</u>

Newell-Fonda Community School District
Newell, Iowa

Exhibit G
(continued)

Statement of Net Position
Proprietary Fund

June 30, 2015

	Nonmajor Enterprise <u>Funds</u>	Governmental Activities - Internal <u>Service Fund</u>
Deferred Inflows of Resources		
Pension related deferred inflows	<u>23,233</u>	<u>-</u>
Net Position		
Net investment in capital assets	14,345	-
Unrestricted	<u>(8,368)</u>	<u>106,023</u>
Total net position	<u>\$ 5,977</u>	<u>106,023</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, 2015

	Nonmajor Enterprise Funds	Governmental Activities - Internal Service Fund
Operating revenues:		
Local sources:		
Charges for service	\$ 100,246	34,607
Miscellaneous	13,061	-
Total operating revenues	<u>113,307</u>	<u>34,607</u>
Operating expenses:		
Support services:		
Administration	453	9,784
Operation and maintenance of plant	186	-
	<u>639</u>	<u>9,784</u>
Non-instructional programs:		
Salaries	108,429	-
Benefits	13,532	-
Purchased services	55	-
Supplies	159,635	-
Depreciation	1,501	-
	<u>283,152</u>	<u>-</u>
Total operating expenses	<u>283,791</u>	<u>9,784</u>
Operating income (loss)	<u>(170,484)</u>	<u>24,823</u>
Non-operating revenues:		
State sources	2,550	-
Federal sources	178,587	-
Interest income	172	47
Total non-operating revenues	<u>181,309</u>	<u>47</u>
Income before capital asset contributions	10,825	24,870
Capital asset contributions	<u>14,878</u>	<u>-</u>
Increase in net position	25,703	24,870
Net position beginning of year, as restated	<u>(19,726)</u>	<u>81,153</u>
Net position end of year	<u>\$ 5,977</u>	<u>106,023</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, 2015

	Nonmajor Enterprise Funds	Governmental Activities - Internal Service Fund
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 108,475	-
Cash received from other services	13,061	34,607
Cash paid to employees for services	(126,348)	(9,784)
Cash paid to suppliers for goods or services	<u>(148,630)</u>	<u>-</u>
Net cash used by operating activities	<u>(153,442)</u>	<u>24,823</u>
Cash flows from non-capital financing activities:		
State grants received	2,550	-
Federal grants received	<u>165,195</u>	<u>-</u>
Net cash provided by non-capital financing activities	<u>167,745</u>	<u>-</u>
Cash flows from investing activities:		
Interest on investments	<u>172</u>	<u>47</u>
Net increase in cash and cash equivalents	14,475	24,870
Cash and cash equivalents beginning of year	<u>35,854</u>	<u>81,153</u>
Cash and cash equivalents end of year	<u>\$ 50,329</u>	<u>106,023</u>

(continued)

Newell-Fonda Community School District
Newell, Iowa

Exhibit I
(continued)

Statement of Cash Flows
Proprietary Fund

Year ended June 30, 2015

	Nonmajor Enterprise Funds	Governmental Activities - Internal Service Fund
Reconciliation of operating income (loss) to net cash used by operating activities:		
Operating income (loss)	\$ (170,484)	24,823
Adjustments to reconcile operating income (loss) to net cash used by operating activities:		
Commodities used	13,392	-
Depreciation	1,501	-
Decrease in accounts receivable	7,830	-
(Increase) in inventories	(2,331)	-
Increase in accounts payable	638	-
(Decrease) in net pension liability	(20,720)	-
(Increase) in deferred outflows of resources	(6,900)	-
Increase in deferred inflows of resources	23,233	-
Increase in unearned revenue	399	-
Net cash used by operating activities	<u>\$ (153,442)</u>	<u>24,823</u>

Non-cash investing, capital and related financing activities:

During the year ended June 30, 2015, the District received \$13,392 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, 2015

	Private Purpose Trust	
	<u>Scholarship</u>	<u>Agency</u>
Assets		
Cash, cash equivalents and investments	\$ 415,083	<u>29,517</u>
Total assets	<u>415,083</u>	<u>29,517</u>
Liabilities		
Other payables	<u>-</u>	<u>29,517</u>
Total liabilities	<u>-</u>	<u>29,517</u>
Net Position		
Reserved for:		
Scholarships	171,715	-
Athletics	1,248	-
Music	58,550	-
Art	93,247	-
Speech	<u>90,323</u>	<u>-</u>
	<u>\$ 415,083</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, 2015

	<u>Private Purpose Trust Scholarship</u>
Additions:	
Local sources:	
Gifts and contributions	\$ 5,255
Interest income	<u>841</u>
Total additions	6,096
Deductions:	
Instruction:	
Regular:	
Scholarships awarded	<u>1,300</u>
Other financing uses:	
Transfer out	<u>(5,348)</u>
Change in net position	10,144
Net position beginning of year	<u>415,635</u>
Net position end of year	<u>\$ 425,779</u>

See notes to financial statements.

Newell-Fonda Community School District
Newell, Iowa

Notes to Financial Statements

June 30, 2015

(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 and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the cities of 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, 2015

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/amortization 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 are 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, 2015

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, 2015

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.

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.

Newell-Fonda Community School District
Newell, Iowa

Notes to Financial Statements

June 30, 2015

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 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.

Newell-Fonda Community School District
Newell, Iowa

Notes to Financial Statements

June 30, 2015

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Equity

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

Cash, Cash Equivalents and Investments – 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 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, 2013 assessed property valuations; is for the tax accrual period July 1, 2014 through June 30, 2015 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2014.

Newell-Fonda Community School District
Newell, Iowa

Notes to Financial Statements

June 30, 2015

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.

<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	5-15 Years

Newell-Fonda Community School District
Newell, Iowa

Notes to Financial Statements

June 30, 2015

Deferred Outflows of Resources – Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense and contributions from the employer after the measurement date but before the end of the employer's reporting period.

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.

Advances from Grantors – Grant proceeds which have been received by the District but will be spent in a succeeding fiscal year.

Unearned Revenues – Unearned revenues are monies collected for lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The lunch account balances are reflected on the Statement of Net Position in the Proprietary, School Nutrition Fund.

Compensated Absences – District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. 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, 2015. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

Long-Term Liabilities – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Position.

Newell-Fonda Community School District
Newell, Iowa

Notes to Financial Statements

June 30, 2015

Pensions – For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Iowa Public Employees' Retirement System (IPERS) and additions to/deductions from IPERS' fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Inflows of Resources – Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. 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 consist of succeeding year property tax receivables that will not be recognized until the year for which it is levied and the unamortized portion of the net difference between projected and actual earnings on pension plan investments.

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 are imposed by law through constitutional provisions or enabling legislation.

Unassigned – All amounts not included in the preceding classification.

Newell-Fonda Community School District
Newell, Iowa

Notes to Financial Statements

June 30, 2015

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2015, expenditures exceeded the amounts budgeted in the other expenditures function.

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

The District's deposits in banks at June 30, 2015 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 investments in certificates of deposit at June 30, 2015.

(3) **Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2015 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Special Revenue:		
Student Activity	Private Purpose Trust	\$ 500
Capital Projects	Private Purpose Trust	4,848
Debt Service	Capital Projects	<u>59,965</u>
Total		<u>\$ 65,313</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, 2015

(4) Capital Assets

Capital assets activity for the year ended June 30, 2015 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 2,000	3,756	(1,000)	4,756
Construction in progress	<u>5,844,632</u>	<u>427,594</u>	<u>(6,272,226)</u>	<u>---</u>
Total capital assets not being depreciated	<u>5,846,632</u>	<u>431,350</u>	<u>(6,273,226)</u>	<u>4,756</u>
Capital assets being depreciated:				
Buildings	3,791,771	6,494,008	(57,000)	10,228,779
Improvements other than buildings	21,624	22,023	---	43,647
Furniture and equipment	<u>1,997,146</u>	<u>345,815</u>	<u>(284,896)</u>	<u>2,058,065</u>
Total capital assets being depreciated	<u>5,810,541</u>	<u>6,861,846</u>	<u>(341,896)</u>	<u>12,330,491</u>
Less accumulated depreciation for:				
Buildings	1,116,132	226,777	(57,000)	1,285,909
Improvements other than buildings	1,610	2,457	---	4,067
Furniture and equipment	<u>1,344,000</u>	<u>195,533</u>	<u>(284,896)</u>	<u>1,254,637</u>
Total accumulated depreciation	<u>2,461,742</u>	<u>424,767</u>	<u>(341,896)</u>	<u>2,544,613</u>
Total capital assets being depreciated, net	<u>3,348,799</u>	<u>6,437,079</u>	<u>---</u>	<u>9,785,878</u>
Governmental activities capital assets, net	<u>\$ 9,195,431</u>	<u>6,868,429</u>	<u>(6,273,226)</u>	<u>9,790,634</u>
Business type activities:				
Furniture and equipment	\$ 25,513	14,878	---	40,391
Less accumulated depreciation	<u>24,545</u>	<u>1,501</u>	<u>---</u>	<u>26,046</u>
Business type activities capital assets, net	<u>\$ 968</u>	<u>13,377</u>	<u>---</u>	<u>14,345</u>

Newell-Fonda Community School District
Newell, Iowa

Notes to Financial Statements

June 30, 2015

Depreciation expense was charged to the following functions:

Governmental activities:		
Instruction:		
Regular	\$	2,417
Other		2,148
Support services:		
Instructional staff		74,394
Operation and maintenance of plant		1,000
Transportation		<u>52,838</u>
		132,797
Unallocated		<u>291,971</u>
Total depreciation expense – governmental activities		<u>424,768</u>
Business type activities:		
Food service operations	\$	<u>1,501</u>

(5) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2015 are summarized as follows:

	Balance Beginning of Year <u>Restated</u>	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 6,929,645	---	325,004	6,604,641 (1)	325,000
Computer lease payable – 2012	170,082	---	54,875	115,207	56,675
Compensated absences	30,888	---	17,839	13,049	13,049
Early retirement	53,835	---	22,517	31,318	8,736
Net pension liability	2,474,216	---	627,936	1,846,280	---
Net OPEB liability	<u>5,046</u>	<u>7,033</u>	<u>---</u>	<u>12,079</u>	<u>---</u>
Total	<u>\$ 9,663,712</u>	<u>7,033</u>	<u>1,048,171</u>	<u>8,622,574</u>	<u>403,460</u>

(1) Bonds were sold at a premium, unamortized premium at June 30, 2015 totaled \$84,641.

	Balance Beginning of Year <u>Restated</u>	Additions	Reductions	Balance End of Year	Due Within One Year
Business type activities:					
Net pension liability	<u>\$81,642</u>	<u>---</u>	<u>20,720</u>	<u>60,922</u>	<u>---</u>

Newell-Fonda Community School District
Newell, Iowa

Notes to Financial Statements

June 30, 2015

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.

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 made 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, 2015, the District has obligations to two participants with a total liability of \$31,318. Actual early retirement expenditures for the year ended June 30, 2015 totaled \$22,146.

Newell-Fonda Community School District
Newell, Iowa

Notes to Financial Statements

June 30, 2015

General Obligation Refunding Bonds

Details of the District's June 30, 2015, general obligation bonded indebtedness are as follows:

Year Ending <u>June 30,</u>	<u>Bond Issue of July 10, 2012</u>			
	<u>Interest Rates</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	2.00	355,000	146,550	501,550
2021-2025	2.50-3.00	1,900,000	600,800	2,500,800
2026-2030	3.00	2,190,000	310,650	2,500,650
2031-2032	3.00	<u>730,000</u>	<u>29,400</u>	<u>759,400</u>
Total		<u>\$ 6,520,000</u>	<u>1,739,900</u>	<u>8,259,900</u>

Capital Lease Purchases

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, 2015:

<u>Year Ending June 30,</u>	<u>Amount</u>
2016	59,965
2017	<u>59,965</u>
Total minimum lease payments	119,930
Less amount representing interest	<u>(4,723)</u>
Net present value of minimum lease payments	<u>\$ 115,207</u>

Payments under the agreement totaled \$59,965 for the year ended June 30, 2015.

Newell-Fonda Community School District
Newell, Iowa

Notes to Financial Statements

June 30, 2015

(6) Pension Plan

Plan Description – IPERS membership is mandatory for employees of the District, except for those covered by another retirement system. Employees of the District are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive, P.O. Box 9117, Des Moines, Iowa, 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits – A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, anytime after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. (These qualifications must be met on the member's first month of entitlement of benefits.) Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier (based on years of service)
- The member's highest five-year average salary. (For members with service before June 30, 2012, the highest three-year average salary as of the date will be used if it is greater than the highest five-year average salary.)

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 12, 2012, the reduction is 0.25 percent for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012 the reduction is 0.50 percent for each month that the member receives benefits before age 65.

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Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits – A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions – Effective July 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2015, pursuant to the required rate, Regular members contributed 5.95 percent of pay and the District contributed 8.93 percent for a total rate of 14.88 percent.

The District's contributions to IPERS for the year ended June 30, 2015 were \$301,293.

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2015 the District reported a liability of \$1,907,202 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of

Newell-Fonda Community School District
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Notes to Financial Statements

June 30, 2015

contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2014, the District's collective proportion was 0.048090 percent, which was an increase of 0.003576 from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the District recognized pension expense of \$163,986. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 20,728	\$ -
Changes of assumptions	84,169	-
Net difference between projected and actual earnings on pension plan investments	-	727,352
Changes in proportion and differences between District contributions and proportionate share of contributions	90,822	-
District contributions subsequent to the measurement date	<u>301,293</u>	<u>-</u>
Total	<u>\$ 497,012</u>	<u>\$ 727,352</u>

\$301,293 reported as deferred outflows of resources related to pensions resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	
2016	\$ (136,109)
2017	(136,109)
2018	(136,109)
2019	(136,109)
2020	<u>12,803</u>
Total	<u>\$ (531,633)</u>

There were no non-employer contributing entities at IPERS.

Newell-Fonda Community School District
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Actuarial Assumptions – The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of Inflation (effective June 30, 2014)	3.00 percent per annum
Rates of salary increase (effective June 30, 2010)	4.00 to 17.00 percent, average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 1996)	7.50 percent, compounded annually, net investment expense, including inflation

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Asset Allocations</u>	<u>Long-Term Expected Real Rate Return</u>
US Equity	23%	6.31
Non US Equity	15	6.76
Private Equity	13	11.34
Real Estate	8	3.52
Core Plus Fixed Income	28	2.06
Credit Opportunities	5	3.67
TIPS	5	1.92
Other Real Assets	2	6.27
Cash	1	(.069)
Total	<u>100%</u>	

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June 30, 2015

Discount Rate – The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the District will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District’s Proportionate Share of the Net Pension Liability to Changes in The Discount Rate – The following presents the District’s proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate.

	1% Decrease <u>(6.5%)</u>	Discount Rate <u>(7.5%)</u>	1% Increase <u>(8.5%)</u>
District’s proportionate share of the net pension liability	\$ 3,603,605	\$ 1,907,202	\$ 475,263

Pension Plan Fiduciary Net Position – Detailed information about the pension plan’s fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS’ website at www.ipers.org.

Payables to the Pension Plan – At June 30, 2015, the District reported no payables to the defined benefit pension plan.

(7) 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.

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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.

The following table shows the components of the District’s annual OPEB cost for the year ended June 30, 2015, 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	227
Adjustment to annual required contribution	<u>(194)</u>
Annual OPEB cost	64,033
Contributions made	<u>(57,000)</u>
Increase in net OPEB obligation	7,033
Net OPEB obligation beginning of year	<u>5,046</u>
Net OPEB obligation end of year	\$ <u><u>12,079</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, 2015.

For the year ended June 30, 2015, the District contributed \$57,000 to the medical plan. Plan members eligible for benefits contributed \$41,027, or 42% of the premium costs.

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June 30, 2015

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
2013	\$ 64,000	100.0%	\$ 7,000
2014	64,046	92.1	5,046
2015	64,033	89.0	12,079

Funded Status and Funding Progress – As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2014 through June 30, 2015, 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 \$1,991,000 and the ratio of the UAAL to covered payroll was 23.6%. As of June 30, 2015, 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.

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June 30, 2015

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.

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 \$443 per month for retirees less than 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.

(8) 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.

(9) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the Area Education Agency. The District's actual amount for this purpose totaled \$201,069 for the year ended June 30, 2015 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, 2015

(10) 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, 2015 was \$4,690. Future rentals are scheduled as follows:

Year Ending <u>June 30,</u>	
2016	4,690
2017	<u>3,518</u>
	<u>\$ 8,208</u>

(11) Categorical Funding

The District's restricted fund balance for categorical funding at June 30, 2015 is comprised of the following programs:

<u>Program</u>	<u>Amount</u>
Four-year-old preschool	\$ 267,419
Teacher Mentoring	751
Teacher salary supplement	24,807
Successful progression for early readers	29,325
Professional development – core curriculum	35,648
Professional development	24,334
Teacher leadership	6,693
English Language Literacy	100
Home school	<u>14,346</u>
Total	<u>\$ 403,423</u>

Newell-Fonda Community School District
Newell, Iowa

Notes to Financial Statements

June 30, 2015

(12) Accounting Change/Restatement

Governmental Accounting Standards Board has issued Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB No. 27 was implemented during fiscal year 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, GASB No. 68 requires a state or local government employer to recognize a net pension liability and changes in the net pension liability, deferred outflows of resources and deferred inflows of resources which arise from other types of events related to pensions. During the transition year, as permitted, beginning balances for deferred outflows of resources and deferred inflows of resources will not be reported, except for deferred outflows of resources related to contributions made after the measurement date of the beginning net pension liability which is required to be reported by Governmental Accounting Standards Board Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. Beginning net position for governmental and business type activities were restated to retroactively report the beginning net pension liability and deferred outflows of resources related to contributions made after the measurement date, as follows:

	Governmental <u>Activities</u>	Business Type <u>Activities</u>
Net position June 30, 2014, as previously reported	\$ 5,104,286	52,940
Net pension liability at June 30, 2014	(2,474,216)	(81,642)
Deferred outflows of resources related to contributions made after the June 30, 2013 measurement date	<u>272,033</u>	<u>8,976</u>
Net position July 1, 2014, as restated	\$ <u>2,902,103</u>	<u>(19,726)</u>

Newell-Fonda Community School District
Newell, Iowa

Notes to Financial Statements

June 30, 2015

(13) New Governmental Accounting Standards Board (GASB) Statements

As of June 30, 2015, GASB had issued several statements not yet required to be implemented by the District. The Statement which might impact the District is as follows:

GASB Statement No. 72, *Fair Value Measurement and Application*, issued February 2015, will be effective for the District beginning with its year ending June 30, 2016. This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

The District's management has not yet determined the effect these GASB Statements will have on the District's financial statements.

(14) Subsequent Events

Subsequent events have been evaluated through January 20, 2016, which is the date the financial statements were available to be issued.

On November 9, 2015 the Board approved the purchase of property at 103 North Clark Street, Newell, Iowa for \$47,500.

On December 22, 2015 the Board approved the west side improvement project, and authorized FEH for architect drawings to prepare the project for bids at an estimated cost of \$304,000.

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, 2015

	Governmental Funds <u>Actual</u>	Proprietary Fund <u>Actual</u>
Revenues:		
Local sources	\$ 3,666,222	113,479
State sources	2,880,158	2,550
Federal sources	<u>235,831</u>	<u>178,587</u>
Total revenues	<u>6,782,211</u>	<u>294,616</u>
Expenditures/Expenses:		
Instruction	3,659,536	-
Support services	1,989,051	639
Non-instructional programs	-	283,152
Other expenditures	<u>1,941,952</u>	<u>-</u>
Total expenditures/expenses	<u>7,590,539</u>	<u>283,791</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	(808,328)	10,825
Other financing sources, net	<u>6,399</u>	<u>14,878</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures/expenses and other financing uses	(801,929)	25,703
Balances beginning of year	<u>2,902,051</u>	<u>(19,726)</u>
Balances end of year	<u>\$ 2,100,122</u>	<u>5,977</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>	
3,779,701	4,038,424	4,038,424	(258,723)
2,882,708	2,573,257	2,573,257	309,451
<u>414,418</u>	<u>509,000</u>	<u>509,000</u>	<u>(94,582)</u>
<u>7,076,827</u>	<u>7,120,681</u>	<u>7,120,681</u>	<u>(43,854)</u>
3,659,536	4,332,000	4,332,000	672,464
1,989,690	1,995,500	1,995,500	5,810
283,152	350,000	350,000	66,848
<u>1,941,952</u>	<u>1,649,430</u>	<u>1,649,430</u>	<u>(292,522)</u>
<u>7,874,330</u>	<u>8,326,930</u>	<u>8,326,930</u>	<u>452,600</u>
(797,503)	(1,206,249)	(1,206,249)	408,746
<u>21,277</u>	<u>-</u>	<u>-</u>	<u>21,277</u>
(776,226)	(1,206,249)	(1,206,249)	430,023
<u>2,954,991</u>	<u>2,069,952</u>	<u>2,069,952</u>	<u>885,039</u>
<u>2,178,765</u>	<u>863,703</u>	<u>863,703</u>	<u>1,315,062</u>

Newell-Fonda Community School District
Newell, Iowa

Notes to Required Supplementary Information – Budgetary Reporting

Year ended June 30, 2015

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 did not amend the budget.

During the year ended June 30, 2015, expenditures in the other revenues function exceeded the amount budgeted.

Newell-Fonda Community School District
Newell, Iowa

Schedule of District's Proportionate Share of the Net Pension Liability

Iowa Public Employees' Retirement System
Last Fiscal Year*
(In Thousands)

	<u>2015</u>
District's proportion of the net pension liability	0.048090%
District's proportionate share of the net pension liability	\$ 1,907
District's covered-employee payroll	\$ 3,241
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	58.84%
Plan fiduciary net position as a percentage of the total pension liability	87.61%

* The amounts presented for each fiscal year were determined as of June 30.

See accompanying independent auditor's report

Note: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the City will present information for those years for which information is available.

Newell-Fonda Community School District
Newell, Iowa

Schedule of District Contributions

Iowa Public Employees' Retirement System
Last 10 Fiscal Years
(In Thousands)

Required Supplementary Information

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Statutorily required contribution	\$ 301	281	253
Contributions in relation to the statutorily required contribution	<u>(301)</u>	<u>(281)</u>	<u>(253)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>
District's covered-employee payroll	\$ 3,515	3,241	3,002
Contributions as a percentage of covered-employee payroll	8.56%	8.67%	8.43%

See accompanying independent auditor's report.

<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
229	181	189	136	136	136	135
<u>(229)</u>	<u>(181)</u>	<u>(189)</u>	<u>(136)</u>	<u>(136)</u>	<u>(136)</u>	<u>(135)</u>
-	-	-	-	-	-	-
2,904	2,741	2,926	2,174	2,260	2,382	2,348
7.89%	6.60%	6.46%	6.26%	6.02%	5.71%	5.75%

Newell-Fonda Community School District
Newell, Iowa

Notes to Required Supplementary Information – Pension Liability

Year ended June 30, 2015

Changes of benefit terms:

Legislation passed in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3 percent per year measured from the member's first unreduced retirement age to a 6 percent reduction for each year of retirement before age 65.

In 2008, legislative action transferred four groups – emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers – from Regular membership to the protection occupation group for future service only.

Benefit provisions for sheriffs and deputies were changed in the 2004 legislative session. The eligibility for unreduced retirement benefits was lowered from age 55 by one year each July 1 (beginning in 2004) until it reached age 50 on July 1, 2008. The years of service requirement remained at 22 or more. Their contribution rates were also changed to be shared 50-50 by the employee and employer, instead of the previous 40-60 split.

Changes of assumptions:

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25 percent to 3.0 percent
- Decreased the assumed rate of interest on member accounts from 4.00 percent to 3.75 percent per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

Newell-Fonda Community School District
Newell, Iowa

Notes to Required Supplementary Information – Pension Liability

Year ended June 30, 2015

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates.
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included in the calculation of the UAL amortization payments the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate.

The 2006 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted salary increase assumptions to service based assumptions.
- Decreased the assumed interest rate credited on employee contributions from 4.25 percent to 4.00 percent.
- Lowered the inflation assumption from 3.50 percent to 3.25 percent.
- Lowered disability rates for sheriffs and deputies and protection occupation members.

Newell-Fonda Community School District

Newell, Iowa

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

Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	Jul 1, 2009	-	\$ 434	434	0.0%	\$ 2,717	16.0%
2011	Jul 1, 2009	-	434	434	0.0%	2,792	15.5%
2012	Jul 1, 2009	-	434	434	0.0%	2,821	15.4%
2013	Jul 1, 2012	-	469	469	0.0%	1,818	25.8%
2014	Jul 1, 2012	-	469	469	0.0%	1,895	24.7%
2015	Jul 1, 2012	-	469	469	0.0%	1,991	23.6%

See Note 7 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

See accompanying independent auditor's report.

Supplementary Information

Newell-Fonda Community School District
Newell, Iowa

Schedule 1

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2015

	Special Revenue		
	Manage- ment <u>Levy</u>	Student <u>Activity</u>	<u>Total</u>
Assets			
Cash and cash equivalents	\$ 195,945	96,287	292,232
Receivables:			
Property tax:			
Delinquent	1,342	-	1,342
Succeeding year	200,001	-	200,001
Accounts	-	1,597	1,597
Prepaid expenditures	18,014	-	18,014
Total assets	415,302	97,884	513,186
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Early retirement payable	1,748	-	1,748
Total liabilities	1,748	-	1,748
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	200,001	-	200,001
Total deferred inflows of resources	200,001	-	200,001
Fund balances:			
Restricted for:			
Management levy purposes	213,553	-	213,553
Student activities	-	97,884	97,884
Total fund balances	213,553	97,884	311,437
Total liabilities, deferred inflows of resources and fund balances	\$ 415,302	97,884	513,186

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, 2015

	Special Revenue		
	Manage- ment <u>Levy</u>	Student <u>Activity</u>	<u>Total</u>
Revenues:			
Local sources:			
Local tax	\$ 220,760		220,760
Other	11,567	251,740	263,307
State sources	2,869	-	2,869
Total revenues	<u>235,196</u>	<u>251,740</u>	<u>486,936</u>
Expenditures:			
Current:			
Instruction:			
Regular	23,015	-	23,015
Other	-	273,778	273,778
Support services:			
Administration	90,877	-	90,877
Operation and maintenance of plant	49,603	-	49,603
Transportation	21,255	-	21,255
Total expenditures	<u>184,750</u>	<u>273,778</u>	<u>458,528</u>
Excess (deficiency) of revenues over (under) expenditures	<u>50,446</u>	<u>(22,038)</u>	<u>28,408</u>
Other financing sources:			
Operating transfers in	-	500	500
Change in fund balances	50,446	(21,538)	28,908
Fund balances beginning of year	<u>163,107</u>	<u>119,422</u>	<u>282,529</u>
Fund balances end of year	<u>\$ 213,553</u>	<u>97,884</u>	<u>311,437</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, 2015

<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	\$ 6,130	10,059	12,349	-	3,840
Football	-	26,428	26,428	-	-
Baseball	-	4,259	4,259	-	-
Co-ed Track	-	3,243	3,243	-	-
Co-ed Golf	-	1,369	1,369	-	-
Girls Basketball	5,983	10,748	13,771	-	2,960
Volleyball	-	4,957	4,957	-	-
Softball	-	10,229	10,229	-	-
General Athletics	-	4,155	4,155	-	-
Cheerleaders	8,565	5,712	14,123	-	154
Drill Team	2,555	9,269	11,824	-	-
National Honor Society	2,568	7,473	6,661	-	3,380
All School Play	2,773	1,456	1,407	-	2,822
Speech	-	500	-	-	500
Foreign Language Club	478	-	-	-	478
MS TA - Nielsen	5,363	949	2,093	-	4,219
Student Council	3,321	5,774	7,653	-	1,442
FCCLA	1,510	1,090	1,067	-	1,533
FFA	8,515	23,037	22,323	-	9,229
After Prom	324	7,282	7,506	-	100
Girls Basketball Fund Raiser	7,024	14,765	14,176	-	7,613
Boys Basketball Fund Raiser	907	449	1,005	-	351
Football Fund Raiser	10,828	24,968	21,561	-	14,235
Baseball Fund Raiser	2,348	5,697	4,846	-	3,199
Volleyball Fund Raiser	978	2,970	2,038	-	1,910
Softball Fund Raiser	4,758	12,328	9,836	-	7,250
Boys Track Fund Raiser	242	315	295	-	262
Girls Track Fund Raiser	656	-	-	-	656
Boys Golf Fund Raiser	126	800	860	-	66
Girls Golf Fund Raiser	187	784	813	-	158
Class of 2014	1,255	-	1,255	-	-
Class of 2015	2,100	127	2,227	-	-
Class of 2016	3,021	2,121	2,859	-	2,283

(continued)

Newell-Fonda Community School District
Newell, Iowa

Schedule 3

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2015

<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 2017	2,189	-	-	-	2,189
Class of 2018	-	3,595	1,747	-	1,848
Art	837	605	287	-	1,155
Shop	1,132	-	-	-	1,132
Band Fundraiser	13,144	9,840	18,217	-	4,767
Choir Fundraiser	1,607	2,000	2,199	-	1,408
Music Resale	15	-	-	-	15
Elementary PTF Funds	3,834	1,988	1,561	-	4,261
Special Projects	2,219	1,715	1,457	-	2,477
State Tournament	2,134	18,807	20,836	-	105
Library	955	10	-	-	965
Postage	97	-	-	-	97
General Activity	372	399	402	-	369
Yearbook 13-14	1,479	94	1,573	-	-
Yearbook 14-15	-	9,357	6,901	-	2,456
Scholarships	-	250	250	-	-
Interest	6,893	267	1,160	-	6,000
Total	<u>\$ 119,422</u>	<u>252,240</u>	<u>273,778</u>	<u>-</u>	<u>97,884</u>

See accompanying independent auditor's report.

Newell-Fonda Community School District
Newell, Iowa

Schedule 4

Combining Balance Sheet
Capital Project Accounts

June 30, 2015

	Capital Projects			Total
	Construction Projects	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	
Assets				
Cash and cash equivalents	\$ -	341,428	100,714	442,142
Receivables:				
Property tax:				
Delinquent	-	-	1,057	1,057
Succeeding year	-	-	175,542	175,542
Due from other governments	-	70,708	-	70,708
Total assets	<u>-</u>	<u>412,136</u>	<u>277,313</u>	<u>689,449</u>
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts payable	-	-	4,331	4,331
Total liabilities	-	-	4,331	4,331
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	-	-	175,542	175,542
Total deferred inflows of resources	-	-	175,542	175,542
Fund balances:				
Restricted for:				
School infrastructure	-	412,136	-	412,136
Physical plant and equipment	-	-	97,440	97,440
Total fund balances	-	412,136	97,440	509,576
Total liabilities, deferred inflows of resources and fund balances	<u>\$ -</u>	<u>\$ 412,136</u>	<u>277,313</u>	<u>689,449</u>

See accompanying independent auditor's report.

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

Year ended June 30, 2015

	Capital Projects			Total
	Construction Projects	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	
Revenues:				
Local sources:				
Local tax	\$ -	-	174,079	174,079
Other	785	17,839	5,817	24,441
State sources	-	453,467	2,258	455,725
Total revenues	<u>785</u>	<u>471,306</u>	<u>182,154</u>	<u>654,245</u>
Expenditures:				
Instruction:				
Regular	-	25,097	25,636	50,733
Support services:				
Instructional staff	-	7,860	7,285	15,145
Administration	-	-	17,575	17,575
Operation and maintenance of plant	-	-	19,935	19,935
Transportation	-	91,377	-	91,377
Other expenditures:				
Facilities acquisition	631,657	368,792	179,519	1,179,968
Total expenditures	<u>631,657</u>	<u>493,126</u>	<u>249,950</u>	<u>1,374,733</u>
Deficiency of revenues under expenditures	<u>(630,872)</u>	<u>(21,820)</u>	<u>(67,796)</u>	<u>(720,488)</u>
Other financing sources (uses):				
Operating transfers in	-	-	4,848	4,848
Operating transfers out	-	(59,965)	-	(59,965)
Total other financing sources (uses)	<u>-</u>	<u>(59,965)</u>	<u>4,848</u>	<u>(55,117)</u>
Change in fund balances	(630,872)	(81,785)	(62,948)	(775,605)
Fund balances beginning of year	<u>630,872</u>	<u>493,921</u>	<u>160,388</u>	<u>1,285,181</u>
Fund balances end of year	<u>\$ -</u>	<u>412,136</u>	<u>97,440</u>	<u>509,576</u>

See accompanying independent auditor's report.

Combining Schedule of Net Position
Nonmajor Enterprise Funds

June 30, 2015

	<u>School Nutrition</u>	<u>Entrepreneurship</u>	<u>Total</u>
Assets			
Current assets:			
Cash and cash equivalents	\$ 46,366	3,963	50,329
Accounts receivable	7,303	-	7,303
Inventories	6,163	-	6,163
Total current assets	<u>59,832</u>	<u>3,963</u>	<u>63,795</u>
Noncurrent assets:			
Capital assets, net of accumulated depreciation	14,345	-	14,345
Total noncurrent assets	<u>14,345</u>	<u>-</u>	<u>14,345</u>
Total assets	<u>74,177</u>	<u>3,963</u>	<u>78,140</u>
Deferred Outflows of Resources			
Pension related deferred outflows	<u>15,876</u>	<u>-</u>	<u>15,876</u>
Liabilities			
Current liabilities:			
Accounts payable	638	-	638
Unearned revenue	3,246	-	3,246
Total current liabilities	<u>3,884</u>	<u>-</u>	<u>3,884</u>
Noncurrent liabilities:			
Net pension liability	60,922	-	60,922
Total noncurrent liabilities	<u>60,922</u>	<u>-</u>	<u>60,922</u>
Total liabilities	<u>64,806</u>	<u>-</u>	<u>64,806</u>
Deferred Inflows of Resources			
Pension related deferred inflows	<u>23,233</u>	<u>-</u>	<u>23,233</u>
Net Position			
Net investment in capital assets	14,345	-	14,345
Unrestricted	(12,331)	3,963	(8,368)
Total net position	<u>\$ 2,014</u>	<u>3,963</u>	<u>5,977</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, 2015

	School <u>Nutrition</u>	<u>Entrepreneurship</u>	<u>Total</u>
Operating revenues:			
Local sources:			
Charges for service	\$ 100,246	-	100,246
Miscellaneous	<u>755</u>	<u>12,306</u>	<u>13,061</u>
Total operating revenues	<u>101,001</u>	<u>12,306</u>	<u>113,307</u>
Operating expenses:			
Support services:			
Administration	453	-	453
Operation and maintenance of plant	<u>186</u>	<u>-</u>	<u>186</u>
	<u>639</u>	<u>-</u>	<u>639</u>
Non-instructional programs:			
Salaries	108,429	-	108,429
Benefits	13,532	-	13,532
Purchased services	55	-	55
Supplies	149,201	10,434	159,635
Depreciation	<u>1,501</u>	<u>-</u>	<u>1,501</u>
	<u>272,718</u>	<u>10,434</u>	<u>283,152</u>
Total operating expenses	<u>273,357</u>	<u>10,434</u>	<u>283,791</u>
Operating income (loss)	<u>\$ (172,356)</u>	<u>1,872</u>	<u>(170,484)</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, 2015

	School <u>Nutrition</u>	<u>Entrepreneurship</u>	<u>Total</u>
Non-operating revenues:			
State sources	\$ 2,550	-	2,550
Federal sources	178,587	-	178,587
Interest income	159	13	172
Total non-operating revenues	<u>181,296</u>	<u>13</u>	<u>181,309</u>
Income before capital asset contributions	8,940	1,885	10,825
Capital asset contributions	<u>14,878</u>	<u>-</u>	<u>14,878</u>
Increase in net position	23,818	1,885	25,703
Net position beginning of year, as restated	<u>(21,804)</u>	<u>2,078</u>	<u>(19,726)</u>
Net position end of year	<u>\$ 2,014</u>	<u>3,963</u>	<u>5,977</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, 2015

	School <u>Nutrition</u>	<u>Entrepreneurship</u>	<u>Total</u>
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	\$ 108,475	-	108,475
Cash received from other services	755	12,306	13,061
Cash paid to employees for services	(126,348)	-	(126,348)
Cash paid to suppliers for goods or services	<u>(138,196)</u>	<u>(10,434)</u>	<u>(148,630)</u>
Net cash provided by (used by) operating activities	<u>(155,314)</u>	<u>1,872</u>	<u>(153,442)</u>
Cash flows from non-capital financing activities:			
State grants received	2,550	-	2,550
Federal grants received	<u>165,195</u>	<u>-</u>	<u>165,195</u>
Net cash provided by non-capital financing activities	<u>167,745</u>	<u>-</u>	<u>167,745</u>
Cash flows from investing activities:			
Interest on investments	<u>159</u>	<u>13</u>	<u>172</u>
Net increase in cash and cash equivalents	12,590	1,885	14,475
Cash and cash equivalents beginning of year	<u>33,776</u>	<u>2,078</u>	<u>35,854</u>
Cash and cash equivalents end of year	<u>\$ 46,366</u>	<u>3,963</u>	<u>50,329</u>

(continued)

Newell-Fonda Community School District
Newell, Iowa

Schedule 8

Combining Schedule of Cash Flows
Nonmajor Enterprise Funds

Year ended June 30, 2015

	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)	\$ (172,356)	1,872	(170,484)
Adjustments to reconcile operating income (loss) to net cash provided by (used by) operating activities:			
Commodities used	13,392	-	13,392
Depreciation	1,501	-	1,501
Decrease in accounts receivable	7,830	-	7,830
(Increase) in inventories	(2,331)	-	(2,331)
Increase in accounts payable	638	-	638
Increase in unearned revenue	399	-	399
(Decrease) in net pension liability	(20,720)	-	(20,720)
(Increase) in deferred outflows of resources	(6,900)	-	(6,900)
Increase in deferred inflows of resources	<u>23,233</u>	<u>-</u>	<u>23,233</u>
Net cash provided by (used by) operating activities	<u>\$ (155,314)</u>	<u>1,872</u>	<u>(153,442)</u>

Non-cash investing, capital and related financing activities:

During the year ended June 30, 2015, the District received \$13,392 of federal commodities.

See accompanying independent auditor's report.

Newell-Fonda Community School District
Newell, Iowa

Combining Schedule of Fiduciary Net Position

Year ended June 30, 2015

	Private Purpose Trust Funds			
	<u>Cecil Rogers Scholarship</u>	<u>Keith Carter Scholarship</u>	<u>Don Anderson Trust</u>	<u>DFS Scholarship</u>
Assets				
Cash and cash equivalents	\$ <u>6,686</u>	<u>160,759</u>	<u>243,368</u>	<u>2,000</u>
Total assets	<u>\$ 6,686</u>	<u>160,759</u>	<u>243,368</u>	<u>2,000</u>
Net Position				
Reserved for:				
Scholarships	\$ 6,686	160,759	-	2,000
Athletics	-	-	1,248	-
Music	-	-	58,550	-
Art	-	-	93,247	-
Speech	-	-	90,323	-
	<u>\$ 6,686</u>	<u>160,759</u>	<u>243,368</u>	<u>2,000</u>

See accompanying independent auditor's report.

<u>Bets Doyen Trust</u>	<u>Total</u>
<u>2,270</u>	<u>415,083</u>
<u>2,270</u>	<u>415,083</u>
2,270	171,715
-	1,248
-	58,550
-	93,247
-	<u>90,323</u>
<u>2,270</u>	<u>415,083</u>

Newell-Fonda Community School District
Newell, Iowa

Schedule of Changes in Fiduciary Net Position

Year ended June 30, 2015

	Cecil Rogers Scholarship	Keith Carter Scholarship	Private Purpose Don Anderson Trust
Additions:			
Local sources:			
Interest income	\$ 11	321	494
Contributions	<u>-</u>	<u>-</u>	<u>-</u>
Total additions	11	321	494
Deductions:			
Instruction:			
Regular:			
Scholarships awarded	<u>-</u>	<u>300</u>	<u>-</u>
Other financing uses:			
Transfer out	<u>-</u>	<u>-</u>	<u>(5,348)</u>
Change in net position	11	21	(4,854)
Net position beginning of year	<u>6,675</u>	<u>160,738</u>	<u>248,222</u>
Net position end of year	<u>\$ 6,686</u>	<u>160,759</u>	<u>243,368</u>

See accompanying independent auditor's report.

Trust Funds				
<u>DFS</u> <u>Scholarship</u>	<u>Sandy Wells</u> <u>Scholarship</u>	<u>John Wells</u> <u>Scholarship</u>	<u>Bets Doyen</u> <u>Trust</u>	<u>Total</u>
-	-	-	15	841
<u>2,000</u>	<u>500</u>	<u>500</u>	<u>2,255</u>	<u>5,255</u>
2,000	500	500	2,270	6,096
<u>-</u>	<u>500</u>	<u>500</u>	<u>-</u>	<u>1,300</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(5,348)</u>
2,000	-	-	2,270	(552)
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>415,635</u>
<u>2,000</u>	<u>-</u>	<u>-</u>	<u>2,270</u>	<u>415,083</u>

Schedule of Changes in Fiduciary Assets and Liabilities -
 Agency Fund

Year ended June 30, 2015

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance End of Year</u>
Assets				
Cash and cash equivalents	\$ 22,362	55,479	48,324	29,517
Total assets	<u>\$ 22,362</u>	<u>55,479</u>	<u>48,324</u>	<u>29,517</u>
Liabilities				
Other payables	\$ 22,362	55,479	48,324	29,517
Total liabilities	<u>\$ 22,362</u>	<u>55,479</u>	<u>48,324</u>	<u>29,517</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>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Revenues:				
Local sources:				
Local tax	\$ 2,923,487	2,865,392	3,135,193	2,625,432
Tuition	233,854	272,374	296,438	193,138
Other	508,881	483,621	395,740	489,621
State sources	2,880,158	2,704,964	2,293,313	2,246,771
Federal sources	235,831	223,121	234,132	210,741
Total	<u>\$ 6,782,211</u>	<u>6,549,472</u>	<u>6,354,816</u>	<u>5,765,703</u>
Expenditures:				
Instruction	\$ 3,659,536	\$ 3,564,907	3,464,167	3,702,248
Support services:				
Student	197,513	157,934	124,557	104,155
Instructional staff	229,643	192,611	147,515	150,157
Administration	768,779	692,694	607,308	528,889
Operation and maintenance of plant	430,707	396,766	360,511	308,192
Transportation	362,409	307,851	362,454	334,370
Other expenditures:				
Facilities acquisition	1,179,968	3,669,075	3,359,891	544,360
Long-term debt:				
Principal	374,875	413,001	440,979	66,539
Interest and other charges	186,040	194,551	166,548	5,719
AEA flowthrough	201,069	186,393	180,516	172,010
Total	<u>\$ 7,590,539</u>	<u>9,775,783</u>	<u>9,214,446</u>	<u>5,916,639</u>

See accompanying independent auditor's report.

Modified Accrual Basis					
<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
2,318,970	2,156,362	2,047,959	1,748,576	1,625,426	1,422,156
146,700	118,116	101,302	107,348	77,647	67,130
382,215	348,969	364,771	411,148	432,721	351,589
1,983,869	1,794,967	2,035,299	2,229,917	2,003,601	2,113,281
319,978	426,044	181,228	152,205	148,347	150,162
<u>5,151,732</u>	<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>
3,243,330	2,903,132	2,819,448	2,962,072	2,647,909	2,617,889
116,236	90,417	83,268	96,602	71,298	74,057
124,655	159,882	165,638	141,894	136,196	118,446
496,908	494,241	387,843	394,494	442,524	437,461
335,728	319,337	342,234	337,281	338,531	382,039
237,733	276,333	250,916	216,805	229,711	275,661
320,419	1,540,756	175,241	89,479	57,465	30,629
95,051	58,779	56,394	30,566	-	-
9,465	5,737	8,122	1,692	-	-
177,753	175,916	162,268	160,842	153,999	151,340
<u>5,157,278</u>	<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>

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

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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, 2015, and the related Notes to Financial Statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 20, 2016. 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-15 and I-B-15 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part II of the accompanying Schedule of Findings as item I-C-15 to be a significant deficiency.

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, 2015 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 20, 2016

Newell-Fonda Community School District
Newell, Iowa

Schedule of Findings

Year ended June 30, 2015

Part I: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

I-A-15 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-15 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, 2015

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.

I-C-15 Disbursement Approval – For 4 of 20 disbursements tested, there was insufficient documentation to determine the date the Superintendent approved routine expenditures for advance payment in accordance with the District’s policy.

Recommendation – The District should ensure all expenditures are properly approved. For payments made in advance of Board meetings, the District should maintain documentation of the Superintendent’s approval of claims for payment, such as the Superintendent’s initials and date of approval.

Response – We will ensure all expenditures are properly approved and maintain documentation of the approval of disbursements made in advance of Board approval by having the Superintendent initial and date the claims.

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, 2015

Part II: Other Findings Related to Required Statutory Reporting:

II-A-15 Certified Budget - Expenditures for the year ended June 30, 2015 exceeded the certified budget amount in the other expenditures function.

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

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

Conclusion – Response accepted.

II-B-15 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-15 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-15 Business Transactions - No business transactions between the District and District officials or employees were noted.

II-E-15 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-15 Board Minutes - As previously noted, four invoices had insufficient documentation they 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 – Sufficient documentation should be maintained to evidence proper Superintendent approval of disbursements paid in advance of Board approval.

Newell-Fonda Community School District
Newell, Iowa

Schedule of Findings

Year ended June 30, 2015

Response – Procedures have been revised to ensure the Superintendent’s approval of disbursements prior to Board meetings is adequately documented.

Conclusion – Response accepted.

II-G-15 Certified Enrollment - No variances in the basic enrollment data certified to the Iowa Department of Education were noted.

II-H-15 Supplementary Weighting – The number of students reported to the Iowa Department of Education for supplementary weighting was overstated.

Recommendation – The District should contact the Iowa Department of Education and Department of Management to resolve this matter.

Responses – We will contact the Iowa Department of Education and the Department of Management.

Conclusion – Response accepted.

II-I-15 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-15 Certified Annual Report – The Certified Annual Report was certified timely to the Iowa Department of Education.

II-K-15 Categorical Funding – No instances of categorical funding being used to supplant rather than supplement other funds were noted.

II-L-15 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.

Newell-Fonda Community School District
Newell, Iowa

Schedule of Findings

Year ended June 30, 2015

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, 2015, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$ 493,921
Revenues:		
Sales tax revenues	453,467	
Other local revenues	<u>17,839</u>	<u>471,306</u>
Expenditures/transfers out:		
School infrastructure construction	306,191	
Buildings purchased	62,601	
Equipment	124,334	
Transfer to other funds:		
Debt service fund	<u>59,965</u>	<u>553,091</u>
Ending balance		\$ <u>412,136</u>

For the year ended June 30, 2015, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.