

NEWTON COMMUNITY SCHOOL DISTRICT
NEWTON, IOWA

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

JUNE 30, 2015

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NEWTON COMMUNITY SCHOOL DISTRICT

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<u>Board of Education</u>		
Sheri Benson	President	2017
Bill Perrenoud	Vice President	2015
Nat Clark	Board Member	2015
Donna Cook	Board Member	2015
Robyn Friedman	Board Member	2017
Travis Padget	Board Member	2017
Andrew Elbert	Board Member	2017
<u>School Officials</u>		
Bob Callaghan	Superintendent	2017
Gayle Isaac	Director of Business Services District Secretary/Treasurer	2015
Ahlers and Cooney P.C.	Attorney	2015

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of
Newton Community School District:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Newton Community School District, Newton Iowa, as of and for the year ended June 30, 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. We conducted our audit in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States and Chapter 11 of the Code of Iowa. 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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Newton Community School District 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 14 to the financial statements, Newton 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*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 7 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 Newton Community School District's basic financial statements. The financial statements for the nine years ended June 30, 2014 (which are not presented herein) were audited by other auditors, in accordance with the standards referred to in the third paragraph of this report, who expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 7, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated December 15, 2015 on our consideration of Newton 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. 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 Newton Community School District's internal control over financial reporting and compliance.

Hunt & Associates, P.C.

Oskaloosa, Iowa
December 15, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

Newton Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 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 \$29,611,373 in fiscal year 2014 to \$30,507,901 in fiscal year 2015, while General Fund expenditures increased from \$30,116,316 in fiscal 2014 to \$30,340,991 in fiscal 2015.
- The District's General Fund unassigned fund balance increased from \$1,989,210 at June 30, 2014 to \$2,167,561 at June 30, 2015.
- The District's financial management goals include maintaining a solvency ratio between 5% and 10%. As of June 30, 2015, the District had a 7.40% solvency ratio.

USING THIS ANNUAL REPORT

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

- Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.
- The Government-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of Newton Community School District as a whole and present an overall view of the District's finances.
- The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Newton Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Newton Community School District acts solely as an agent or custodian for the benefit of those outside of the School District.
- Notes to the financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.
- Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year, the District's proportionate share of the net pension liability and related contributions, as well as presenting a Schedule of Funding Progress for the Retiree Health Plan.
- Supplementary Information provides detailed information about the non-major funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the District.

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

Figure A-1
Newton Community School District Annual Financial Report

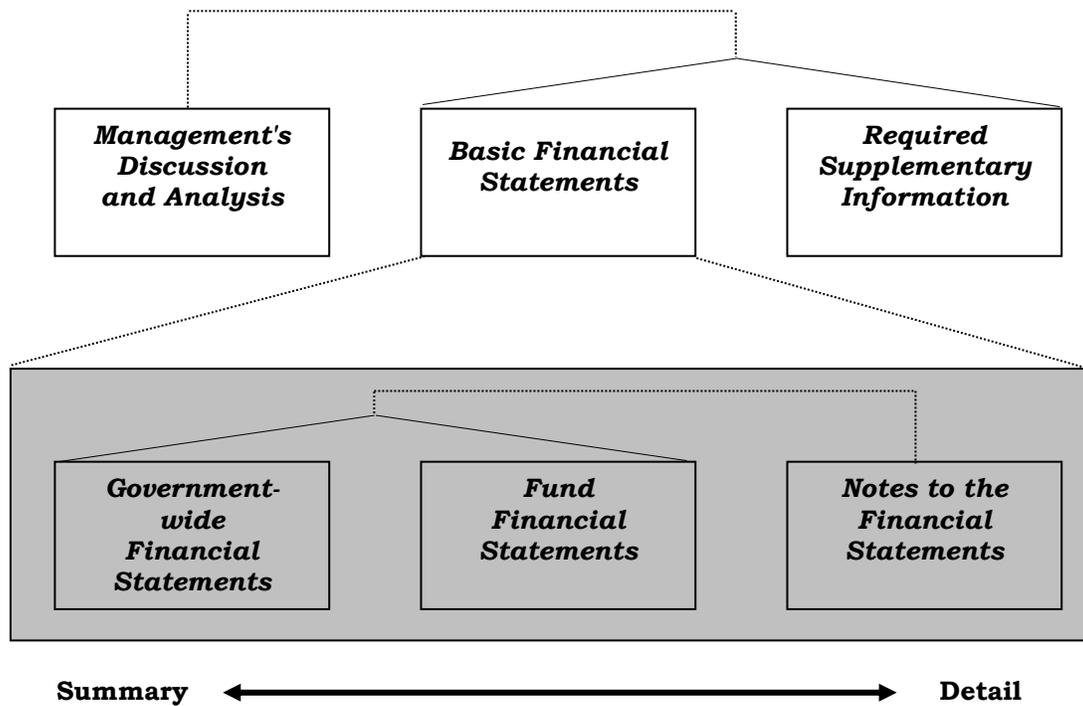


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

Figure A-2				
Major Features of the Government-wide and Fund Financial Statements				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	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	<input type="checkbox"/> Statement of Net Position <input type="checkbox"/> Statement of Activities	<input type="checkbox"/> Balance Sheet <input type="checkbox"/> Statement of Revenues, Expenditures, and Changes in Fund Balances	<input type="checkbox"/> Statement of Net Position <input type="checkbox"/> Statement of Revenues, Expenses and Changes in Fund Net Position <input type="checkbox"/> 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, and 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 are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

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

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

Fund Financial Statements

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

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

The District has 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 Funds, one type of proprietary fund, are the same as its business type activities but provide more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund.

The required financial statements for proprietary funds include a Statement of Fund 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. The fiduciary fund is reported as a private-purpose trust fund.

Private-Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.

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							
	Governmental Activities		Business Type Activities		Total District	Total Change	
	June 30,		June 30,		June 30,	June 30,	
	2015	2014 (Not restated)	2015	2014 (Not restated)	2015	2014 (Not restated)	2014-15
Current and other assets	\$ 21,056,391	19,003,238	518,339	538,186	21,574,730	19,541,424	10.41%
Capital assets	28,800,480	29,164,735	257,514	292,685	29,057,994	29,457,420	-1.36%
Total assets	49,856,871	48,167,973	775,853	830,871	50,632,724	48,998,844	3.33%
Deferred outflows of resources	2,377,515	-	72,465	-	2,449,980	-	N/A
Long-term liabilities	16,609,961	5,957,285	372,683	17,061	16,982,644	5,974,346	184.26%
Other liabilities	667,269	276,336	940	-	668,209	276,336	141.81%
Total liabilities	17,277,230	6,233,621	373,623	17,061	17,650,853	6,250,682	182.38%
Deferred inflows of resources	15,785,801	10,331,767	140,789	-	15,926,590	10,331,767	54.15%
Net position:							
Net investment in capital assets	24,880,480	24,029,735	257,514	292,685	25,137,994	24,322,420	3.35%
Restricted	6,541,514	5,949,349	-	-	6,541,514	5,949,349	9.95%
Unrestricted	(12,250,639)	1,623,501	76,392	521,125	(12,174,247)	2,144,626	667.66%
Total net position	\$ 19,171,355	31,602,585	333,906	813,810	19,505,261	32,416,395	-39.83%

The District's combined net position decreased by 39.83%, or \$12,911,134 from the prior year. The largest portion of the District's net position is invested in capital assets (e.g., land, infrastructure, buildings, and equipment), net of related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets. The reason for the unprecedented decrease is due to the required adherence to GASB 68. (See Note 7 Pension Plan)

Restricted net position represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position increased \$592,165, or 9.95% from the prior year. The increase was primarily a result of the District's increase in restricted fund balance of the Capital Projects: Statewide Sales, Services and Use Tax Fund and an increase in the carryover balance of categorical funding.

Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased \$14,318,873 or 667.66%. This decrease in unrestricted net position was predominantly a result of the District's net pension liability net 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 was restated by \$14,818,780 and \$443,921, 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 earned 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							
	Governmental Activities		Business Type Activities		Total District		Total Change
	2015	2014(Not restated)	2015	2014(Not restated)	2015	2014(Not restated)	2014-15
Revenues:							
Program revenues:							
Charges for service	\$ 884,077	1,016,101	548,425	554,107	1,432,502	1,570,208	-8.77%
Operating grants, contributions and restricted interest	4,353,910	2,527,063	982,416	997,905	5,336,326	3,524,968	51.39%
Capital grants, contributions and restricted interest	-	65,796	-	-	-	65,796	100.00%
General revenues:							
Property tax	10,494,465	10,475,644	-	-	10,494,465	10,475,644	0.18%
Income surtax	518,187	514,174	-	-	518,187	514,174	0.78%
Statewide sales, services and use tax	2,966,000	2,634,919	-	-	2,966,000	2,634,919	12.57%
Unrestricted state grants	15,617,051	17,005,530	-	-	15,617,051	17,005,530	-8.16%
Unrestricted investment earnings	4,163	2,659	50	61	4,213	2,720	54.89%
Other	134,839	157,960	-	15,375	134,839	173,335	-22.21%
Total revenues	34,972,692	34,399,846	1,530,891	1,567,448	36,503,583	35,967,294	1.49%
Program expenses:							
Instruction	20,038,808	20,816,259	-	-	20,038,808	20,816,259	-3.73%
Support services	10,119,391	10,567,056	50,244	86,381	10,169,635	10,653,437	-4.54%
Non-instructional programs	5,679	20,661	1,516,630	1,497,235	1,522,309	1,517,896	0.29%
Other expenses	2,421,264	2,289,717	-	-	2,421,264	2,289,717	5.75%
Total expenses	32,585,142	33,693,693	1,566,874	1,583,616	34,152,016	35,277,309	-3.19%
Changes in net position before special item	2,387,550	706,153	(35,983)	(16,168)	2,351,567	689,985	240.81%
Special item:							
Loss on the sale of capital assets	-	(317,376)	-	-	-	(317,376)	100.00%
Change in net position	2,387,550	388,777	(35,983)	(16,168)	2,351,567	372,609	531.11%
Net position beginning of year, as restated	16,783,805	31,213,808	369,889	829,978	17,153,694	32,043,786	-46.47%
Net position end of year	\$ 19,171,355	31,602,585	333,906	813,810	19,505,261	32,416,395	-39.83%

In fiscal 2015, property tax and unrestricted state grants account for 74.66% of the revenue from governmental activities while charges for service and operating grants and contributions account for nearly 100.00% of the revenue from business type activities.

The District's total revenues were approximately \$36.5 million, of which approximately \$34.97 million was for governmental activities and approximately \$1.53 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 1.49% increase in revenues and a 3.19% decrease in expenses. The increase in revenues is primarily due to an increase in restricted state and federal grant revenue received in FY15. The decrease in expenses is partly attributable to reduction in positions and reduction of department budgets made during the year to have a balanced budget.

Governmental Activities

Revenues for governmental activities were \$34,972,692 and expenses were \$32,585,142.

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						
	Total Cost of Services			Net Cost of Services		
	2015	2014	Change 2014- 15	2015	2014	Change 2014- 15
Instruction	\$ 20,038,808	20,816,259	-3.73%	16,047,405	18,454,785	13.04%
Support services	10,119,391	10,567,056	-4.24%	10,062,570	10,473,636	-4.77%
Non-instructional	5,679	20,661	- 72.51%	5,679	20,661	- 72.51%
Other expenses	2,421,264	2,289,717	5.75%	1,231,501	1,135,651	8.44%
Totals	\$ 32,585,142	23,126,637	-3.29%	27,347,155	30,084,733	-9.10%

For the year ended June 30, 2015:

- The cost financed by users of the District's programs was \$884,077.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$4,353,910.
- The net cost of governmental activities was financed with \$10,494,465 in local property tax, \$518,187 in income surtax, \$2,966,000 in statewide sales, services and use tax, \$15,617,051 in unrestricted state grants, \$4,163 in interest income, and \$134,839 in other revenues.

Business Type Activities

Revenues for business type activities during the year ended June 30, 2015 were \$1,530,891 representing a decrease of 2.33% from the prior year, while expenses totaled \$1,566,874 a 1.06% decrease from the prior year. The District's business type activities include the School Nutrition Fund. Revenues for this activity were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported combined fund balances of \$8,727,613, above last year's ending fund balances of \$7,962,904. The primary reason for this increase in fund balances is the increase in the fund balance of the Capital Projects Fund. *(See Exhibit E)*

Governmental Fund Highlights

- The District's General Fund net position increased from \$2,901,475 at June 30, 2014 to \$3,096,315 at June 30, 2015. This increase is a product of many factors, revenues increased in fiscal year 2015, primarily due to an increase in local tax and state revenues. Expenses increased in fiscal year 2015 primarily due to an increase in instruction expenditures and instructional staff costs. Expenditures no longer outpaced revenues during the year leading to the increase in fund balance. *(See Exhibit E)*
- The Capital Projects Fund balance increased from a balance of \$3,333,071 at June 30, 2014 to \$4,228,743 at June 30, 2015. The Capital Projects: Statewide Sales, Service and Use Tax Account balance increased from \$2,502,637 at June 30, 2014 to \$3,322,486 at June 30, 2015 while the Capital Projects: Physical Plant and Equipment Levy Account balance increased from \$830,434 at June 30, 2014 to \$906,257 at June 30, 2015. The increase was due to an increase in state and local sources coupled with a decrease in capital outlay expenditures during the year. *(See Exhibit C)*
- The Debt Service Fund balance increased from \$118,750 at June 30, 2014 to \$135,316 at June 30, 2015.

Proprietary Fund Highlights

The Proprietary Fund net position decreased from a restated amount of \$369,889 at June 30, 2014 to \$333,906 at June 30, 2015, representing a decrease of 9.72%. This decrease was due primarily to the implementation of GASB 68 to the food service operations during fiscal 2015. *(See Exhibit G)*

BUDGETARY HIGHLIGHTS

Over the course of the year, Newton Community School District amended its annual budget one time to reflect additional expenditures in the support services, non-instructional programs, and other expenditures functional areas.

The District's revenues were \$494,054 more than budgeted revenues, a variance of 1.37%. The most significant variance resulted from the District receiving more in state source revenues than originally anticipated.

Total overall 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 instruction functional area by \$42,417 which is a .2% overage out of a \$20.35 million for that function line item.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2015, the District had invested approximately \$29.06 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net decrease of 1.36% from last year. More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$1,679,653.

The original cost of the District's capital assets was approximately \$63.57 million. Governmental funds account for approximately \$62.74 million, with the remainder of approximately \$0.83 million in the Proprietary, School Nutrition Fund.

	Governmental Activities		Business Type Activities		Total District		Total
	June 30, 2015	2014	June 30, 2015	2014	June 30, 2015	2014	June 30, 2014-15
Land	\$ 787,495	787,495	-	-	787,495	787,495	0.00%
Buildings	24,651,059	24,801,985	-	-	24,651,059	24,801,985	-0.61%
Land improvements	1,766,715	1,788,402	-	-	2,024,229	2,081,087	-2.73%
Furniture and equipment	1,595,211	1,786,853	257,514	292,685	1,852,725	2,079,538	-10.91%
Total	\$ 28,800,480	29,164,735	257,514	292,685	29,057,994	29,457,420	-1.36%

Long-Term Debt

At June 30, 2015, the District had \$16,609,961 in general obligation and other long-term debt outstanding. This represents a decrease of 26.19% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Notes 6, 7 and 8 to the financial statements.

The District had outstanding general obligation bonds of \$3,920,000 at June 30, 2015, payable from the Debt Service Fund.

The District had outstanding compensated absences of \$204,508 at June 30, 2015. Governmental activities accounted for \$204,508 of this total which is payable from the General Fund.

The District had total outstanding net OPEB liability of \$834,912 at June 30, 2015. \$817,851 of this total is attributed to governmental activities while business type activities account for the remaining \$17,061.

GASB 68 presented additional liability for school districts this year. The District had to record net pension liability of \$12,023,224 at June 30, 2015. \$11,667,602 of this total is attributed to governmental activities while business type activities account for the remaining \$355,622.

Figure A-7 Outstanding Long-Term Obligations							
	Governmental Activities		Business Type Activities		Total District		Total
	June 30,		June 30,		June 30,		June 30,
	2015	2014 (Not restated)	2015	2014 (Not restated)	2015	2014 (Not restated)	2014-15
General obligation bonds	\$ 3,920,000	5,135,000	-	-	3,920,000	5,135,000	-23.66%
Compensated absences	204,508	119,915	-	2,654	204,508	122,569	66.85%
Net pension liability	11,667,602	-	355,622	-	12,023,224	-	N/A
Net OPEB liability	817,851	702,370	17,061	14,407	834,912	716,777	16.48%
Total, as restated	\$ 16,609,961	5,957,285	372,683	17,061	16,982,644	5,974,346	184.26%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- The District will be forming a separate Budget Committee which will consist of administration, district staff, parents, and community business leaders. This committee will delve deeper into the budget development and report to the SIAC.
- Continuance of the School Improvement Advisory Committee to evaluate the District's Budget, Staffing, and Facility usage.
- The District's student enrollment increased by 3.1 students, which will increase future District funding. This supports a demographic study which predicts the District will have slow but steady growth for the next 5 years.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

Basic Financial Statements

NEWTON COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET POSITION

June 30, 2015

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and pooled investments	\$ 8,310,190	\$ 436,660	\$ 8,746,850
Receivables:			
Property tax:			
Current year	115,179	-	115,179
Succeeding year	11,166,510	-	11,166,510
Income surtax	503,448	-	503,448
Accounts	12,897	35,891	48,788
Due from other governments	938,078	9,765	947,843
Inventories	10,089	36,023	46,112
Capital assets, net of accumulated depreciation (note 5)	28,800,480	257,514	29,057,994
Total assets	49,856,871	775,853	50,632,724
Deferred Outflows of Resources			
Pension related deferred outflows	2,377,515	72,465	2,449,980
Liabilities			
Accounts payable	594,066	940	595,006
Salaries and benefits payable	64,564	-	64,564
Deposits payable	190	-	190
Accrued interest payable	8,449	-	8,449
Long-term liabilities (note 6):			
Portion due within one year:			
Bonds payable	1,275,000	-	1,275,000
Compensated absences	204,508	-	204,508
Portion due after one year:			
Bonds payable	2,645,000	-	2,645,000
Net pension liability	11,667,602	355,622	12,023,224
Net OPEB liability	817,851	17,061	834,912
Total liabilities	17,277,230	373,623	17,650,853

NEWTON COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET POSITION

June 30, 2015

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
Deferred Inflows of Resources			
Unavailable property tax revenue	\$ 11,166,510	\$ -	\$ 11,166,510
Pension related deferred inflows	4,619,291	140,789	4,760,080
Total deferred inflows of resources	<u>15,785,801</u>	<u>140,789</u>	<u>15,926,590</u>
Net Position			
Net investment in capital assets	24,880,480	257,514	25,137,994
Restricted for:			
Categorical funding	918,665	-	918,665
Debt service	126,867	-	126,867
Capital projects	3,322,486	-	3,322,486
Physical plant and equipment levy purposes	906,257	-	906,257
Management levy purposes	854,027	-	854,027
Student activities	413,212	-	413,212
Unrestricted	<u>(12,250,639)</u>	<u>76,392</u>	<u>(12,174,247)</u>
Total net position	<u>\$ 19,171,355</u>	<u>\$ 333,906</u>	<u>\$ 19,505,261</u>

See notes to financial statements.

NEWTON COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
Year Ended June 30, 2015

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Governmental Activities:			
Instruction:			
Regular	\$ 12,096,150	\$ 260,732	\$ 2,229,412
Special	4,598,360	61,465	882,208
Other	3,344,298	521,212	36,374
	<u>20,038,808</u>	<u>843,409</u>	<u>3,147,994</u>
Support services:			
Student	1,198,470	-	-
Instructional staff	1,476,995	-	-
Administration	3,330,067	-	-
Operation and maintenance of plant	2,934,703	27,656	-
Transportation	1,179,156	13,012	16,153
	<u>10,119,391</u>	<u>40,668</u>	<u>16,153</u>
Non-instructional programs	<u>5,679</u>	-	-
Other expenditures:			
Facilities acquisition	117,851	-	-
Long-term debt interest and fiscal charges	175,715	-	-
AEA flowthrough	1,189,763	-	1,189,763
Depreciation (unallocated) *	937,935	-	-
	<u>2,421,264</u>	<u>-</u>	<u>1,189,763</u>
Total governmental activities	<u>32,585,142</u>	<u>884,077</u>	<u>4,353,910</u>

Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Business-Type Activities	Total
\$ (9,606,006)	\$ -	\$ (9,606,006)
(3,654,687)	-	(3,654,687)
(2,786,712)	-	(2,786,712)
<u>(16,047,405)</u>	<u>-</u>	<u>(16,047,405)</u>
(1,198,470)	-	(1,198,470)
(1,476,995)	-	(1,476,995)
(3,330,067)	-	(3,330,067)
(2,907,047)	-	(2,907,047)
(1,149,991)	-	(1,149,991)
<u>(10,062,570)</u>	<u>-</u>	<u>(10,062,570)</u>
<u>(5,679)</u>	<u>-</u>	<u>(5,679)</u>
(117,851)	-	(117,851)
(175,715)	-	(175,715)
-	-	-
(937,935)	-	(937,935)
<u>(1,231,501)</u>	<u>-</u>	<u>(1,231,501)</u>
<u>(27,347,155)</u>	<u>-</u>	<u>(27,347,155)</u>

NEWTON COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
Year Ended June 30, 2015

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Business-Type Activities:			
Support services:			
Food service operations	\$ 50,244	\$ -	\$ -
Non-instructional programs:			
Food service operations	1,516,630	548,425	982,416
Total business-type activities	1,566,874	548,425	982,416
Total	\$ 34,152,016	\$ 1,432,502	\$ 5,336,326

General revenues:

Property tax levied for:
 General purposes
 Capital outlay
Income surtax
Statewide sales, services and use tax
Unrestricted state grants
Unrestricted investment earnings
Other

Total general revenues

Change in net position

Net position beginning of year, as restated (note 14)

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		
Governmental Activities	Business-Type Activities	Total
\$ -	\$ (50,244)	\$ (50,244)
-	14,211	14,211
-	(36,033)	(36,033)
(27,347,155)	(36,033)	(27,383,188)
\$ 9,695,554	\$ -	\$ 9,695,554
798,911	-	798,911
518,187	-	518,187
2,966,000	-	2,966,000
15,617,051	-	15,617,051
4,163	50	4,213
134,839	-	134,839
29,734,705	50	29,734,755
2,387,550	(35,983)	2,351,567
16,783,805	369,889	17,153,694
\$ 19,171,355	\$ 333,906	\$ 19,505,261

NEWTON COMMUNITY SCHOOL DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2015

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Total</u>
Assets					
Cash and pooled investments	\$ 3,123,152	\$ 118,016	\$ 3,732,468	\$ 1,336,554	\$ 8,310,190
Receivables:					
Property tax:					
Current year	106,033	-	8,014	1,132	115,179
Succeeding year	8,573,204	1,358,708	784,596	450,002	11,166,510
Income surtax	503,448	-	-	-	503,448
Interfund (note 4)	-	17,300	-	-	17,300
Accounts	12,897	-	-	-	12,897
Due from other governments	358,389	-	579,689	-	938,078
Inventories	10,089	-	-	-	10,089
	<hr/>				
Total assets	<u>\$ 12,687,212</u>	<u>\$ 1,494,024</u>	<u>\$ 5,104,767</u>	<u>\$ 1,787,688</u>	<u>\$ 21,073,691</u>

NEWTON COMMUNITY SCHOOL DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2015

	General	Debt Service	Capital Projects	Nonmajor	Total
Liabilities, Deferred Inflows of Resources and Fund Balances					
Liabilities:					
Accounts payable	\$ 497,269	\$ -	\$ 74,128	\$ 22,669	\$ 594,066
Salaries and benefits payable	16,786	-	-	47,778	64,564
Interfund payable (note 4)	-	-	17,300	-	17,300
Deposits payable	190	-	-	-	190
Total liabilities	<u>514,245</u>	<u>-</u>	<u>91,428</u>	<u>70,447</u>	<u>676,120</u>
Deferred inflows of resources:					
Unavailable revenues:					
Succeeding year property tax	8,573,204	1,358,708	784,596	450,002	11,166,510
Other	503,448	-	-	-	503,448
Total deferred inflows of resources	<u>9,076,652</u>	<u>1,358,708</u>	<u>784,596</u>	<u>450,002</u>	<u>11,669,958</u>
Fund balances:					
Nonspendable:					
Inventories	10,089	-	-	-	10,089
Restricted for:					
Categorical funding (note 11)	918,665	-	-	-	918,665
Debt service	-	135,316	-	-	135,316
School infrastructure	-	-	3,322,486	-	3,322,486
Physical plant and equipment	-	-	906,257	-	906,257
Management levy purposes	-	-	-	854,027	854,027
Student activities	-	-	-	413,212	413,212
Unassigned	2,167,561	-	-	-	2,167,561
Total fund balances	<u>3,096,315</u>	<u>135,316</u>	<u>4,228,743</u>	<u>1,267,239</u>	<u>8,727,613</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 12,687,212</u>	<u>\$ 1,494,024</u>	<u>\$ 5,104,767</u>	<u>\$ 1,787,688</u>	<u>\$ 21,073,691</u>

See notes to financial statements.

NEWTON COMMUNITY SCHOOL DISTRICT

RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
June 30, 2015

Total fund balances of governmental funds		\$	8,727,613
Amounts reported for governmental activities in the Statement of Net Position are different because:			
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.			28,800,480
Other long-term assets, including income surtax receivable, are not available to pay current year expenditures and, therefore, are recognized as deferred inflows of resources in the governmental funds.			503,448
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.			(8,449)
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	\$ 2,377,515	
	Deferred inflows of resources	<u>(4,619,291)</u>	(2,241,776)
Long-term liabilities, including bonds payable, net pension liability, net OPEB liability and compensated absences payable are not due and payable in the current year and, therefore, are not reported in the governmental funds.			<u>(16,609,961)</u>
Net position of governmental activities		\$	<u><u>19,171,355</u></u>
See notes to financial statements.			

NEWTON COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2015

	General	Debt Service	Capital Projects	Nonmajor	Total
Revenues:					
Local sources:					
Local tax	\$ 10,049,694	\$ -	\$ 798,482	\$ 101,494	\$ 10,949,670
Tuition	227,024	-	-	-	227,024
Other	303,442	16	14,100	527,537	845,095
Intermediate sources	969	-	-	-	969
State sources	18,932,473	-	2,966,430	62	21,898,965
Federal sources	994,299	-	-	-	994,299
Total revenues	<u>30,507,901</u>	<u>16</u>	<u>3,779,012</u>	<u>629,093</u>	<u>34,916,022</u>
Expenditures:					
Current:					
Instruction:					
Regular	11,981,284	-	257,594	141,982	12,380,860
Special	4,635,172	-	-	-	4,635,172
Other	2,914,979	-	-	469,913	3,384,892
	<u>19,531,435</u>	<u>-</u>	<u>257,594</u>	<u>611,895</u>	<u>20,400,924</u>
Support services:					
Student	1,192,653	-	-	16,973	1,209,626
Instructional staff	1,441,841	-	70,320	4,890	1,517,051
Administration	3,271,425	-	37,743	19,913	3,329,081
Operation and maintenance of plant	2,683,089	-	140,488	224,481	3,048,058
Transportation	1,030,785	-	154,904	59,701	1,245,390
	<u>9,619,793</u>	<u>-</u>	<u>403,455</u>	<u>325,958</u>	<u>10,349,206</u>
Non-instructional programs	-	-	-	5,679	5,679
Other expenditures:					
Facilities acquisition	-	-	808,928	-	808,928
Long term debt:					
Principal	-	2,945,000	-	-	2,945,000
Interest and fiscal charges	-	181,813	-	-	181,813
AEA flowthrough	1,189,763	-	-	-	1,189,763
	<u>1,189,763</u>	<u>3,126,813</u>	<u>808,928</u>	<u>-</u>	<u>5,125,504</u>
Total expenditures	<u>30,340,991</u>	<u>3,126,813</u>	<u>1,469,977</u>	<u>943,532</u>	<u>35,881,313</u>
Excess (deficiency) of revenues over (under) expenditures	<u>166,910</u>	<u>(3,126,797)</u>	<u>2,309,035</u>	<u>(314,439)</u>	<u>(965,291)</u>

NEWTON COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2015

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Total</u>
Other financing sources (uses):					
General obligation bonds issued	\$ -	\$ 1,730,000	\$ -	\$ -	\$ 1,730,000
Interfund transfers in (note 3)	27,930	1,413,363	-	-	1,441,293
Interfund transfers out (note 3)	-	-	(1,413,363)	(27,930)	(1,441,293)
Total other financing sources (uses)	<u>27,930</u>	<u>3,143,363</u>	<u>(1,413,363)</u>	<u>(27,930)</u>	<u>1,730,000</u>
Net change in fund balances	194,840	16,566	895,672	(342,369)	764,709
Fund balances beginning of year	<u>2,901,475</u>	<u>118,750</u>	<u>3,333,071</u>	<u>1,609,608</u>	<u>7,962,904</u>
Fund balances end of year	<u>\$ 3,096,315</u>	<u>\$ 135,316</u>	<u>\$ 4,228,743</u>	<u>\$ 1,267,239</u>	<u>\$ 8,727,613</u>

See notes to financial statements.

NEWTON COMMUNITY SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2015

Net change in fund balances - total governmental funds \$ 764,709

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 expense in the Statement of Activities. The amounts
of capital outlays and depreciation expense in the current year are as follows:

Capital outlays	\$ 1,277,047	
Depreciation expense	<u>(1,641,302)</u>	(364,255)

Income surtax revenue not received until several months after the District's
fiscal year end is not considered available revenue and is recognized as
deferred inflows of resources in the governmental funds. 56,670

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 and does not affect the Statement of Activities. (1,730,000)

Repayment of long-term liabilities is an expenditure in the governmental
funds, but it reduces long-term liabilities in the Statement of Net Position. 2,945,000

Interest on long-term debt in the Statement of Activities differs from the
amount reported in the governmental funds because interest is recorded as
an expenditure in the governmental funds when due. In the Statement of
Activities, however, interest expense is recognized as the interest accrues,
regardless of when it is due. 6,098

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. 15,539

NEWTON COMMUNITY SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2015

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

	Compensated absences	(84,593)	
	Pension expense	893,863	
	Net OPEB liability	<u>(115,481)</u>	<u>693,789</u>
Change in net position of governmental activities			<u>\$ 2,387,550</u>

See notes to financial statements.

NEWTON COMMUNITY SCHOOL DISTRICT

STATEMENT OF FUND NET POSITION
PROPRIETARY FUND

June 30, 2015

	<u>School Nutrition</u>
Assets	
Cash and cash equivalents	\$ 436,660
Accounts receivable	35,891
Due from other governments	9,765
Inventories	36,023
Capital assets, net of accumulated depreciation (note 5)	<u>257,514</u>
Total assets	<u>775,853</u>
Deferred Outflows of Resources	
Pension related deferred outflows	<u>72,465</u>
Liabilities	
Accounts payable	940
Net pension liability	355,622
Net OPEB liability	<u>17,061</u>
Total liabilities	<u>373,623</u>
Deferred Inflows of Resources	
Pension related deferred inflows	<u>140,789</u>
Fund Net Position	
Net investment in capital assets	257,514
Unrestricted	<u>76,392</u>
Total fund net position	<u>\$ 333,906</u>

See notes to financial statements.

NEWTON COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND
Year Ended June 30, 2015

	<u>School Nutrition</u>
Operating revenues:	
Local sources:	
Charges for services	\$ <u>548,425</u>
Operating expenses:	
Support services:	
Salaries	17,288
Benefits	2,816
Purchased services	28,740
Supplies	<u>1,400</u>
	<u>50,244</u>
Non-instructional programs:	
Salaries	563,081
Benefits	146,776
Supplies	768,329
Depreciation	38,351
Other	<u>93</u>
	<u>1,516,630</u>
Total operating expenses	<u>1,566,874</u>
Operating loss	(1,018,449)
Non-operating revenues:	
Interest on investments	50
State sources	12,582
Federal sources	<u>969,834</u>
Total non-operating revenues	<u>982,466</u>
Change in fund net position	(35,983)
Fund net position beginning of year, as restated (note 14)	<u>369,889</u>
Fund net position end of year	\$ <u><u>333,906</u></u>

See notes to financial statements.

NEWTON COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
Year Ended June 30, 2015

	<u>School Nutrition</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 531,870
Cash received from miscellaneous operating activities	18,646
Cash paid to employees for services	(749,936)
Cash paid to suppliers for goods or services	<u>(671,394)</u>
Net cash used by operating activities	<u>(870,814)</u>
Cash flows from non-capital financing activities:	
State grants received	12,582
Federal grants received	<u>846,592</u>
Net cash provided by non-capital financing activities	<u>859,174</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	<u>(3,180)</u>
Cash flows from investing activities:	
Interest on investments	<u>50</u>
Net decrease in cash and cash equivalents	(14,770)
Cash and cash equivalents beginning of year	<u>451,430</u>
Cash and cash equivalents end of year	<u>\$ 436,660</u>

NEWTON COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
Year Ended June 30, 2015

	<u>School Nutrition</u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (1,018,449)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation	38,351
Commodities used	116,987
Decrease in accounts receivable	2,091
Decrease in inventories	9,241
Increase in accounts payable	940
(Decrease) in net pension liability	(139,832)
(Increase) in deferred outflows of resources	(20,932)
Increase in deferred inflows of resources	140,789
(Decrease) in compensated absences payable	(2,654)
Increase in net OPEB liability	<u>2,654</u>
Net cash used by operating activities	\$ <u><u>(870,814)</u></u>

Non-cash financing activities:

During the year ended June 30, 2015, the District received \$116,987 of federal commodities.

See notes to financial statements.

NEWTON COMMUNITY SCHOOL DISTRICT
 STATEMENT OF FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 June 30, 2015

	<u>Private Purpose Trust</u>
	<u>Scholarship</u>
Assets:	
Cash and pooled investments	\$ <u>3,250</u>
Fiduciary Net Position:	
Restricted for scholarships	\$ <u><u>3,250</u></u>
See notes to financial statements.	

NEWTON COMMUNITY SCHOOL DISTRICT
 STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 Year Ended June 30, 2015

		<u>Private Purpose Trust</u>
		<u>Scholarship</u>
Additions:		
Local sources:		
Gifts and contributions	\$	<u>3,250</u>
Change in fiduciary net position		3,250
Fiduciary net position beginning of year		<u>-</u>
Fiduciary net position end of year	\$	<u><u>3,250</u></u>
See notes to financial statements.		

NEWTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 1. Summary of Significant Accounting Policies

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

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

A. Reporting Entity

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

Jointly Governed Organizations – The District participates in a jointly governed organization that provides services to the District but 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 Jasper County Assessor's Conference Board.

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 three categories:

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

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

NEWTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

Unrestricted net position consists of net position not meeting the definition of the two 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.

The District reports the following major governmental funds:

The General Fund is the main 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 used 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.

The District reports the following nonmajor proprietary fund:

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

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 with restrictions of income earned to be used to benefit individuals through scholarship awards.

NEWTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting

The government-wide financial statements and the 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 District considers revenues to be available if they are collected within 60 days after year end.

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

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

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

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

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 funds are 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.

NEWTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 1. Summary of Significant Accounting Policies (continued)

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

For purposes of the Statement of Cash Flows, all short-term 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 receivable is recognized in the governmental funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Current year property tax receivable represents unpaid taxes from the current year. 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.

The property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1 ½% 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.

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.

NEWTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 1. Summary of Significant Accounting Policies (continued)

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

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. Purchased capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair value at the date of donation. The costs of normal maintenance and repairs 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 one year.

Asset Class	Amount
Land	\$ 500
Buildings	500
Improvements other than buildings	500
Intangibles	100,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	500

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

Asset Class	Estimated Useful Lives
Buildings	50 years
Intangibles	2-10 years
Improvements other than buildings	20 years
Furniture and equipment	5-12 years

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.

NEWTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 1. Summary of Significant Accounting Policies (continued)

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

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.

Compensated Absences – District employees accumulate a limited amount of earned but unused vacation. 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.

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:

Nonspendable – Amounts which cannot be spent because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

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.

NEWTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 1. Summary of Significant Accounting Policies (continued)

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

Unassigned – All amounts not included in the preceding classifications.

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/expenses exceeded the amount budgeted in the instruction function.

Note 2. Cash and Pooled 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 ensure there will be no loss of public funds.

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

At June 30, 2015, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	Amortized Cost
Diversified Portfolio	\$ 2,000,614
Certificate of deposit	<u>6,132,017</u>
	<u>\$ 8,132,631</u>

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit Risk – The investment in the Iowa Schools Joint Investment Trust was rated AAAm by Standard & Poor's Financial Services.

NEWTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 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>
Debt Service	Capital Projects	\$ 1,413,363
General	Special Revenue: Student Activity	<u>27,930</u>
		<u>\$ 1,441,293</u>

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

Note 4. Interfund Receivables/Payables

At June 30, 2015, interfund receivables and payables consisted of the following:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Interfund balances between governmental funds:		
Other receivables:		
Debt Service	Capital Projects	<u>\$ 17,300</u>

NEWTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 5. Capital Assets

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 787,495	\$ -	\$ -	\$ 787,495
Capital assets being depreciated:				
Buildings	41,472,650	615,352	-	42,088,002
Improvements other than buildings	4,731,785	149,970	-	4,881,755
Furniture and equipment	15,112,592	511,725	645,042	14,979,275
Total capital assets being depreciated	<u>61,317,027</u>	<u>1,277,047</u>	<u>645,042</u>	<u>61,949,032</u>
Less accumulated depreciation for:				
Buildings	16,670,665	766,278	-	17,436,943
Improvements other than buildings	2,943,383	171,657	-	3,115,040
Furniture and equipment	13,325,739	703,367	645,042	13,384,064
Total accumulated depreciation	<u>32,939,787</u>	<u>1,641,302</u>	<u>645,042</u>	<u>33,936,047</u>
Total capital assets being depreciated, net	<u>28,377,240</u>	<u>(364,255)</u>	<u>-</u>	<u>28,012,985</u>
Governmental activities capital assets, net	<u>\$ 29,164,735</u>	<u>\$ (364,255)</u>	<u>\$ -</u>	<u>\$ 28,800,480</u>
Business-type activities:				
Furniture and equipment	\$ 832,230	\$ 3,180	\$ 860	\$ 834,550
Less accumulated depreciation	<u>539,545</u>	<u>38,351</u>	<u>860</u>	<u>577,036</u>
Business-type activities capital assets, net	<u>\$ 292,685</u>	<u>\$ (35,171)</u>	<u>\$ -</u>	<u>\$ 257,514</u>

NEWTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 5. Capital Assets (continued)

Depreciation expense was charged to the following functions:

Governmental activities:

Instruction:

Regular	\$ 242,454
Special	90,770
Other	66,286

Support services:

Student	23,688
Instructional staff	29,708
Administration	65,193
Operation and maintenance of plant	59,690
Transportation	<u>125,578</u>
	<u>703,367</u>
Unallocated depreciation	<u>937,935</u>

Total depreciation expense - governmental activities \$ 1,641,302

Business-type activities:

Food service operations	\$ <u><u>38,351</u></u>
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NEWTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 6. Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2015 is as follows:

	Balance Beginning of Year, as Restated	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 5,135,000	\$ 1,730,000	\$ 2,945,000	\$ 3,920,000	\$ 1,275,000
Net pension liability	16,539,034	-	4,871,432	11,667,602	-
Net OPEB liability	702,370	115,481	-	817,851	-
Compensated absences	119,915	204,508	119,915	204,508	204,508
Total	<u>\$ 22,496,319</u>	<u>\$ 2,049,989</u>	<u>\$ 7,936,347</u>	<u>\$ 16,609,961</u>	<u>\$ 1,479,508</u>
Business-type activities:					
Net pension liability	\$ 495,454	\$ -	\$ 139,832	\$ 355,622	\$ -
Net OPEB liability	14,407	2,654	-	17,061	-
Compensated absences	2,654	-	2,654	-	-
Total	<u>\$ 512,515</u>	<u>\$ 2,654</u>	<u>\$ 142,486</u>	<u>\$ 372,683</u>	<u>\$ -</u>

NEWTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 6. Long-Term Liabilities (continued)

General Obligation Bonds

During the year ended June 30, 2015, the District issued \$1,730,000 in general obligation school refunding bonds. The bonds, dated April 13, 2015, are payable through the year ended June 30, 2018 and have interest rates ranging from .5% to 1.0%.

The proceeds of the general obligation school refunding bonds were used to advance refund the general obligation school refunding bonds dated March 5, 2007. Those bonds had interest rates ranging from 3.8% to 3.9%, were payable through the year ended June 30, 2018, and became callable on June 1, 2015. The refunding of the March 5, 2007 general obligation school refunding bonds will result in a total savings of \$105,072 over the next three years, with an economic savings (net present value) of \$103,478.

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

Year Ending June 30,	Bond Issue Dated March 4, 2008			Bond Issue Dated April 13, 2015		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2016	3.00 %	\$ 710,000	\$ 67,935	0.50 %	\$ 565,000	\$ 14,776
2017	3.10	725,000	46,635	0.75	575,000	10,212
2018	3.20	755,000	24,160	1.00	590,000	5,900
		<u>\$ 2,190,000</u>	<u>\$ 138,730</u>		<u>\$ 1,730,000</u>	<u>\$ 30,888</u>

Year Ending June 30,	Total	
	Principal	Interest
2016	\$ 1,275,000	\$ 82,711
2017	1,300,000	56,847
2018	1,345,000	30,060
	<u>\$ 3,920,000</u>	<u>\$ 169,618</u>

Note 7. 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.

NEWTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 7. Pension Plan (continued)

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 to 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 that 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 1, 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.

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 \$1,788,699.

NEWTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 7. Pension Plan (continued)

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 \$12,023,224 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 contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2014, the District’s proportion was 0.3031646 percent, which was an increase of 0.006483 from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the District recognized pension expense of \$859,074. 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
Difference between expected and actual experience	\$ 130,669	\$ -
Changes of assumptions	530,612	-
Net difference between projected and actual earnings on pension plan investments	-	4,585,311
Changes in proportion and differences between District contributions and proportionate share of contributions	-	174,769
District contributions subsequent to the measurement date	<u>1,788,699</u>	<u>-</u>
Total	<u>\$ 2,449,980</u>	<u>\$ 4,760,080</u>

NEWTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 7. Pension Plan (continued)

\$1,788,699 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 ending 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 Ending June 30,		
2016	\$	(1,032,657)
2017		(1,032,657)
2018		(1,032,657)
2019		(1,032,657)
2020		<u>31,829</u>
Total	\$	<u><u>(4,098,799)</u></u>

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
Salary increases (effective June 30, 2014)	4.00 percent, average, including inflation
Investment rate of return (effective June 30, 1996)	7.50 percent per annum, compounded annually, net of pension plan 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:

NEWTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 7. Pension Plan (continued)

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
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%	(0.69)
Total	<u>100%</u>	

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, 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 (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
--------------------------	----------------------------	--------------------------

District's proportionate share of the net pension liability	\$ 22,717,544	\$ 12,023,224	\$ 2,996,110
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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.

NEWTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 8. Other Postemployment Benefits (OPEB)

Plan Description – The District operates a single-employer health benefit plan which provides medical and prescription drug benefits for employees, retirees and their spouses. There are 286 active and 22 retired members in the plan. Retired participants must be age 55 or older at retirement.

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

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

Annual OPEB Cost and Net OPEB Obligation – The District’s annual OPEB 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 that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District’s annual OPEB cost for the year ended June 30, 2015, the amount actually contributed to the plan and changes in the District’s net OPEB obligation:

Annual required contribution	\$ 214,212
Interest on net OPEB obligation	17,919
Adjustment to annual required contribution	<u>63,027</u>
Annual OPEB cost	169,104
Contributions made	<u>50,969</u>
Increase in net OPEB obligation	118,135
Net OPEB obligation beginning of year	<u>716,777</u>
Net OPEB obligation end of year	<u><u>\$ 834,912</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2015.

For the year ended June 30, 2015, the District contributed \$50,969 to the medical plan.

NEWTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 8. Other Postemployment Benefits (OPEB) (continued)

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	\$ 185,045	23.8%	\$ 572,596
2014	186,139	22.5%	716,777
2015	169,104	30.1%	834,912

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 \$1,335,768, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,335,768. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$17,431,000, and the ratio of the UAAL to covered payroll was 7.7%. 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, presented as required supplementary information in the section following the Notes to Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

As of the July 1, 2014 actuarial valuation date, the frozen entry age actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6.0%.

Mortality rates are from the 94 Group Annuity Mortality Table projected to 2000, applied on a 2/3 female, 1/3 male basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the 2006 Society of Actuaries Study and applying the termination factors used in the 2006 Society of Actuaries Study.

Projected claim costs of the medical plan are \$361 per month. The UAAL is being amortized as a level dollar cost over service of the group on a closed basis over 30 years.

NEWTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 9. Risk Management

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

Note 10. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$1,189,763 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.

Note 11. Categorical Funding

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

Program	Amount
Returning dropouts and dropout prevention programs	\$ 179,535
At-risk programs	177,577
Four year old preschool state aid	118,827
Teacher salary supplement	117,664
Professional development for model core curriculum	76,187
Gifted and talented programs	70,473
Home school assistance program	59,974
Successful progression for early readers	56,453
Professional development	33,471
Market factor incentives	19,463
Teacher leadership grants	7,690
Textbook aid for non-public students	<u>1,351</u>
Total	<u><u>\$ 918,665</u></u>

Note 12. Construction Commitments

The District has entered into a contract totaling \$191,800 for a middle school addition. As of June 30, 2015, costs of \$54,245 had been incurred against the contract. The balance of \$137,555 remaining at June 30, 2015 will be paid as work on the project progresses.

Note 13. Subsequent Event

On September 14, 2015, the District approved a contract totaling \$2,321,600 for the construction of a new administration building.

NEWTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 14. Accounting Change/Restatement

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 revised requirements establish new financial reporting requirements for state and local government 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:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Net position June 30, 2014, as previously reported	\$ 31,602,585	\$ 813,810
Net pension liability at June 30, 2014	(16,539,034)	(495,454)
Deferred outflows of resources related to contributions made after the June 30, 2013 measurement date	<u>1,720,254</u>	<u>51,533</u>
Net position July 1, 2014, as restated	<u>\$ 16,783,805</u>	<u>\$ 369,889</u>

Required Supplementary Information

NEWTON COMMUNITY SCHOOL DISTRICT

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 - Actual	Proprietary Fund - Actual	Total Actual	Budgeted Amounts		Final to Actual Variance
				Original	Final	
REVENUES:						
Local sources	\$ 12,021,789	\$ 548,475	\$ 12,570,264	\$ 14,830,844	\$ 14,830,844	\$ (2,260,580)
Intermediate sources	969	-	969	6,000	6,000	(5,031)
State sources	21,898,965	12,582	21,911,547	19,246,015	19,246,015	2,665,532
Federal sources	994,299	969,834	1,964,133	1,870,000	1,870,000	94,133
Total revenues	34,916,022	1,530,891	36,446,913	35,952,859	35,952,859	494,054
EXPENDITURES/EXPENSES:						
Instruction	20,400,924	-	20,400,924	20,358,507	20,358,507	(42,417)
Support services	10,349,206	50,244	10,399,450	10,536,253	10,536,253	136,803
Non-instructional programs	5,679	1,516,630	1,522,309	1,406,000	1,606,000	83,691
Other expenditures	5,125,504	-	5,125,504	3,237,855	5,404,480	278,976
Total expenditures/expenses	35,881,313	1,566,874	37,448,187	35,538,615	37,905,240	457,053
Excess (deficiency) of revenues over (under) expenditures/ expenses	(965,291)	(35,983)	(1,001,274)	414,244	(1,952,381)	951,107
Other financing sources, net	1,730,000	-	1,730,000	-	-	1,730,000
Excess (deficiency) of revenues and other financing sources over (under) expenditures/ expenses	764,709	(35,983)	728,726	414,244	(1,952,381)	2,681,107
Balance beginning of year, as restated	7,962,904	369,889	8,332,793	7,316,391	7,316,391	1,016,402
Balance end of year	\$ 8,727,613	\$ 333,906	\$ 9,061,519	\$ 7,730,635	\$ 5,364,010	\$ 3,697,509

See accompanying independent auditor's report.

NEWTON COMMUNITY SCHOOL DISTRICT

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 Standards 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 internal service, 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/expenses known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year the District adopted one budget amendment increasing budgeted expenditures/expenses by \$2,366,625.

During the year ended June 30, 2015, expenditures/expenses in the instruction function exceeded the amount budgeted.

NEWTON COMMUNITY SCHOOL DISTRICT

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

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

Required Supplementary Information

	<u>2015</u>
District's proportion of the net pension liability	0.3031646
District's proportionate share of the net pension liability	\$ 12,023
District's covered-employee payroll	\$ 20,030
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	60.02%
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 District will present information for those years for which information is available.

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NEWTON COMMUNITY SCHOOL DISTRICT

Schedule of the District's Contributions

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

Required Supplementary Information

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Statutorily required contributions	\$ 1,789	\$ 1,772	\$ 1,690	\$ 1,494
Contributions in relation to the statutorily required contribution	<u>(1,789)</u>	<u>(1,772)</u>	<u>(1,690)</u>	<u>(1,494)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 20,030	\$ 19,841	\$ 19,487	\$ 18,519
Contributions as a percentage of covered-employee payroll	8.93%	8.93%	8.67%	8.07%

See accompanying independent auditor's report.

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$ 1,281	\$ 1,239	\$ 1,180	\$ 1,075	\$ 1,002	\$ 965
<u>(1,281)</u>	<u>(1,239)</u>	<u>(1,180)</u>	<u>(1,075)</u>	<u>(1,002)</u>	<u>(965)</u>
<u>\$ -</u>	<u>\$ -</u>				
\$ 18,428	\$ 18,625	\$ 18,585	\$ 17,773	\$ 17,426	\$ 16,785
6.95%	6.65%	6.35%	6.05%	5.75%	5.75%

NEWTON COMMUNITY SCHOOL DISTRICT

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 3.00 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.

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.

NEWTON COMMUNITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – PENSION LIABILITY
Year Ended June 30, 2015

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.

NEWTON COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN
(In Thousands)

Required Supplementary Information
Year Ended June 30, 2015

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)
2011	July 1, 2010	\$ -	\$ 1,310	\$ 1,310	0.0%	\$ 18,759	7.0%
2012	July 1, 2010	-	1,310	1,310	0.0%	18,519	7.1%
2013	July 1, 2012	-	1,406	1,406	0.0%	16,223	8.7%
2014	July 1, 2012	-	1,371	1,341	0.0%	16,857	8.1%
2015	July 1, 2014	-	1,336	1,336	0.0%	17,431	7.7%

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

See accompanying independent auditor's report.

Supplementary Information

NEWTON COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2015

	<u>Special Revenue</u>		
	<u>Management</u>	<u>Student</u>	
	<u>Levy</u>	<u>Activity</u>	<u>Total</u>
 Assets			
Cash and pooled investments	\$ 900,673	\$ 435,881	\$ 1,336,554
Receivables:			
Property tax:			
Current year	1,132	-	1,132
Succeeding year	450,002	-	450,002
	<hr/>	<hr/>	<hr/>
Total assets	\$ <u>1,351,807</u>	\$ <u>435,881</u>	\$ <u>1,787,688</u>
 Liabilities, Deferred Inflows of Resources and Fund Balances			
 Liabilities:			
Accounts payable	\$ -	\$ 22,669	\$ 22,669
Salaries and benefits payable	47,778	-	47,778
Total liabilities	<hr/>	<hr/>	<hr/>
	47,778	22,669	70,447
 Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	450,002	-	450,002
	<hr/>	<hr/>	<hr/>
 Fund balances:			
Restricted for:			
Management levy purposes	854,027	-	854,027
Student activities	-	413,212	413,212
Total fund balances	<hr/>	<hr/>	<hr/>
	854,027	413,212	1,267,239
 Total liabilities, deferred inflows of resources and fund balances			
	\$ <u>1,351,807</u>	\$ <u>435,881</u>	\$ <u>1,787,688</u>

See accompanying independent auditor's report.

NEWTON COMMUNITY SCHOOL DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2015

	Special Revenue		Total
	Management	Student	
	Levy	Activity	
Revenues:			
Local sources:			
Local tax	\$ 101,494	\$ -	\$ 101,494
Other	28,432	499,105	527,537
State sources	62	-	62
Total revenues	129,988	499,105	629,093
Expenditures:			
Current:			
Instruction:			
Regular	141,982	-	141,982
Other	-	469,913	469,913
Support services:			
Student	16,973	-	16,973
Instructional staff	4,890	-	4,890
Administration	19,483	430	19,913
Operation and maintenance of plant	224,481	-	224,481
Transportation	59,701	-	59,701
Non-instructional programs	5,679	-	5,679
Total expenditures	473,189	470,343	943,532
Excess (deficiency) of revenues over (under) expenditures	(343,201)	28,762	(314,439)
Other financing uses:			
Interfund transfers out	-	(27,930)	(27,930)
Net change in fund balances	(343,201)	832	(342,369)
Fund balances beginning of year	1,197,228	412,380	1,609,608
Fund balances end of year	\$ 854,027	\$ 413,212	\$ 1,267,239

See accompanying independent auditor's report.

NEWTON COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET
CAPITAL PROJECTS ACCOUNTS
June 30, 2015

	<u>Statewide Sales, Services and Use Tax</u>	<u>Physical Plant and Equipment Levy</u>	<u>Total</u>
Assets			
Cash and pooled investments	\$ 2,760,097	\$ 972,371	\$ 3,732,468
Receivables:			
Property tax:			
Current year	-	8,014	8,014
Succeeding year	-	784,596	784,596
Due from other governments	<u>579,689</u>	<u>-</u>	<u>579,689</u>
 Total assets	 <u>\$ 3,339,786</u>	 <u>\$ 1,764,981</u>	 <u>\$ 5,104,767</u>
 Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Interfund payable	\$ 17,300	\$ -	\$ 17,300
Accounts payable	-	74,128	74,128
	<u>17,300</u>	<u>74,128</u>	<u>91,428</u>
 Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	<u>-</u>	<u>784,596</u>	<u>784,596</u>
 Fund balances:			
Restricted for:			
School infrastructure	3,322,486	-	3,322,486
Physical plant and equipment	-	906,257	906,257
Total fund balances	<u>3,322,486</u>	<u>906,257</u>	<u>4,228,743</u>
 Total liabilities, deferred inflows of resources and fund balances	 <u>\$ 3,339,786</u>	 <u>\$ 1,764,981</u>	 <u>\$ 5,104,767</u>

See accompanying independent auditor's report.

NEWTON COMMUNITY SCHOOL DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
CAPITAL PROJECTS ACCOUNTS
Year Ended June 30, 2015

	<u>Statewide Sales, Services and Use Tax</u>	<u>Physical Plant and Equipment Levy</u>	<u>Total</u>
Revenues:			
Local sources:			
Local tax	\$ -	\$ 798,482	\$ 798,482
Other	1,366	12,734	14,100
State sources	2,966,001	429	2,966,430
Total revenues	<u>2,967,367</u>	<u>811,645</u>	<u>3,779,012</u>
Expenditures:			
Current:			
Instruction:			
Other	246,417	11,177	257,594
Support services:			
Instructional staff	-	70,320	70,320
Administration	-	37,743	37,743
Operation and maintenance of plant	-	140,488	140,488
Transportation	-	154,904	154,904
Other expenditures:			
Facilities acquisition	487,738	321,190	808,928
Total expenditures	<u>734,155</u>	<u>735,822</u>	<u>1,469,977</u>
Excess of revenues over expenditures	2,233,212	75,823	2,309,035
Other financing uses:			
Interfund transfers out	<u>(1,413,363)</u>	-	<u>(1,413,363)</u>
Net change in fund balances	819,849	75,823	895,672
Fund balances beginning of year	<u>2,502,637</u>	<u>830,434</u>	<u>3,333,071</u>
Fund balances end of year	<u>\$ 3,322,486</u>	<u>\$ 906,257</u>	<u>\$ 4,228,743</u>

See accompanying independent auditor's report.

NEWTON COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
Year Ended June 30, 2015

Account	Balance Beginning of Year	Revenues	Expenditures/ Other Financing Uses	Balance End of Year
Aurora Heights Elementary	\$ 1,474	\$ 2,269	\$ 1,862	\$ 1,881
Berg Elementary	1,866	1	-	1,867
Emerson Hough Elementary	598	-	-	598
Woodrow Wilson Elementary	14	1,150	98	1,066
Thomas Jefferson Elementary	9,741	2,011	2,179	9,573
Berg Middle School:				
Band	-	4,338	3,467	871
Orchestra	714	-	-	714
Athletics	2,210	45	-	2,255
Yearbook	4,575	4,933	8,352	1,156
Other Clubs	30,727	5,221	11,689	24,259
Basics and Beyond	312	-	-	312
Newton High School:				
Band	1,115	6,818	6,221	1,712
Colorguard	971	160	154	977
Athletics	245,486	325,923	336,132	235,277
FFS	37,356	61,358	49,236	49,478
Newtonia Yearbook	3,520	28,090	27,441	4,169
Home School	5	-	-	5
Miscellaneous	1,498	26	-	1,524
Drama	4,846	4,833	4,439	5,240
Speech	860	788	778	870
Vocal	-	3,629	3,629	-
Art Club	9,427	-	-	9,427
Concessions	3,894	14,953	14,678	4,169
DECA	371	8,350	8,338	383
Community Service Club Day	5,264	415	653	5,026
Hero	495	333	417	411
Newspaper	-	1,985	1,985	-
Office Ed/BPA	47	-	-	47
Peer Help	19	-	-	19
Office Ed/BPA	6,204	883	-	7,087
Student Activity	5,091	397	-	5,488
Student Council	6,604	7,641	9,969	4,276
IT Club	30	500	-	530
Thespian	203	-	-	203
Special Loympics Club	2,281	1,330	2,129	1,482
Jazz Choir	6	-	-	6

NEWTON COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
Year Ended June 30, 2015

Account	Balance Beginning of Year	Revenues	Expenditures/ Other Financing Uses	Balance End of Year
International Club	\$ 101	\$ -	\$ -	\$ 101
Key Club	774	-	112	662
Biology Club	250	184	184	250
Princess & Papa	20,931	10,065	3,653	27,343
Gay/Straight Alliance	-	301	240	61
Clothing Closet	2,500	175	238	2,437
Total	\$ 412,380	\$ 499,105	\$ 498,273	\$ 413,212

See accompanying independent auditor's report.

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

	Modified Accrual Basis Years Ended June 30,			
	2015	2014	2013	2012
Revenues:				
Local sources:				
Local tax	\$ 10,949,670	\$ 10,979,150	\$ 14,095,860	\$ 13,647,788
Tuition	227,024	318,013	334,221	294,731
Other	845,095	858,707	923,067	807,538
Intermediate sources	969	-	6,600	386
State sources	21,898,965	21,142,652	17,718,218	18,068,512
Federal sources	994,299	1,090,656	1,337,988	1,324,763
Total revenues	\$ 34,916,022	\$ 34,389,178	\$ 34,415,954	\$ 34,143,718
Expenditures:				
Instruction:				
Regular	\$ 12,380,860	\$ 12,570,250	\$ 13,002,013	\$ 12,567,086
Special	4,635,172	4,868,331	5,127,631	4,729,865
Other	3,384,892	3,305,074	3,094,009	2,455,941
Support services:				
Student	1,209,626	1,203,097	1,117,402	973,929
Instructional staff	1,517,051	1,295,450	1,788,079	1,048,286
Administration	3,329,081	3,392,671	3,168,410	2,842,988
Operation and maintenance of plant	3,048,058	3,139,808	3,010,371	2,680,331
Transportation	1,245,390	1,260,483	1,232,293	1,192,399
Non-instructional programs	5,679	20,661	5,946	6,300
Other expenditures:				
Facilities acquisition	808,928	568,977	1,303,792	334,182
Long-term debt:				
Principal	2,945,000	1,175,000	1,120,000	4,015,000
Interest and fiscal charges	181,813	214,123	250,120	373,146
AEA flowthrough	1,189,763	1,154,066	1,114,015	1,116,069
Total expenditures	\$ 35,881,313	\$ 34,167,991	\$ 35,334,081	\$ 34,335,522

See accompanying independent auditor's report.

	2011	2010	2009	2008	2007	2006
\$	13,359,537	\$ 12,252,922	\$ 11,719,479	\$ 11,851,436	\$ 12,410,072	\$ 11,752,090
	300,666	328,426	308,713	358,973	407,365	389,737
	955,050	863,053	1,033,755	1,385,806	1,446,704	1,215,597
	9,614	24,903	2,780	3,026	37,042	-
	17,552,804	15,616,711	18,319,956	17,244,967	16,453,692	15,439,232
	1,526,272	2,740,885	1,058,659	645,206	687,711	607,179
\$	<u>33,703,943</u>	<u>\$ 31,826,900</u>	<u>\$ 32,443,342</u>	<u>\$ 31,489,414</u>	<u>\$ 31,442,586</u>	<u>\$ 29,403,835</u>
\$	12,484,315	\$ 12,892,745	\$ 13,642,927	\$ 12,346,172	\$ 11,900,595	\$ 11,302,885
	4,556,376	4,330,367	4,159,947	4,156,274	4,180,153	4,018,027
	2,604,633	2,841,332	1,820,753	2,518,259	2,423,583	2,301,863
	876,392	1,001,661	958,135	873,075	1,054,028	1,158,342
	1,168,633	983,643	1,004,424	1,030,576	1,021,096	824,532
	2,723,391	2,932,858	2,844,321	2,791,821	2,803,015	2,492,461
	2,436,582	2,485,694	2,737,257	2,491,188	2,441,837	2,660,013
	1,116,360	1,070,877	923,833	1,084,928	1,008,545	1,027,112
	6,406	6,279	5,739	6,294	8,912	7,357
	148,879	158,007	1,914,869	1,542,778	1,052,457	2,535,681
	1,940,000	1,870,000	1,745,000	1,655,000	1,620,000	1,565,000
	429,730	486,568	582,902	742,917	790,155	847,201
	1,245,501	1,235,280	1,149,159	1,087,516	1,044,205	973,735
\$	<u>31,737,198</u>	<u>\$ 32,295,311</u>	<u>\$ 33,489,266</u>	<u>\$ 32,326,798</u>	<u>\$ 31,348,581</u>	<u>\$ 31,714,209</u>

NEWTON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2015

Grantor / Program	CFDA Number	Pass-through Grantor Number	Expenditures
Indirect:			
U. S. Department of Agriculture:			
Iowa Department of Education:			
Child Nutrition Cluster Programs:			
School Breakfast Program	10.553	4725.15	\$ 168,159
National School Lunch Program	10.555	4725-15	784,480 *
Special Milk Program for Children	10.556	4725-15	2,910
Summer Food Service Program for Children	10.559	4725-15	14,285
			969,834
National Endowment for the Arts:			
Iowa Arts Council:			
Promotion of the Arts - Partnership Agreements	45.025	FY15	600
U. S. Department of Education:			
Iowa Department of Education:			
Title I Grants to Local Educational Agencies	84.010	4725-G	526,352
Title I Grants to Local Educational Agencies	84.010	4725-SINA	20,277
			546,629
Career and Technical Education - Basic Grants to States	84.048	4725-15	24,695
Parental Assistance Centers	84.310	4725-14	82
Advanced Placement Program	84.330	4725-14	135
Improving Teacher Quality State Grants	84.367	4725-15	88,914
Grants for State Assessments and Related Activities	84.369	4725-15	14,495
Heartland Area Education Agency:			
Special Education - Grants to States	84.027	4725-15	152,209
U. S. Department of Health and Human Services:			
Iowa Department of Education:			
Cooperative Agreements to Support Comprehensive School Health Programs to Prevent the Spread of HIV and Other Important Health Problems	93.938	4725-14	170
Total			\$ 1,797,763

NEWTON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2015

* = Includes \$116,987 of non-cash awards.

Basis of Presentation –

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

See accompanying independent auditor's report.

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS

To the Board of Education of
Newton Community School District:

We have audited in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and Chapter 11 of the Code of Iowa, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Newton Community School District as of and for the year ended June 30, 2015, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 15, 2015.

Internal Control Over Financial Reporting

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

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. 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify deficiencies in internal control described in the accompanying Schedule of Findings and Questioned Costs as items II-A-15, II-B-15 and II-C-15 that we consider to be significant deficiencies.

Compliance

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

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

Newton Community School District's Responses to the Findings

Newton Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. Newton 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 results 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 report is not suitable for any other purpose.

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

Hunt & Associates, P.C.

Oskaloosa, Iowa
December 15, 2015

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

To the Board of Education of
Newton Community School District:

Report on Compliance for Each Major Federal Program

We have audited Newton Community School District's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015. Newton Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, Newton Community School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Report on Internal Control Over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct non-compliance with a type of compliance requirement of a federal program on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material non-compliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control over compliance that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of this Report

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

Hunt & Associates, P.C.

Oskaloosa, Iowa
December 15, 2015

NEWTON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2015

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

- (a) Unmodified opinions were issued on all opinion units.
- (b) Significant deficiencies in internal control over financial reporting were reported.
- (c) The audit did not report any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over major programs were reported.
- (e) An unmodified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed no audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
 - Clustered programs:
 - CFDA Number 10.553 – School Breakfast Program
 - CFDA Number 10.555 – National School Lunch Program
 - CFDA Number 10.556 – Special Milk Program for Children
 - CFDA Number 10.559 – Summer Food Service Program for Children
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Newton Community School District did not qualify as a low-risk auditee.

NEWTON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2015

Part II: Findings Related to the Basic Financial Statements:

Instances of Non-Compliance:

No matters were reported.

Internal Control Deficiencies:

II-A-15 Financial Reporting – During the audit, we identified material amounts of payables not recorded in the District’s financial statements. Adjustments were subsequently made by the District to properly include these amounts in the financial statements.

Recommendation – The District should implement procedures to ensure all payables are identified and included in the District’s financial statements so that the financial statements are free of material misstatements.

Response – We will double check these in the future to avoid missing any payables transactions.

Conclusion – Response accepted.

II-B-15 Deficit Meal Account Balances – We noted in our testing of unearned revenues that many student meal accounts had deficit balances at year end. The deficit balances in individual meal accounts exceeded the positive balances by \$34,262 at year end. We noted one individual family’s deficit account was \$3,532. These student meal deficit balances mean that the District is subsidizing these families by providing free meal benefits to families that may not actually qualify for such benefits.

Recommendation – The district should pursue alternatives to collection of the deficit balances to protect the assets of the meal program and to insure proper use of the public funds entrusted to the District. These alternatives could include better communication with the families involved, alternatives to a full meal when a student has a deficit balance, and use of an outside collection agency to contact the families and collect the debt.

Response – We have started using an outside collection agency to pursue these deficit account balances but have had only limited success. We will discuss our alternatives and decide on the proper action to take to collect these funds owed to the District.

Conclusion – Response accepted.

NEWTON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2015

Part II: Findings Related to the Basic Financial Statements (continued):

Internal Control Deficiencies (continued):

- II-C-15 Purchase Orders – We noted during our audit several instances of purchase orders dated after the invoice date on items purchased in the General Fund as well as the Student Activity Funds.

Recommendation – The advantage of using a purchase order system is that approvals of the items being purchased are noted prior to ordering of the items. In addition, when the items are approved and the purchase order is properly generated, it also reflects on the financial records as an outstanding order, which represents the amount as an obligation against the budget. When monitoring actual expenses, it can be helpful to know the outstanding orders which will be subsequently paid, therefore allowing the person who approves purchase orders the insight to know if there is still available funding to make the purchase.

Although districts are not required to use a purchase order system, the benefits to financial management make the system desirable. The District's current purchase order system should be reviewed and necessary changes made so that all disbursements are approved by the appropriate administrator before ordering of supplies takes place.

Response – The District will review the current purchase order system and make corrections to the procedures to ensure that the purchase order is approved prior to the actual purchase being made.

Conclusion – Response accepted.

NEWTON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2015

Part III: Findings and Questioned Costs for Federal Awards

Instances of Non-Compliance:

No matters were reported.

Internal Control Deficiencies:

No matters were reported.

NEWTON COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2015

Part IV: Other Findings Related to Statutory Reporting:

IV-A-15 Certified Budget – Expenditures/expenses for the year ended June 30, 2015, exceeded the amount budgeted in the instruction 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 – We will amend our budget in sufficient amounts before expenditures exceed the budget in the future.

Conclusion – Response accepted.

IV-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.

IV-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.

IV-D-15 Business Transactions – Business transactions between the District and District officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Jennifer Elbert, Spouse of Board Member Andrew Elbert	Teacher	\$61,133

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

IV-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 that the coverage is adequate for current operations.

IV-F-15 Board Minutes – No transactions requiring Board approval which had not been approved by the Board were noted.

IV-G-15 Certified Enrollment – We noted a variance in the basic enrollment data certified to the Iowa Department of Education. The certified number was overstated by 1.22 students for the fall of 2014.

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

Response – This was an oversight in the student count on our part. We will contact the proper authorities to resolve this matter.

Conclusion – Response accepted.

NEWTON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2015

Part IV: Other Findings Related to Statutory Reporting (continued):

- IV-H-15 Supplementary Weighting – No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- IV-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.
- IV-J-15 Certified Annual Report – The Certified Annual Report was certified to the Iowa Department of Education timely and we noted no significant deficiencies in the amounts reported.
- IV-K-15 Categorical Funding – No instances of categorical funding being used to supplant rather than supplement other funds were noted.
- IV-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.

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		\$	2,502,637
Revenues:			
Interest	\$	1,366	
Statewide sales, services and use tax		2,966,001	2,967,367
Expenditures/transfers out:			
School infrastructure construction		483,953	
Equipment		149,995	
Other		100,207	
Transfers to other funds:			
Debt Service Fund		1,413,363	2,147,518
Ending balance		\$	3,322,486

For the year ended June 30, 2015, the District reduced the following levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa:

NEWTON COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2015

Part IV: Other Findings Related to Statutory Reporting (continued):

IV-L-15 Statewide Sales, Services and Use Tax (continued)

	Rate of Levy Reduction Per \$1,000 of Taxable Valuation	Property Tax Dollars Reduced
Debt service levy	\$ 1.76000	\$ 1,390,373

IV-M-15 Financial Condition – The District’s Governmental Activities had a deficit unrestricted net position of \$12,250,639 at June 30, 2015. This deficit balance arose due to the implementation of Governmental Accounting Standards Board Statement Number 68, Accounting and Financial Reporting for Pensions – An Amendment of GASB 27 which required the inclusion of the District’s proportionate share of the IPERS pension liability and related deferred inflows and outflows in the District’s financial statements.

Recommendation – Even though the deficit arose due to the inclusion of the proportionate share of the IPERS net pension liability in the financial statements, the District should investigate ways to return the governmental activities to a sound financial condition.

Response – We are unsure of what steps can be taken at this time to alleviate the strain of the District’s proportionate share of the IPERS liability. However, we will look into this situation and investigate ways to return the governmental activities to a sound financial condition.

Conclusion – Response accepted.