

NEW HAMPTON COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2013

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New Hampton Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Terry Anderson	President (Resigned November 12, 2012)	2013
Tom Rasmussen	President	2015
Joe Rosonke	Vice President	2013
Jennifer Ewert	Board Member	2015
Timothy Denner	Board Member	2013
Damian Baltes	Board Member (Appointed December 10, 2012)	2013

School Officials

Jay Jurrens	Superintendent	2013
Bob Ayers	District Secretary/ Treasurer and Business Manager	2013
Swisher & Cohrt, P.L.C.	Attorney	2013

New Hampton Community School District

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

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the New Hampton 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 New Hampton Community School District, New Hampton, Iowa, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 New Hampton Community School District as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 16 and 42 through 44 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 New Hampton Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2012 (which are not presented herein) and expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 7, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 25, 2014 on our consideration of New Hampton Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering New Hampton Community School District's internal control over financial reporting and compliance.



NOLTE, CORNMAN & JOHNSON, P.C.

March 25, 2014
Newton, Iowa

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

2013 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$10,127,267 in fiscal 2012 to \$10,280,640 in fiscal 2013, while General Fund expenditures increased from \$10,354,927 in fiscal 2012 to \$10,509,456 in fiscal 2013. This resulted in a decrease in the District's General Fund balance from \$608,637 in fiscal 2012 to \$379,821 in fiscal 2013, a decrease of 37.59% from the prior year.
- The increase in General Fund revenues was attributable to increases in local tax revenues. The increase in expenditures was due primarily to increased expenditures in the support services functional area.

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 New Hampton 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 New Hampton 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 New Hampton Community School District acts solely as an agent or custodial for the benefit of those outside of the School District.

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

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

Supplementary Information provides detailed information about the nonmajor governmental funds.

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

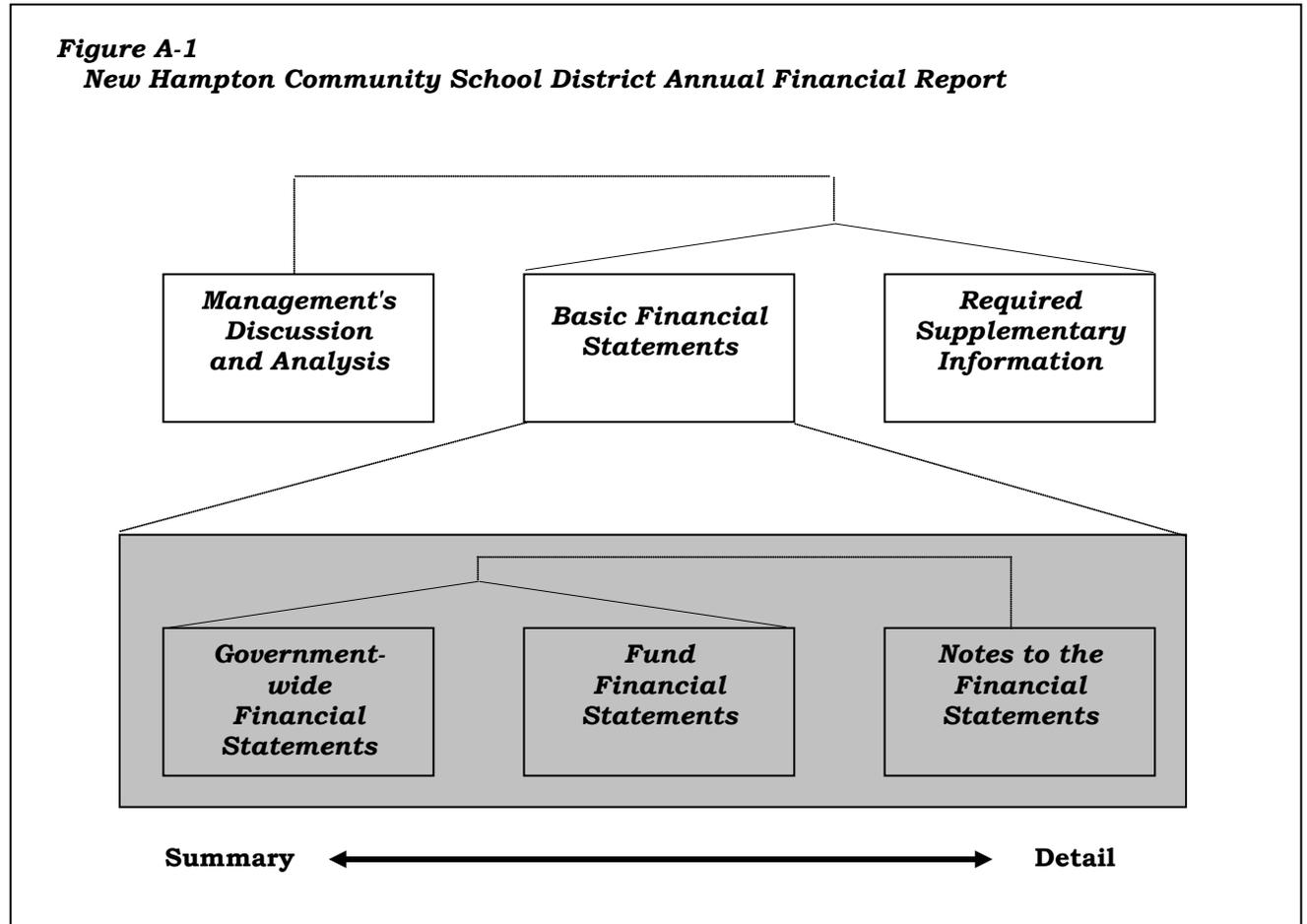


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

Figure A-2 Major Features of the Government-Wide and Fund Financial Statements				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services and adult education	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> • Statement of net position • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net position • Statement of revenues, expenses and changes in fund net position • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net position
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 inflow/ outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

The District has two kinds of funds:

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

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

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

2) *Proprietary funds*: Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's enterprise fund, a type of proprietary fund, is 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 District's internal service fund (another type of proprietary fund) is the same as its governmental activities but provide more detail and additional information, such as cash flows. The District has one internal service fund, the Cafeteria Plan Fund.

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

3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds include an Agency Fund.

- North East Iowa Conference (NEIC) Agency Fund – These are funds that are collected by the District from other schools in the conference, and used for the benefit of all Athletic Directors in the conference to attend meetings and pay subsequent expenses.

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 the fiduciary funds include a Statement of Fiduciary Net Position.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Figure A-3
Condensed Statement of Net Position

	Governmental		Business Type		Total		Total
	Activities		Activities		School District		Change
	June 30,		June 30,		June 30,		June 30,
	2013	2012	2013	2012	2013	2012	2012-13
Current and other assets	\$ 7,931,080	8,942,482	18,321	46,598	7,949,401	8,989,080	-11.57%
Capital assets	10,257,107	10,151,511	26,156	30,403	10,283,263	10,181,914	1.00%
Total assets	18,188,187	19,093,993	44,477	77,001	18,232,664	19,170,994	-4.89%
Long-term obligations	3,404,234	3,167,000	18,799	0	3,423,033	3,167,000	8.08%
Other liabilities	4,661,814	5,126,954	5,878	6,664	4,667,692	5,133,618	-9.08%
Total liabilities	8,066,048	8,293,954	24,677	6,664	8,090,725	8,300,618	-2.53%
Net position:							
Invested in capital assets, net of related debt	7,467,107	7,231,511	26,156	30,403	7,493,263	7,261,914	3.19%
Restricted	2,429,685	2,698,629	0	0	2,429,685	2,698,629	-9.97%
Unrestricted	225,347	869,899	(6,356)	39,934	218,991	909,833	-75.93%
Total net position	\$ 10,122,139	10,800,039	19,800	70,337	10,141,939	10,870,376	-6.70%

The District's combined net position decreased by 6.70%, or \$728,437, from the prior year. The largest portion of the District's net position is the invested in capital assets, net of related debt category. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

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 decreased \$268,944, or 9.97% from the prior year. The decrease was primarily the result of the decrease in the Special Revenue, Management Levy Fund during the year.

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 \$690,842, or 75.93%. This reduction in unrestricted net position was primarily a result of an increase in the District's net OPEB liability during the year.

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

Figure A-4
Changes of Net Position

	Governmental		Business Type		Total		Total
	Activities		Activities		School District		Change
	June 30,	June 30,	June 30,	June 30,	June 30,	June 30,	June 30,
	2013	2012	2013	2012	2013	2012	2012-13
Revenues:							
Program revenues:							
Charges for services	\$ 894,559	1,065,258	248,988	264,139	1,143,547	1,329,397	-13.98%
Operating grants and contributions and restricted interest	979,420	1,094,223	236,029	224,830	1,215,449	1,319,053	-7.85%
General revenues:							
Property tax	4,106,607	3,974,043	0	0	4,106,607	3,974,043	3.34%
Income surtax	627,225	374,756	0	0	627,225	374,756	67.37%
Statewide sales, service and use tax	996,235	817,655	0	0	996,235	817,655	21.84%
Nonspecific program federal grants	0	191,613	0	0	0	191,613	-100.00%
Unrestricted state grants	4,326,607	4,418,397	0	0	4,326,607	4,418,397	-2.08%
Unrestricted investment earnings	24,081	0	214	0	24,295	0	100.00%
Other	156,709	89,816	2,741	417	159,450	90,233	76.71%
Total revenues	12,111,443	12,025,761	487,972	489,386	12,599,415	12,515,147	0.67%
Program expenses:							
Governmental activities:							
Instructional	8,642,539	8,060,160	0	0	8,642,539	8,060,160	7.23%
Support services	3,237,532	3,342,939	12,778	10,670	3,250,310	3,353,609	-3.08%
Non-instructional programs	0	0	525,731	490,175	525,731	490,175	7.25%
Other expenses	909,272	709,966	0	0	909,272	709,966	28.07%
Total expenses	12,789,343	12,113,065	538,509	500,845	13,327,852	12,613,910	5.66%
Change in net position	(677,900)	(87,304)	(50,537)	(11,459)	(728,437)	(98,763)	637.56%
Net position beginning of year	10,800,039	10,887,343	70,337	81,796	10,870,376	10,969,139	-0.90%
Net position end of year	\$ 10,122,139	10,800,039	19,800	70,337	10,141,939	10,870,376	-6.70%

In fiscal 2013, local property tax, statewide sales, service and use tax and unrestricted state grants accounted for 77.86% of the revenue from governmental activities while charges for services and operating grants and contributions account for 99.39% of the revenue from business type activities.

The District's total revenues were approximately \$12.60 million of which approximately \$12.11 million was for governmental activities and approximately \$0.49 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced an increase of 0.67% in revenues and a 5.66% increase in expenses. The increase in expenses was related to an increase in negotiated salaries and benefits.

Governmental Activities

Revenues for governmental activities were \$12,111,443 and expenses were \$12,789,343.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services and other expenses for the year ended June 30, 2013 compared to the year ended June 30, 2012.

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2013	2012	Change 2012-13	2013	2012	Change 2012-13
Instruction	\$ 8,642,539	8,060,160	7.23%	7,213,483	6,362,374	13.38%
Support services	3,237,532	3,342,939	-3.15%	3,203,155	3,291,454	-2.68%
Other expenses	909,272	709,966	28.07%	498,726	299,756	66.38%
Totals	\$ 12,789,343	12,113,065	5.58%	10,915,364	9,953,584	9.66%

- The cost financed by users of the District's programs was \$894,559.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$979,420.
- The net cost of governmental activities was financed with \$4,106,607 in property tax, \$627,225 in income surtax, \$996,235 in statewide sales, services and use tax, \$4,326,607 in unrestricted state grants, \$24,081 in interest income and \$156,709 in other general revenues.

Business type Activities

Revenues of the District's business type activities were \$487,972 and expenses were \$538,509. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

As previously noted, the New Hampton 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 balance of \$2,750,768, below last year's ending fund balances of \$3,287,482. The primary reason for the decrease in combined fund balances in fiscal 2013 is due to the decrease in the fund balance of the General Fund during the year.

Governmental Fund Highlights

- The District's decrease in the General Fund financial position is the product of many factors. The difference between fiscal year 2013 revenues of \$10,280,640 and expenses of \$10,509,456 resulted in a net decrease in fund balance of \$228,816. As a result, the District's General Fund balance decreased from \$608,637 at June 30, 2012 to a balance of \$379,821 at June 30, 2013. This represents a 37.59% decrease from the prior year.
- The Capital Projects Fund balance decreased from \$1,991,494 in fiscal 2012 to \$1,822,724 in fiscal 2013. This represents a decrease of 8.47% from the prior year.

Proprietary Fund Highlights

The School Nutrition Fund net position decreased from \$70,337 at June 30, 2012 to \$19,800 at June 30, 2013, representing a decrease of 71.85%.

BUDGETARY HIGHLIGHTS

During the year, the District amended its budget two times to reflect additional expenditures associated with the instruction, support services, and other expenditures functional areas.

The District's revenues were \$545,647 more than budgeted revenues, a variance of 4.53%. The most significant variance resulted from the District receiving more from local sources than originally anticipated.

Total expenditures were less than budgeted, 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.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2013, the District had invested \$10,283,263, 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) More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$650,176.

The original cost of the District's capital assets was \$19.77 million. Governmental funds account for \$19.66 million with the remainder of \$0.11 million in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the machinery and equipment category. The District's machinery and equipment totaled \$740,700 at June 30, 2012, compared to \$965,385 reported at June 30, 2013. This increase in machinery and equipment is the result of equipment purchased during the year, including a new bus.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental		Business Type		Total		Total
	Activities		Activities		School District		Change
	June 30,		June 30,		June 30,		June 30,
	2013	2012	2013	2012	2013	2012	2012-13
Land	\$ 381,700	381,700	0	0	381,700	381,700	0.00%
Buildings	8,516,882	8,606,661	0	0	8,516,882	8,606,661	-1.04%
Land improvements	419,296	452,853	0	0	419,296	452,853	-7.41%
Machinery and equipment	939,229	710,297	26,156	30,403	965,385	740,700	30.33%
Total	\$ 10,257,107	10,151,511	26,156	30,403	10,283,263	10,181,914	1.00%

Long-Term Debt

At June 30, 2013, the District had \$3,423,033 in revenue bonds, termination benefits, and other post employment benefits liabilities outstanding. This represents an increase of 8.08% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 5 to the financial statements.

The District had total outstanding revenue bonds payable of \$2,790,000 at June 30, 2013.

The District had total outstanding termination benefits payable of \$166,000 at June 30, 2013. Of this total, \$146,000 is payable from the Special Revenue, Management Levy Fund, with the remaining \$20,000 payable from the General Fund.

The District had a net OPEB liability of \$467,033 at June 30, 2013. Of this total, \$448,234 is included in the governmental activities while the remaining \$18,799 is included in business type activities.

Figure A-7
Outstanding Long-Term Obligations

	Governmental		Business Type		Total		Total
	Activities		Activities		School District		Change
	June 30,		June 30,		June 30,		June 30,
	2013	2012	2013	2012	2013	2012	2012-13
Revenue bonds	\$ 2,790,000	2,920,000	0	0	2,790,000	2,920,000	-4.45%
Termination benefits	166,000	247,000	0	0	166,000	247,000	-32.79%
Net OPEB liability	448,234	0	18,799	0	467,033	0	100.00%
Total	\$ 3,404,234	3,167,000	18,799	0	3,423,033	3,167,000	8.08%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- The budget guarantee (whereby Districts are guaranteed 100% of their current budget for the upcoming year) is being phased out over a ten year period which began in fiscal year 2005.
- Low allowable growth over several years and enrollment decreases is negatively impacting the District's spending authority. Contractual increases and program changes cannot be made without thorough consideration of our unspent authorized budget.

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 Bob Ayers, District Secretary/Treasurer and Business Manager, New Hampton Community School District, 710 West Main Street, New Hampton, Iowa, 50659.

BASIC FINANCIAL STATEMENTS

NEW HAMPTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2013

	Governmental Activities	Business Type Activities	Total
Assets			
Cash and pooled investments	\$ 2,709,350	3,061	2,712,411
Receivables:			
Property tax:			
Delinquent	33,487	0	33,487
Succeeding year	4,388,654	0	4,388,654
Income surtax	494,609	0	494,609
Accounts	2,699	0	2,699
Due from other governments	302,281	0	302,281
Inventories	0	15,260	15,260
Capital assets, net of accumulated depreciation	10,257,107	26,156	10,283,263
Total Assets	18,188,187	44,477	18,232,664
Liabilities			
Accounts payable	272,153	549	272,702
Salaries and benefits payable	977	0	977
Due to other governments	30	0	30
Deferred revenue:			
Succeeding year property tax	4,388,654	0	4,388,654
Unearned revenue	0	5,329	5,329
Long-term liabilities:			
Portion due within one year:			
Revenue bonds payable	135,000	0	135,000
Termination benefits payable	66,000	0	66,000
Portion due after one year:			
Revenue bonds payable	2,655,000	0	2,655,000
Termination benefits payable	100,000	0	100,000
Net OPEB liability	448,234	18,799	467,033
Total Liabilities	8,066,048	24,677	8,090,725
Net Position			
Invested in capital assets, net of related debt	7,467,107	26,156	7,493,263
Restricted for:			
Categorical funding	179,740	0	179,740
Debt service	40	0	40
Management levy purposes	315,764	0	315,764
Student activities	111,417	0	111,417
School infrastructure	1,705,548	0	1,705,548
Physical plant and equipment	117,176	0	117,176
Unrestricted	225,347	(6,356)	218,991
Total Net Position	\$ 10,122,139	19,800	10,141,939

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
Functions/Programs:						
Governmental activities:						
Instruction:						
Regular	\$ 5,384,835	310,795	121,751	(4,952,289)	0	(4,952,289)
Special	1,445,826	32,359	145,566	(1,267,901)	0	(1,267,901)
Other	1,811,878	551,405	267,180	(993,293)	0	(993,293)
	8,642,539	894,559	534,497	(7,213,483)	0	(7,213,483)
Support services:						
Student	217,097	0	0	(217,097)	0	(217,097)
Instructional staff	296,580	0	0	(296,580)	0	(296,580)
Administration	1,235,518	0	0	(1,235,518)	0	(1,235,518)
Operation and maintenance of plant	931,429	0	0	(931,429)	0	(931,429)
Transportation	556,908	0	34,377	(522,531)	0	(522,531)
	3,237,532	0	34,377	(3,203,155)	0	(3,203,155)
Long-term debt interest	132,110	0	0	(132,110)	0	(132,110)
Other expenditures:						
AEA flowthrough	410,546	0	410,546	0	0	0
Depreciation(unallocated)*	366,616	0	0	(366,616)	0	(366,616)
	777,162	0	410,546	(366,616)	0	(366,616)
Total governmental activities	12,789,343	894,559	979,420	(10,915,364)	0	(10,915,364)
Business Type activities:						
Support services:						
Administration	5,168	0	0	0	(5,168)	(5,168)
Operation and maintenance of plant	7,610	0	0	0	(7,610)	(7,610)
Non-instructional programs:						
Food service operations	525,731	248,988	236,029	0	(40,714)	(40,714)
Total business type activities	538,509	248,988	236,029	0	(53,492)	(53,492)
Total	\$ 13,327,852	1,143,547	1,215,449	(10,915,364)	(53,492)	(10,968,856)
General Revenues:						
Property tax levied for:						
General purposes				\$ 3,969,749	0	3,969,749
Capital outlay				136,858	0	136,858
Income surtax				627,225	0	627,225
Statewide sales, services and use tax				996,235	0	996,235
Unrestricted state grants				4,326,607	0	4,326,607
Unrestricted investment earnings				24,081	214	24,295
Other general revenues				156,709	2,741	159,450
Total general revenues				10,237,464	2,955	10,240,419
Change in net position				(677,900)	(50,537)	(728,437)
Net position beginning of year				10,800,039	70,337	10,870,376
Net position end of year				\$ 10,122,139	19,800	10,141,939

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

SEE NOTES TO FINANCIAL STATEMENTS.

NEW HAMPTON COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2013

	Capital			Total
	General	Projects	Nonmajor	
Assets				
Cash and pooled investments	\$ 257,654	1,857,338	570,469	2,685,461
Receivables:				
Property tax:				
Delinquent	31,361	1,102	1,024	33,487
Succeeding year	4,146,705	141,949	100,000	4,388,654
Income surtax	494,609	0	0	494,609
Accounts	2,639	0	60	2,699
Due from other governments	204,989	97,292	0	302,281
Total Assets	\$ 5,137,957	2,097,681	671,553	7,907,191
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 115,815	133,008	23,330	272,153
Salaries and benefits payable	977	0	0	977
Due to other governments	30	0	0	30
Deferred revenue:				
Succeeding year property tax	4,146,705	141,949	100,000	4,388,654
Income surtax	494,609	0	0	494,609
Total liabilities	4,758,136	274,957	123,330	5,156,423
Fund balances:				
Restricted for:				
Categorical funding	179,740	0	0	179,740
Debt service	0	0	40	40
Management levy purposes	0	0	461,764	461,764
Student activities	0	0	111,417	111,417
School infrastructure	0	1,705,548	0	1,705,548
Physical plant and equipment	0	117,176	0	117,176
Assigned	7,122	0	0	7,122
Unassigned:				
General	192,959	0	0	192,959
Student activities	0	0	(24,998)	(24,998)
Total fund balances	379,821	1,822,724	548,223	2,750,768
Total Liabilities and Fund Balances	\$ 5,137,957	2,097,681	671,553	7,907,191

SEE NOTES TO FINANCIAL STATEMENTS.

NEW HAMPTON COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET POSITION
 JUNE 30, 2013

Total fund balances of governmental funds(page 20) \$ 2,750,768

***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 report as assets in the governmental funds. 10,257,107

Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period. 494,609

Blending of the Internal Service Funds to be reflected on an entity-wide basis. 23,889

Long-term liabilities, including bonds payable, termination benefits, and other postemployment benefits are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. (3,404,234)

Net position of governmental activities(page 18) \$ 10,122,139

SEE NOTES TO FINANCIAL STATEMENTS.

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

	General	Capital Projects	Nonmajor	Total
Revenues:				
Local sources:				
Local tax	\$ 4,451,949	1,133,093	125,519	5,710,561
Tuition	316,320	0	0	316,320
Other	263,859	12,289	540,241	816,389
Intermediate sources	1,152	0	0	1,152
State sources	4,920,879	80	75	4,921,034
Federal sources	326,481	0	0	326,481
Total revenues	10,280,640	1,145,462	665,835	12,091,937
Expenditures:				
Current:				
Instruction:				
Regular	4,742,671	586,329	140,341	5,469,341
Special	1,299,281	0	0	1,299,281
Other	1,223,892	0	557,246	1,781,138
	7,265,844	586,329	697,587	8,549,760
Support services:				
Student	203,666	0	0	203,666
Instructional staff	283,043	0	0	283,043
Administration	1,204,352	0	8,047	1,212,399
Operation and maintenance of plant	745,250	0	79,618	824,868
Transportation	396,755	103,468	19,717	519,940
	2,833,066	103,468	107,382	3,043,916
Capital outlay	0	362,319	0	362,319
Long-term debt:				
Principal	0	0	130,000	130,000
Interest and fiscal charges	0	0	132,110	132,110
	0	0	262,110	262,110
Other expenditures:				
AEA flowthrough	410,546	0	0	410,546
Total expenditures	10,509,456	1,052,116	1,067,079	12,628,651
Excess(Deficiency) of revenues over(under) expenditures	(228,816)	93,346	(401,244)	(536,714)
Other financing sources(uses):				
Transfer in	0	0	262,116	262,116
Transfer out	0	(262,116)	0	(262,116)
Total other financing sources(uses)	0	(262,116)	262,116	0
Change in fund balances	(228,816)	(168,770)	(139,128)	(536,714)
Fund balances beginning of year	608,637	1,991,494	687,351	3,287,482
Fund balances end of year	\$ 379,821	1,822,724	548,223	2,750,768

SEE NOTES TO FINANCIAL STATEMENTS.

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

Change in fund balances - total governmental funds(page 22) \$ (536,714)

*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. Capital outlay expenditures and depreciation expense in the current year are as follows:

Capital outlay	\$ 751,525	
Depreciation expense	<u>(645,929)</u>	105,596

Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds. 19,506

Repayment of long-term debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position. 130,000

Net change in Internal Service Fund charged back against expenditures of the current year period in the governmental funds. 23,889

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.

Termination benefits	81,000	
Other postemployment benefits	<u>(501,177)</u>	<u>(420,177)</u>

Change in net position of governmental activities(page 19) \$ (677,900)

SEE NOTES TO FINANCIAL STATEMENTS.

NEW HAMPTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2013

	Business Type Activities: <u>Enterprise Fund</u> School Nutrition	Governmental Activities: Internal Service Fund
Assets		
Cash and pooled investments	\$ 3,061	23,889
Inventories	15,260	0
Capital assets, net of accumulated depreciation	26,156	0
Total Assets	<u>44,477</u>	<u>23,889</u>
Liabilities		
Accounts payable	549	0
Deferred revenue	5,329	0
Net OPEB liability	18,799	0
Total Liabilities	<u>24,677</u>	<u>0</u>
Net Position		
Invested in capital assets	26,156	0
Unrestricted	(6,356)	23,889
Total Net Position	<u>\$ 19,800</u>	<u>23,889</u>

SEE NOTES TO FINANCIAL STATEMENTS.

NEW HAMPTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2013

	Business Type Activities: <u>Enterprise Fund</u> School Nutrition	Governmental Activities: Internal Service Fund
OPERATING REVENUE:		
Local sources:		
Charges for services	\$ 248,988	0
Miscellaneous	2,741	66,057
TOTAL OPERATING REVENUES	<u>251,729</u>	<u>66,057</u>
OPERATING EXPENSES:		
Support services:		
Administration:		
Benefits	5,168	42,246
Operation and maintenance of plant:		
Supplies	7,610	0
	<u>12,778</u>	<u>42,246</u>
Non-instructional programs:		
Food service operations:		
Salaries	186,646	0
Benefits	98,043	0
Services	4,267	0
Supplies	232,528	0
Depreciation	4,247	0
	<u>525,731</u>	<u>0</u>
TOTAL OPERATING EXPENSES	<u>538,509</u>	<u>42,246</u>
OPERATING INCOME(LOSS)	<u>(286,780)</u>	<u>23,811</u>
NON-OPERATING REVENUES:		
State sources	4,312	0
Federal sources	231,717	0
Interest income	214	78
TOTAL NON-OPERATING REVENUES	<u>236,243</u>	<u>78</u>
Change in net position	(50,537)	23,889
Net position beginning of year	<u>70,337</u>	<u>0</u>
Net position end of year	<u>\$ 19,800</u>	<u>23,889</u>

SEE NOTES TO FINANCIAL STATEMENTS.

NEW HAMPTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2013

	Business Type Activities: <u>Enterprise Fund</u> School Nutrition	Governmental Activities: Internal Service Fund
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 247,845	0
Cash received from miscellaneous sources	2,741	66,057
Cash payments to employees for services	(268,829)	(42,246)
Cash payments to suppliers for goods or services	(204,861)	0
Net cash provided by(used in) operating activities	<u>(223,104)</u>	<u>23,811</u>
Cash flows from non-capital financing activities:		
State grants received	4,312	0
Federal grants received	193,207	0
Net cash provided by non-capital financing activities	<u>197,519</u>	<u>0</u>
Cash flows from investing activities:		
Interest on investments	214	78
Net increase(decrease) in cash and cash equivalents	(25,371)	23,889
Cash and cash equivalents beginning of year	<u>28,432</u>	<u>0</u>
Cash and cash equivalents end of year	<u>\$ 3,061</u>	<u>23,889</u>
Reconciliation of operating income(loss) to net cash provided by(used in) operating activities:		
Operating income(loss)	\$ (286,780)	23,811
Adjustments to reconcile operating income(loss) to net cash provided by(used in) operating activities:		
Commodities consumed	38,510	0
Depreciation	4,247	0
Decrease in inventories	677	0
Increase in accounts payable	357	0
Decrease in unearned revenue	(1,143)	0
Increase in other postemployment benefits	21,028	0
Net cash provided by(used in) operating activities	<u>\$ (223,104)</u>	<u>23,811</u>

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2013, the District received Federal commodities valued at \$38,510.

SEE NOTES TO FINANCIAL STATEMENTS.

NEW HAMPTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
YEAR ENDED JUNE 30, 2013

	Agency
Assets	
Cash and pooled investments	\$ 8,528
Liabilities	
Due to other groups	\$ 8,528

SEE NOTES TO FINANCIAL STATEMENTS.

NEW HAMPTON COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

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

The New Hampton 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 City of New Hampton, Iowa, and the predominate agricultural territory in Howard and Chickasaw Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

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

A. Reporting Entity

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

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Position (formerly referred to as net assets) and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Position presents the District's nonfiduciary assets and liabilities, with the difference reported as net position. Net position is reported in the following categories:

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

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

Unrestricted net position consists of net position that does not meet the definition of the two preceding categories. Unrestricted net position often has constraints on resources that are 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 that clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

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

The District reports the following major governmental funds:

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

The Capital Projects Fund is 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 funds:

The District's proprietary funds are the Enterprise, School Nutrition Fund and the Internal Service, Cafeteria Plan Fund. The Enterprise, School Nutrition Fund is used to account for the food service operations of the District. The Internal Service, Cafeteria Plan Fund is used to account for benefit programs offered by the District.

The District also reports a fiduciary fund which focuses on net position and changes in net position. The District reports the following nonmajor fiduciary fund:

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

Under 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 balance.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

D. Assets, Liabilities and Fund Balances

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

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

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2011 assessed property valuations; is for the tax accrual period July 1, 2012 through June 30, 2013 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2012.

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

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

Capital Assets - Capital assets, which include property, machinery and equipment and intangibles, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Position. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and 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 two years.

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 500
Buildings	500
Land improvements	500
Intangibles	25,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	500

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

<u>Asset Class</u>	<u>Estimated Useful Life (In Years)</u>
Buildings	50 years
Land improvements	20 years
Intangibles	2 + years
Machinery and equipment	5-12 years

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

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

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

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

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

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

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

Assigned - Amounts the Board of Education intends to use for specific purposes.

Unassigned - All amounts not included in other spendable classifications.

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

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

(2) **Cash and Pooled Investments**

The District's deposits at June 30, 2013 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district. The District had no investments at June 30, 2013.

(3) Interfund Transfers

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

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
	Capital Projects:	
	Statewide Sales,	
Debt Service	Services, and Use Tax	<u>\$ 262,116</u>

The transfer from the Capital Projects: Statewide Sales, Services, and Use Tax fund to the Debt Service fund was needed to make principal and interest payments on the District's revenue bond indebtedness.

(4) Capital Assets

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

	<u>Balance</u>			<u>Balance</u>
	<u>Beginning</u>	<u>Increases</u>	<u>Decreases</u>	<u>End</u>
	<u>of Year</u>			<u>of Year</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 381,700	0	0	381,700
Capital assets being depreciated:				
Buildings	13,423,296	243,280	0	13,666,576
Land improvements	888,292	0	0	888,292
Machinery and equipment	4,214,049	508,245	0	4,722,294
Total capital assets being depreciated	<u>18,525,637</u>	<u>751,525</u>	<u>0</u>	<u>19,277,162</u>
Less accumulated depreciation for:				
Buildings	4,816,635	333,059	0	5,149,694
Land improvements	435,439	33,557	0	468,996
Machinery and equipment	3,503,752	279,313	0	3,783,065
Total accumulated depreciation	<u>8,755,826</u>	<u>645,929</u>	<u>0</u>	<u>9,401,755</u>
Total capital assets being depreciated, net	<u>9,769,811</u>	<u>105,596</u>	<u>0</u>	<u>9,875,407</u>
Governmental activities capital assets, net	<u>\$ 10,151,511</u>	<u>105,596</u>	<u>0</u>	<u>10,257,107</u>
	<u>Balance</u>			<u>Balance</u>
	<u>Beginning</u>	<u>Increases</u>	<u>Decreases</u>	<u>End</u>
	<u>of Year</u>			<u>of Year</u>
Business type activities:				
Machinery and equipment	\$ 113,749	0	0	113,749
Less accumulated depreciation	83,346	4,247	0	87,593
Business type activities capital assets, net	<u>\$ 30,403</u>	<u>(4,247)</u>	<u>0</u>	<u>26,156</u>

Depreciation expense was charged by the District as follows:

Governmental activities:		
Instruction:		
Regular		\$ 189,704
Special		6,347
Support services:		
Operation and maintenance of plant		15,372
Transportation		67,890
		<u>279,313</u>
Unallocated depreciation		<u>366,616</u>
		<u>645,929</u>
Business type activities:		
Food service operations		<u>\$ 4,247</u>

(5) Long-Term Liabilities

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

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Governmental Activities:					
Revenue bonds	\$ 2,920,000	0	130,000	2,790,000	135,000
Termination benefits	247,000	0	81,000	166,000	66,000
Net OPEB liability	0	448,234	0	448,234	0
Total	<u>\$ 3,167,000</u>	<u>448,234</u>	<u>211,000</u>	<u>3,404,234</u>	<u>201,000</u>
Business Type Activities:					
Net OPEB liability	\$ 0	18,799	0	18,799	0

Revenue Bonds Payable

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

Year Ending June 30,	Interest Rate	Bond issue November 1, 2008		
		Principal	Interest	Total
2014	3.75	\$ 135,000	127,495	262,495
2015	3.95	140,000	122,433	262,433
2016	4.05	145,000	116,902	261,902
2017	4.15	150,000	111,030	261,030
2018	4.25	160,000	104,805	264,805
2019-2023	4.35-4.75	905,000	413,405	1,318,405
2024-2028	4.85-4.95	1,155,000	176,187	1,331,187
Total		<u>\$ 2,790,000</u>	<u>1,172,257</u>	<u>3,962,257</u>

The District has pledged future statewide sales, services and use tax revenues to repay the \$3,120,000 bonds issued in November 2008. The bonds were issued for the purpose of defraying a portion of the cost of school infrastructure. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are

payable through 2028. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require approximately 26 percent of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the notes is \$3,962,257. For the current year, principal of \$130,000 and interest of \$132,110 was paid on the revenue bonds and total statewide sales, services and use tax revenues were \$996,235.

The resolution providing for the issuance of the statewide sales, services and use tax revenue bonds includes the following provisions:

- a) All proceeds from the statewide sales, services and use tax shall be placed in a Revenue Account.
- b) Monies in the Revenue Account shall be disbursed to make deposits into a Sinking Account to pay the principal and interest requirements of the revenue bonds for the fiscal year.

Termination Benefits (Early Retirement)

The District offered an early retirement benefit plan to its certified employees for the years ended June 30, 2009, 2010 and 2011. Eligible employees must have been at least age fifty-five and employees must have completed fifteen years of continuous service to the District. Voluntary early retirement benefits were only available to the first twelve applicants. Employees must have completed an application which was required to be approved by the Board of Education. Early retirement benefits paid during the year ended June 30, 2013, totaled \$81,000. A liability has been recorded in the Statement of Net Position representing the District's commitment to fund non-current retirement benefits.

(6) Other Postemployment Benefits (OPEB)

Plan Description - The District operates a single-employer health plan which provides medical, prescription drug, and dental benefits for employees, retirees, and their spouses. There are 141 active and 19 retired members in the plan. Employees must be age 55 or older at retirement.

The medical/prescription drug benefit, which is a self-funded medical plan, is administered by Northeast Iowa Schools Insurance Trust. 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 of the District (ARC), 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 June 30, 2013, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 113,389
Interest on net OPEB obligation	10,064
Adjustment to annual required contribution	<u>424,176</u>
Annual OPEB cost	547,629
Contributions made	<u>(25,424)</u>
Increase in net OPEB obligation	522,205
Net OPEB obligation - beginning of year	<u>(55,172)</u>
 Net OPEB obligation - end of year	 <u><u>\$ 467,033</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of the year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the plans actual contributions for the year ended June 30, 2013.

For the year ended June 30, 2013, the District contributed \$25,424 to the medical plan.

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

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2011	\$ 37,970	150.12 %	\$ (24,030)
2012	37,858	182.26	(55,172)
2013	547,629	4.64	467,033

Funded Status and Funding Progress - As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2012 through June 30, 2013, the actuarial accrued liability was \$779,713, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$779,713. The covered payroll (annual payroll of active employees covered by the plan) was \$5,827,880, and the ratio of the UAAL to the covered payroll was 13.38%. As of June 30, 2013, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress presented as required supplementary information in the section following the Notes to the Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include 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 that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of July 1, 2012 actuarial valuation date, the Frozen Entry Age Actuarial Cost method was used. The actuarial assumptions include a 2.5% discount rate based on the District's funding policy, and a 6% per year Health Cost Trend rate.

Mortality rates are from the 94 Group Annuity Mortality Table, applied on a gender-specific basis.

The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(7) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 5.78% of their annual salary and the District is required to contribute 8.67% of annual covered salary. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2013, 2012, and 2011 were \$537,040, \$493,978, and \$426,053 respectively, equal to the required contributions for each year.

(8) Risk Management

New Hampton Community School District is a member in the Northeast Iowa Schools Insurance Trust, an Iowa Code Chapter 28E organization. The Northeast Iowa Schools Insurance Trust (NEIST) is a local government risk-sharing pool whose members include various schools throughout the State of Iowa. NEIST was formed July 1999 for the purpose of managing and funding employee benefits. NEIST provides coverage and protection in the following categories: medical, dental, long-term disability, and life insurance.

Each member's contributions to NEIST funds current operations and provides capital. Annual operating contributions are those amounts necessary to fund, on a GAAP basis, NEIST's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital.

The District's contributions to the risk pool are recorded as expenditures from its General Fund at the time of payment to the risk pool. District contributions to NEIST for the year ended June 30, 2013 were \$1,252,836.

Payments from participating members are the sole source for paying claims and establishing reserves for the NEIST self-funded programs. Stop loss insurance is purchased by NEIST to protect against large claims but the potential exists for claims to exceed the premium payments made by members into the program. In the event that claims exceed premiums and reserves, an assessment may be necessary to pay claims and replenish reserves in the program.

The District does not report a liability for losses in excess of stop loss insurance unless it is deemed probable that such losses have occurred and the amount of such a loss can be reasonably estimated. Accordingly, at June 30, 2013, no liability has been recorded in the District's financial statements. As of June 30, 2013, settled claims have not exceeded the risk pool or reinsurance company coverage.

Members agree to continue membership in the pool for a period of not less than one full year. After such period, a member who has given 30 days prior written notice may withdraw. NEIST will pay claims incurred before the termination date.

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

(9) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$410,546 for the year ended June 30, 2013 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(10) Categorical Funding

The District's ending restricted balances for categorical funding as of the year ended June 30, 2013 are comprised of the following programs:

Programs	Amount
Professional development system for Statewide Early Childhood System	\$ 298
Community grants	492
State Decategorization Grant	723
Teacher salary supplement	1,367
Nonpublic textbook services	9,952
Voluntary preschool program	28,246
Model core curriculum	32,029
Professional development	43,831
Gifted and talented	62,802
Total	<u>\$ 179,740</u>

(11) Deficit Fund Balance/Net Position

At June 30, 2013, there was a deficit unassigned balance in the Activity fund of \$24,998. There was also a deficit unrestricted net position of \$6,356 in the Enterprise, School Nutrition Fund.

(12) Reconciliation of Governmental Fund Balances to Net Position

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

	Invested in Capital Assets	Management Levy	Unassigned/ Unrestricted
Fund balance (Exhibit C)	\$ 0	461,764	192,959
Capital assets, net of accumulated depreciation	10,257,107	0	0
Revenue bond capitalized indebtedness	(2,790,000)	0	0
Termination benefits liability	0	(146,000)	(20,000)
Internal service fund	0	0	23,889
Assigned for general purposes	0	0	7,122
Unassigned for student activities	0	0	(24,998)
Income surtax receivable	0	0	494,609
Net OPEB liability	0	0	(448,234)
Net position (Exhibit A)	<u>\$ 7,467,107</u>	<u>315,764</u>	<u>225,347</u>

REQUIRED SUPPLEMENTARY INFORMATION

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

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to
	Funds	Fund		Original	Final	Actual
	Actual	Actual				Variance
Revenues:						
Local sources	\$ 6,843,270	251,943	7,095,213	6,693,884	6,693,884	401,329
Intermediate sources	1,152	0	1,152	0	0	1,152
State sources	4,921,034	4,312	4,925,346	4,901,378	4,901,378	23,968
Federal sources	326,481	231,717	558,198	439,000	439,000	119,198
Total revenues	12,091,937	487,972	12,579,909	12,034,262	12,034,262	545,647
Expenditures/Expenses:						
Instruction	8,549,760	0	8,549,760	7,728,697	8,743,945	194,185
Support services	3,043,916	12,778	3,056,694	3,080,189	3,168,007	111,313
Non-instructional programs	0	525,731	525,731	597,744	597,744	72,013
Other expenditures	1,034,975	0	1,034,975	946,917	1,309,388	274,413
Total expenditures/expenses	12,628,651	538,509	13,167,160	12,353,547	13,819,084	651,924
Deficiency of revenues under expenditures/expenses	(536,714)	(50,537)	(587,251)	(319,285)	(1,784,822)	1,197,571
Balance beginning of year	3,287,482	70,337	3,357,819	3,253,351	3,253,351	104,468
Balance end of year	\$ 2,750,768	19,800	2,770,568	2,934,066	1,468,529	1,302,039

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NEW HAMPTON COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2013

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting 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 Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis. Encumbrances are not recognized on the GAAP basis budget and appropriations lapse at year end.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functional areas, not by fund or fund type. These four functional areas are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. 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 two budget amendments, increasing budgeted expenditures by a total of \$1,465,537.

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

REQUIRED SUPPLEMENTARY INFORMATION

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial		Funded Ratio (a/b)	Covered Payroll (c)	UAAAL as a Percentage of Covered Payroll ((b-a)/c)
			Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (a-b)			
2010	July 1, 2009	-	\$ 486,000	\$ 486,000	-	\$ 5,486,521	8.86%
2011	July 1, 2009	-	486,000	486,000	-	5,752,522	8.45%
2012	July 1, 2009	-	486,000	486,000	-	5,738,671	8.47%
2013	July 1, 2012	-	779,713	779,713	-	5,827,880	13.38%

See Note 6 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

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

	Special Revenue:				
	Student Activity	Management Levy	Total	Debt Service	Total
Assets					
Cash and pooled investments	\$ 109,689	460,740	570,429	40	570,469
Receivables:					
Property tax					
Delinquent	0	1,024	1,024	0	1,024
Succeeding year	0	100,000	100,000	0	100,000
Accounts	60	0	60	0	60
Total Assets	\$ 109,749	561,764	671,513	40	671,553
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 23,330	0	23,330	0	23,330
Deferred revenue:					
Succeeding year property tax	0	100,000	100,000	0	100,000
Total liabilities	23,330	100,000	123,330	0	123,330
Fund balances:					
Restricted for:					
Debt Service	0	0	0	40	40
Management levy purposes	0	461,764	461,764	0	461,764
Student activities	111,417	0	111,417	0	111,417
Unassigned	(24,998)	0	(24,998)	0	(24,998)
Total fund balances	86,419	461,764	548,183	40	548,223
Total Liabilities and Fund Balances	\$ 109,749	561,764	671,513	40	671,553

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

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

	Special Revenue:				
	Student Activity	Manage- ment Levy	Total	Debt Service	Total
Revenues:					
Local sources:					
Local tax	\$ 0	125,519	125,519	0	125,519
Other	509,317	30,924	540,241	0	540,241
State sources	0	75	75	0	75
Total revenues	509,317	156,518	665,835	0	665,835
Expenditures					
Current:					
Instruction:					
Regular	0	140,341	140,341	0	140,341
Other	557,246	0	557,246	0	557,246
Support services:					
Administration	0	8,047	8,047	0	8,047
Operation and maintenance of plant	0	79,618	79,618	0	79,618
Transportation	0	19,717	19,717	0	19,717
Long-term debt:					
Principal	0	0	0	130,000	130,000
Interest and fiscal charges	0	0	0	132,110	132,110
Total expenditures	557,246	247,723	804,969	262,110	1,067,079
Deficiency of revenues under expenditures	(47,929)	(91,205)	(139,134)	(262,110)	(401,244)
Other financing sources:					
Transfer in	0	0	0	262,116	262,116
Change in fund balance	(47,929)	(91,205)	(139,134)	6	(139,128)
Fund balances beginning of year	134,348	552,969	687,317	34	687,351
Fund balances end of year	\$ 86,419	461,764	548,183	40	548,223

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Assets			
Cash and pooled investments	\$ 1,741,264	116,074	1,857,338
Receivables:			
Property tax			
Delinquent	0	1,102	1,102
Succeeding year	0	141,949	141,949
Due from other governments	97,292	0	97,292
Total Assets	\$ 1,838,556	259,125	2,097,681
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 133,008	0	133,008
Deferred revenue:			
Succeeding year property tax	0	141,949	141,949
Total liabilities	133,008	141,949	274,957
Fund balances:			
Restricted for:			
School infrastructure	1,705,548	0	1,705,548
Physical plant and equipment	0	117,176	117,176
Total fund balances	1,705,548	117,176	1,822,724
Total Liabilities and Fund Balances	\$ 1,838,556	259,125	2,097,681

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ 996,235	136,858	1,133,093
Other	12,289	0	12,289
State sources	0	80	80
Total revenues	1,008,524	136,938	1,145,462
Expenditures			
Current:			
Instruction:			
Regular	586,329	0	586,329
Support services:			
Transportation	0	103,468	103,468
Other expenditures:			
Capital outlay	333,232	29,087	362,319
Total expenditures	919,561	132,555	1,052,116
Excess of revenues over expenditures	88,963	4,383	93,346
Other financing uses:			
Transfers out	(262,116)	0	(262,116)
Change in fund balances	(173,153)	4,383	(168,770)
Fund balances beginning of year	1,878,701	112,793	1,991,494
Fund balances end of year	\$ 1,705,548	117,176	1,822,724

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

Account	Balance Beginning of Year	Revenues	Expendi- tures	Intrafund Transfers	Balance End of Year
Drama	\$ 336	1,199	1,514	0	21
Speech	37	1,981	1,965	0	53
H.S. Vocal Music	20	6,457	5,608	0	869
M.S. Vocal Music	94	696	172	0	618
Instrumental Music	39	2,113	2,058	0	94
MS Music	276	898	887	0	287
MS Musical	6,071	690	1,493	0	5,268
Swing Choir	15	6,427	6,431	0	11
Cross Country	0	1,640	1,622	0	18
HS Cheerleaders	1,374	11,451	12,825	0	0
MS Cheerleaders	0	352	350	0	2
Flags	73	0	71	0	2
Trapshooting	20,668	46,518	55,717	0	11,469
Athletics	89	129,236	125,923	0	3,402
Sports Camps	43,581	68,495	90,311	0	21,765
GSA	91	0	0	0	91
National Honor Society	7	9,177	9,170	0	14
Annual	(24,998)	12,499	12,499	0	(24,998)
Chieftain	307	0	0	0	307
Future Educators	7	0	0	0	7
Writers Club	889	0	396	0	493
Science Achievement Club	2,628	0	67	0	2,561
BAC	582	1,008	1,008	0	582
FFA	0	52,423	52,423	0	0
SADD	2,256	940	569	0	2,627
Student Senate	994	599	1,186	0	407
Class of 2011	18	0	18	0	0
Class of 2012	1,766	0	1,766	0	0
Class of 2013	1,127	786	1,913	0	0
Class of 2014	3,749	614	950	0	3,413
Class of 2015	135	2,481	1,402	0	1,214
Class of 2016	0	123	123	0	0
Class of 2017	19,174	67,693	84,740	0	2,127
Class of 2018	9,748	31	0	0	9,779
Class of 2019	7,443	24	0	0	7,467
Interact Rotary	0	121	0	0	121
Activity Tickets	0	5,168	0	0	5,168
Lettermen	3,745	5,182	4,442	0	4,485
Letterette	100	1,645	1,745	0	0
Pom Pon	86	15,114	15,112	(88)	0
Pep Club	10	0	0	0	10
NEIC Athletic Directors	8,723	0	8,723	0	0
Student Senate Vending	0	28,495	28,527	88	56
Miscellaneous	290	915	1,099	0	106
M.S. Annual	7,024	595	2,066	0	5,553
M.S. Student Senate	0	7,077	3,483	0	3,594
OM/DI Activity	557	1,494	1,261	0	790
Lounge	37	0	37	0	0
Early Carde	924	0	0	0	924
Elementary Carnival	10,135	12,006	10,958	0	11,183
Student Assistance	3,287	4,954	4,441	0	3,800
Book Fair	659	0	0	0	659
Box Top for Education	175	0	175	0	0
Total	\$ 134,348	509,317	557,246	0	86,419

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NEW HAMPTON COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
 AGENCY FUND
 YEAR ENDED JUNE 30, 2013

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
ASSETS				
Cash and pooled investments	\$ 0	17,208	8,680	8,528
LIABILITIES				
Due to other groups	\$ 0	17,208	8,680	8,528

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Modified Accrual Basis									
	Years Ended June 30,									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Revenues:										
Local sources:										
Local tax	\$ 5,710,561	5,011,532	5,572,743	5,403,867	5,194,179	4,953,087	4,821,855	4,917,484	4,912,351	4,760,526
Tuition	316,320	368,233	324,598	330,890	270,277	322,300	304,574	265,997	247,581	223,477
Other	816,389	826,026	884,446	781,180	680,436	693,055	626,836	869,245	1,037,269	591,796
Intermediate sources	1,152	1,641	1,983	13,354	14,848	3,358	3,549	550	3,284	4,234
State sources	4,921,034	5,078,041	4,756,508	4,229,621	5,137,056	5,074,795	4,484,444	4,239,464	4,123,898	4,000,492
Federal sources	326,481	585,366	678,724	868,007	418,517	305,630	423,440	260,368	588,581	921,733
Total	\$ 12,091,937	11,870,839	12,219,002	11,626,919	11,715,313	11,352,225	10,664,698	10,553,108	10,912,964	10,502,258
Expenditures:										
Instruction:										
Regular	\$ 5,469,341	4,974,046	4,989,596	4,667,810	4,817,849	3,855,343	4,063,778	3,733,483	3,833,556	3,812,527
Special	1,299,281	1,356,977	1,323,826	1,342,425	1,267,225	2,119,604	1,914,412	1,653,993	1,423,451	1,356,551
Other	1,781,138	1,918,414	1,683,406	1,567,141	1,491,006	747,391	663,723	670,400	792,932	877,351
Support services:										
Student	203,666	183,047	210,279	261,650	191,075	207,230	293,211	216,995	175,843	241,523
Instructional staff	283,043	281,297	261,340	259,004	310,387	327,543	309,447	325,272	292,364	280,984
Administration	1,212,399	1,139,427	1,067,890	1,063,071	1,020,598	945,006	879,822	834,580	785,261	751,760
Operation and maintenance										
of plant	824,868	726,734	755,004	713,506	726,255	700,117	673,648	698,543	647,956	637,681
Transportation	519,940	563,150	555,358	584,349	580,860	567,357	461,793	436,484	458,782	467,772
Capital outlay	362,319	495,612	431,505	1,946,980	1,753,835	362,875	213,697	106,513	735,832	1,611,810
Long-term debt:										
Principal	130,000	100,000	100,000	0	630,000	605,000	580,000	560,000	535,000	510,000
Interest	132,110	135,510	138,760	222,401	25,600	49,497	72,118	93,957	114,772	134,357
Other expenditures:										
AEA flow-through	410,546	410,210	454,695	455,648	420,686	401,694	372,616	350,551	347,827	353,290
Total	\$ 12,628,651	12,284,424	11,971,659	13,083,985	13,235,376	10,888,657	10,498,265	9,680,771	10,143,576	11,035,606

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

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

To the Board of Education of the New Hampton Community School District:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of New Hampton Community School District as of and for the year ended June 30, 2013, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 25, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered New Hampton 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 New Hampton Community School District's internal control. Accordingly, we do not express an opinion on the effectiveness of New Hampton Community School District's internal control.

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

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

Compliance and Other Matters

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

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

New Hampton Community School District's Responses to Findings

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

Purpose of this Report

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

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



NOLTE, CORNMAN & JOHNSON, P.C.

March 25, 2014
Newton, Iowa

NEW HAMPTON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2013

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

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

- 1) Investments - investing, detailed recordkeeping, custody of investments and reconciling earnings.
- 2) Receipts - collecting, recording, depositing, journalizing, posting and reconciling.

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

Response - We will consider other alternatives and implement them as possible.

Conclusion - Response accepted.

OTHER MATTERS:

I-B-13 Board Policies - We noted several board policies that have not been updated in the past five years.

Recommendation - Board policies should be reviewed by the Board at least once every five years. Dates of policy review and revisions should be documented on the policies.

Response - We will implement a policy review cycle that includes any stray policies that may have been missed.

Conclusion - Response accepted.

Part II: Other Findings Related to Statutory Reporting:

II-A-13 Certified Budget - District expenditures for the year ended June 30, 2013 did not exceed the certified amounts in the functional areas.

II-B-13 Questionable Disbursements - We noted during our audit that gift certificates and other prizes were being awarded for being top sellers in fundraisers and other reasons. Giving gift certificates to students does not appear to meet public purpose as defined in an Attorney General's opinion dated April 25, 1979.

Recommendation - The District should review the procedures in place, and make necessary adjustments to comply.

Response - The District will discontinue the practice of awarding prizes to top sellers for fundraising activities.

Conclusion - Response accepted.

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

II-D-13 Business Transactions - Business transactions between the District and District officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Anita Quirk, Teacher Spouse owns New Hampton Electric	Repairs/Supplies	\$5,280
Terry Phillips, Cook Spouse owns Phillips Refrigeration	Repairs	\$2,380
Linda Schwickerath, Secretary Spouse owns Office World	Office Supplies	\$57,916
Jeanette Laures, Teacher Father-in-law owns Vern Laures	Vehicle Repairs	\$37,663
Karen Messersmith, Paraeducator Spouse owns Messersmith Promotions	Supplies	\$347

In accordance with the Attorney's General's opinion dated November 9, 1976, the above transactions with the spouses of Anita Quirk, Terry Phillips, Linda Schwickerath, and Karen Messersmith and the father-in-law of Jeanette Laures do not appear to represent a conflict of interest.

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

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

II-G-13 Certified Enrollment - We noted a variance in the basic enrollment data certified to the Department of Education. The number of resident students was understated by 4.25 students.

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

Response - The District contacted the Iowa Department of Education and the Department of Management for a resolution of the understated students.

Conclusion - Response accepted.

II-H-13 Supplementary Weighting - We noted no variances regarding the supplementary weighting certified to the Iowa Department of Education.

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

- II-J-13 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.
- II-K-13 Categorical Funding - No instance were noted of categorical funding being used to supplant rather than supplement other funds.
- II-L-13 Statewide Sales, Services and Use Tax- No instances of non-compliance with the use of the statewide sales, services, and use tax revenue provisions of the Chapter 423F.3 of the Code of Iowa were noted.

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

Beginning Balance		\$	1,878,701
Revenues:			
Sales tax revenue	\$	996,235	
Other local revenue		12,289	1,008,524
			<u>2,887,225</u>
Expenditures/transfers out:			
School infrastructure	\$	333,232	
Instruction		586,329	
Transfers out:			
Debt Service Fund		262,116	1,181,677
			<u>1,181,677</u>
Ending Balance		\$	<u>1,705,548</u>

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

- II-M-13 Financial Condition - We noted an account in the Student Activity Fund that had a deficit balance of \$24,998 at June 30, 2013. We also noted a deficit unrestricted net position of \$6,356 in the Enterprise, School Nutrition Fund.

Recommendation - The District should continue to monitor these funds and investigate alternatives to eliminate the deficits. The District should review the controls in place for the Special Revenue, Student Activity Fund and the Enterprise, School Nutrition Fund. In addition, the District should create a workout plan to address these deficits.

Response - We will review the negative account and develop alternative plans to eliminate the negative balance.

Conclusion - Response accepted.

- II-N-13 Student Activity Fund - In accordance with Chapter 298A.8 of the Code of Iowa and Iowa Administrative Code 281-12.6(1), the purpose of the Student Activity Fund is to account for financial transactions related to the cocurricular and extracurricular activities offered as a part of the education program for students.

Fundraisers: We noted during our audit that several clubs within the student activity fund donated money to outside organizations without specifically designating them as one of the beneficiaries of the fundraising event. According to Iowa Administrative Code

Section 281-98.70(3), inappropriate expenditures in the Student Activity Fund include: "Payments to any private organization unless a fundraiser was held expressly for that purpose and the purpose of the fundraiser was specifically identified."

Recommendation - The District should review the procedures in place in order to insure that all fundraising being completed is in compliance with the Code, as well as the proceeds expended for allowable purposes.

Response - The District will review procedures of service groups in relation to their fundraising and donations to worthwhile charities.

Conclusion - Response accepted.