

North Butler Community School District

Independent Auditor's Reports  
Basic Financial Statements  
And Supplementary Information  
Schedule of Findings

June 30, 2012

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Independent Auditor's Report

To the Board of Education of  
North Butler Community School District:

I have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of North Butler Community School District, Allison, Iowa, as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my 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 I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinions.

In my 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 North Butler Community School District at June 30, 2012, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, I have also issued my report dated March 27, 2013 on my consideration of North Butler Community School District's internal control over financial reporting and my 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 my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of my audit.

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 4 through 12 and 37 through 39 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. I 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 my inquiries, the basic financial statements and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the required supplementary information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise North Butler Community School District's basic financial statements. A different accounting firm audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the eight years ended June 30, 2011 (which are not presented herein) and expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 8, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in my 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In my opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Keith Oltrogge  
Certified Public Accountant

March 27, 2013

## **North Butler Community School District**

### **Management's Discussion and Analysis**

**For the Fiscal Year Ended June 30, 2012**

North Butler 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, 2012. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

#### **2012 FINANCIAL HIGHLIGHTS**

- General Fund revenues decreased from \$6,759,416 in fiscal 2011 to \$6,667,619 in fiscal 2012, while General Fund expenditures decreased from \$6,913,945 in fiscal 2011 to \$6,842,744 in fiscal 2012. The District's General Fund balance decreased from \$269,305 at the end of fiscal year 2011 to \$94,180 at the end of fiscal year 2012, a 65% decrease.
- The District's solvency ratio has decreased from 5.5% at June 30, 2011 to 1.2 % in fiscal 2012. The District's solvency level indicates the District is able to meet unforeseen financing requirements and presents a sound risk for the timely repayment of short-term debt obligations.

#### **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 Assets and a Statement of Activities. These provide information about the activities of North Butler 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 North Butler 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 North Butler Community School District acts solely as an agent or custodian for the benefit of those outside of the District.

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

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

Supplementary Information provides detailed information about the non-major governmental funds.

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

**Figure A-1**  
**North Butler Community School District Annual Financial Report**

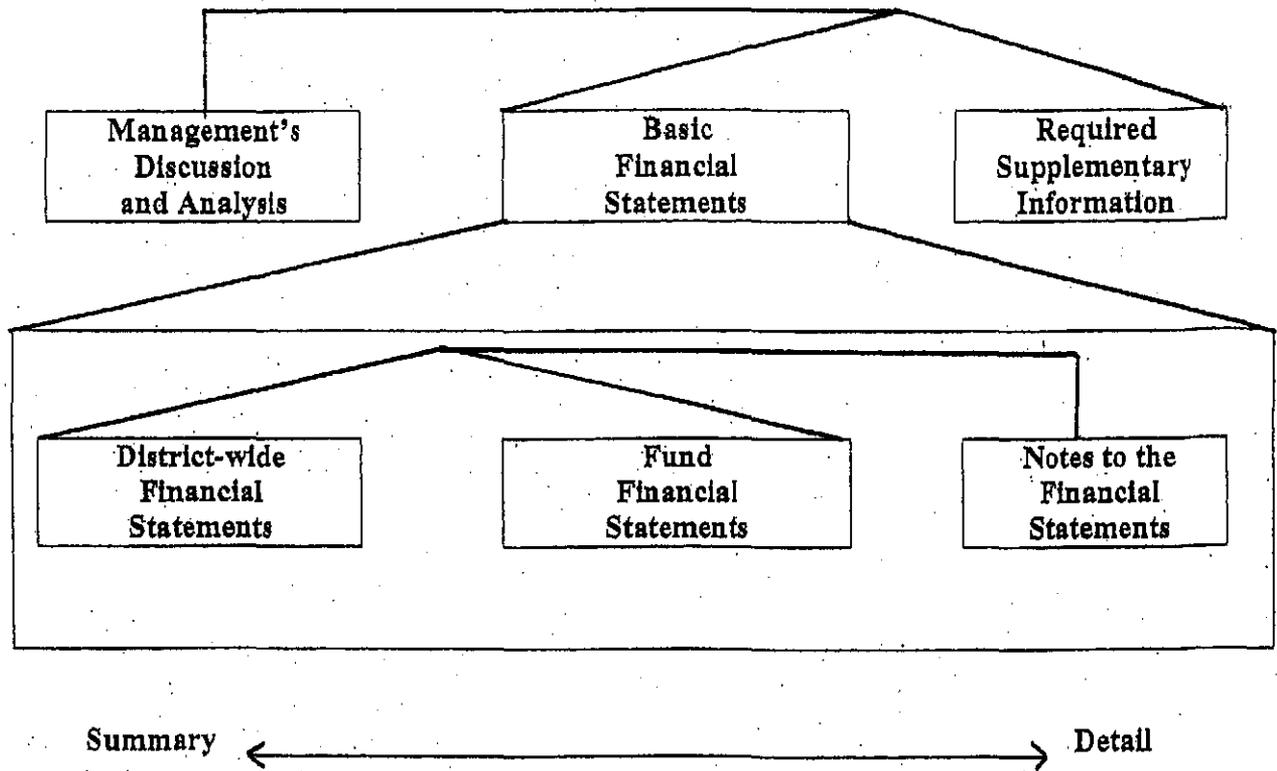


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

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

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services and adult education	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
Required financial statements	Statement of net assets  Statement of activities	Balance sheet  Statement of revenues, expenditures and changes in fund balances	Statement of net assets  Statement of revenues, expenses and changes in fund net assets  Statement of cash flows	Statement of fiduciary net assets  Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

## REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

### *Government-wide Financial Statements*

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

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

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

### *Fund Financial Statements*

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

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

The District has two kinds of funds:

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

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

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

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

The required financial statements for proprietary funds include a statement of net assets, statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

- 3) *Fiduciary funds:* The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust and Agency Funds.
  - *Private-Purpose Trust Fund* – The District accounts for outside donations for scholarships for individual students in this fund.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

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

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2012 compared to June 30, 2011.

**Figure A-3**  
**Condensed Statement of Net Assets**

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2012	2011	2012	2011	2012	2011	2011-2012
Current and other assets	\$5,560,946	\$3,242,352	\$55,538	\$57,387	\$5,616,484	\$3,299,739	70.2%
Capital assets	6,114,775	5,636,341	13,922	3,013	6,128,697	5,639,354	8.7%
Total assets	\$11,675,721	\$8,878,693	\$69,460	\$60,400	\$11,745,181	\$8,939,093	31.4%
Long-term liabilities	\$2,789,003	\$2,965,388	\$-	\$-	\$2,789,003	\$2,965,388	-6.0%
Other liabilities	3,178,454	81,382	8,408	-	3,186,862	81,382	3,815.9%
Total liabilities	\$5,967,457	\$3,046,770	\$8,408	\$-	\$5,975,865	\$3,046,770	96.1%
Net assets:							
Invested in capital assets, net of related debt	\$3,414,775	\$2,706,341	\$13,922	\$3,013	\$3,428,697	\$2,709,354	26.6%
Restricted	2,292,424	2,692,129	-	-	2,292,424	2,692,129	-14.8%
Unrestricted	42,952	433,453	4,130	57,387	47,082	490,840	-90.4%
Total net assets	\$5,750,151	\$5,831,923	\$18,052	\$60,400	\$5,768,203	\$5,892,323	-2.10%

The District's combined net assets decreased 2.1%, or \$124,120, over the prior year. The largest portion of the District's net assets is in the "invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt". The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets decreased \$399,705, or 14.8% over the prior year. The decrease was primarily a result of increased expenditures in the categorical funding of \$297,174.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased \$443,758, or 90.4%. This reduction in unrestricted net assets was primarily a result of the General fund expenditures exceeding revenue.

Figure A-4 shows the change in net assets for the year ended June 30, 2012 compared to the year ended June 30, 2011.

**Figure A-4**  
**Changes in Net Assets**

	Governmental Activities		Business Type Activities		Total District		Total Change
	2012	2011	2012	2011	2012	2011	2011-2012
<b>Revenues:</b>							
<b>Program revenues:</b>							
Charges for service	\$742,944	\$1,104,395	\$182,178	\$206,628	\$925,122	\$1,311,023	-29.0%
Operating grants, contributions and restricted interest	899,829	1,394,467	159,850	161,242	1,059,679	1,555,709	-32.0%
Capital grants, contributions and restricted interest	-	-	-	-	-	-	-
<b>General revenues:</b>							
Property tax	2,789,364	2,874,843	-	-	2,789,364	2,874,843	-3.0%
Statewide sales, service and use tax	458,865	484,413	-	-	458,865	484,413	-5.0%
Unrestricted state grants	2,792,638	2,188,693	-	-	2,792,638	2,188,693	28.0%
Unrestricted investment earnings	15,458	5,972	213	-	15,671	5,972	162.0%
Other	173,436	35,008	-	-	173,436	35,008	395.0%
<b>Total revenues</b>	<b>\$7,872,534</b>	<b>\$8,087,791</b>	<b>\$342,241</b>	<b>\$367,870</b>	<b>\$8,214,775</b>	<b>\$8,455,661</b>	<b>-3.0%</b>
<b>Program expenses:</b>							
<b>Governmental activities:</b>							
Instruction	\$5,066,125	\$4,862,963	\$-	\$-	\$5,066,125	\$4,862,963	4.0%
Support services	2,304,393	2,206,518	-	-	2,304,393	2,206,518	4.0%
Non-instructional programs	-	-	333,733	323,182	333,733	323,182	3.0%
Other expenses	370,208	697,211	-	-	370,208	697,211	-47.0%
<b>Total expenses</b>	<b>\$7,740,726</b>	<b>\$7,766,692</b>	<b>\$333,733</b>	<b>\$323,182</b>	<b>\$8,074,459</b>	<b>\$8,089,874</b>	<b>-0.2%</b>
<b>Change in net assets</b>	<b>\$131,808</b>	<b>\$321,099</b>	<b>\$8,508</b>	<b>\$44,688</b>	<b>\$140,316</b>	<b>\$365,787</b>	<b>-62.0%</b>

In fiscal year 2012, property tax and unrestricted state grants account for 70.9% of governmental activities revenue while charges for service and operating grants, contributions and restricted interest accounted for 99.9% of business type activities revenue. The District's total revenues were \$8,214,775, of which approximately \$7,872,534 was for governmental activities and \$342,241 was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 3.0% decrease in revenues and a 0.2% decrease in expenses. Property tax decreased \$85,479.

#### Governmental Activities

Revenues for governmental activities were \$7,872,534 and expenses were \$7,740,726 for the year ended June 30, 2012. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues.

The following table presents the total and net cost of the District's major governmental activities, instruction, support services, non-instructional programs and other expenses for the year ended June 30, 2012 compared to the year ended June 30, 2011.

**Figure A-5**  
**Total and Net Cost of Governmental Activities**

	Total Cost of Services			Net Cost of Services		
	2012	2011	Change 2011-2012	2012	2011	Change 2011-2012
Instruction	\$5,066,125	\$4,862,963	4.2%	\$3,427,349	\$2,730,333	25.5%
Support services	2,304,393	2,206,518	4.4%	2,300,396	2,107,471	9.2%
Non-instructional programs	-	-	-	-	-	-
Other expenses	370,208	697,211	-46.9%	370,208	430,026	-13.9%
<b>Totals</b>	<b>\$7,740,726</b>	<b>\$7,766,692</b>	<b>-0.3%</b>	<b>\$6,097,953</b>	<b>\$5,267,830</b>	<b>15.8%</b>

For the year ended June 30, 2012:

- The cost financed by users of the District's programs was \$925,122.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,059,679.
- The net cost of governmental activities was financed with \$3,248,229 in property and other taxes and \$2,792,638 in unrestricted state grants.

### **Business Type Activities**

Revenues for business type activities during the year ended June 30, 2012 were \$342,241 representing a 7.0% decrease over the prior year, while expenses totaled \$333,733, a 3.0% increase over the prior year. 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, North Butler 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 a combined fund balances of \$2,429,817, below last year's ending fund balances of \$2,958,865.

### **Governmental Fund Highlights**

- The District's deteriorating General Fund financial position is the result of many factors. The decrease in revenues was more than offset by the District's increase in General Fund expenditures, requiring the District to use carryover fund balance to meet its financial obligations during the year.
- The General Fund balance decreased from \$269,305 to \$94,180, due in part to expenditures exceeding revenue.
- The Debt Service Fund balance decreased from \$61,118 at the end of fiscal year 2011 to \$4,312 at the end of fiscal year 2012, due to a decrease in local taxes.
- The Capital Projects Fund balance decreased from \$2,028,659 to \$1,687,438 due to the increase in expenditure for facilities acquisitions.

### **Proprietary Fund Highlights**

- School Nutrition Fund net assets increased from \$9,544 at June 30, 2011 to \$18,052 at June 30, 2012, representing an increase of approximately 89%.

### **BUDGETARY HIGHLIGHTS**

The District's receipts were \$278,632 more than budgeted receipts, a variance of 3.5%. The most significant variance resulted from the District receiving more in local sources.

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

In spite of the District's budgeting practice, the certified budget was exceeded in the other expenditures at year end without sufficient time to amend the certified budget.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

At June 30, 2012, the District had invested \$6,128,697, net of accumulated depreciation/amortization, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment and intangible assets. (See Figure A-6) This represents a net increase of 8.2% from last year. More detailed information about the District's capital assets is presented in Note 5 to the financial statements. Depreciation/amortization expense for the year was \$333,087.

The original cost of the District's capital assets was \$11,126,750. Governmental funds account for \$11,102,639, with the remainder of \$24,111 for in the Proprietary, School Nutrition Fund.

**Figure A-6  
Capital Assets, net of Depreciation**

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2012	2011	2012	2011	2012	2011	2011-2012
Land	\$141,125	\$141,125	\$-	\$-	\$141,125	\$141,125	-
Buildings	5,577,424	5,062,670	-	-	5,577,424	5,062,670	10.1%
Improvements other than buildings	22,960	24,990	-	-	22,960	24,990	-8.1%
Furniture and equipment	373,266	418,589	13,922	16,001	387,188	434,590	-10.9%
Totals	\$6,114,775	\$5,647,374	\$13,922	\$16,001	\$6,128,697	\$5,663,375	8.2%

**Long-Term Debt**

At June 30, 2012, the District had \$2,700,000 in total long-term debt outstanding. This represents a decrease of 7.9% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 6 to the financial statements.

The District continues to carry a general obligation bond rating of Aa3 assigned by national rating agencies to the District's debt since 1997. The Constitution of the State of Iowa limits the amount of general obligation debt districts can issue to 5% of the assessed value of all taxable property within the District. The District's outstanding general obligation debt is significantly below its constitutional debt limit of approximately \$17 million.

**Figure A-7  
Outstanding Long-term Obligations**

	Total District		Total Change
	June 30,		June 30,
	2012	2011	2011-2012
General obligation bonds	\$2,315,000	\$2,480,000	-6.7%
Revenue bonds	385,000	450,000	-14.5%
Totals	\$2,700,000	\$2,930,000	-7.9%

## **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 which could significantly affect its financial health in the future:

- Future enrollment stability is a critical element in maintaining a sound financial foundation. Our weighted enrollment has increased from 583 in 2010-2011 to 599 in 2011-2012 and is now 610 for 2012-2013. We anticipate another increase in 2013-2014 with an incoming Kindergarten class of 62 students and a graduating class of 43.

## **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 Noreen Wiegmann, District Secretary/Business Manager, North Butler Community School District, 513 Birch Street, Allison IA 50602.

## **Basic Financial Statements**

## North Butler Community School District

## Statement of Net Assets

June 30, 2012

	Govern- mental Activities	Business Type Activities	Total
<b>Assets</b>			
Cash and Cash Equivalents	\$ 2,151,045	\$ 50,468	\$ 2,201,513
Receivables:			
Property tax:			
Delinquent	43,577	-	43,577
Succeeding year	2,807,461	-	2,807,461
Accounts	113,550	330	113,880
Due from other governments	445,313	-	445,313
Inventories	-	4,740	4,740
Capital assets, net of accumulated depreciation	6,114,775	13,922	6,128,697
<b>Total Assets</b>	<b>\$ 11,675,721</b>	<b>\$ 69,460</b>	<b>\$ 11,745,181</b>
<b>Liabilities</b>			
Accounts payable	\$ 185,782	\$ -	\$ 185,782
Early retirement payable	30,252	-	30,252
Accrued interest payable	5,438	-	5,438
Deferred revenue-succeeding year property tax	2,807,461	-	2,807,461
Deferred revenue-other	149,521	8,408	157,929
Long-term liabilities:			
Portion due within one year:			
General obligation bonds	245,000	-	245,000
Revenue bonds	70,000	-	70,000
Early retirement	10,664	-	10,664
Portion due after one year:			
General obligation bonds	2,070,000	-	2,070,000
Revenue bonds	315,000	-	315,000
Early retirement	42,656	-	42,656
Net OPEB liability	35,683	-	35,683
<b>Total Liabilities</b>	<b>\$ 5,967,457</b>	<b>\$ 8,408</b>	<b>\$ 5,975,865</b>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	\$ 3,414,775	\$ 13,922	\$ 3,428,697
Restricted for:			
Categorical funding	10,107	-	10,107
Debt service	4,312	-	4,312
Management levy purposes	436,734	-	436,734
Student activities	153,833	-	153,833
Physical plant and equipment	536,139	-	536,139
School infrastructure	1,151,299	-	1,151,299
Unrestricted	42,952	4,130	47,082
<b>Total Net Assets</b>	<b>\$ 5,750,151</b>	<b>\$ 18,052</b>	<b>\$ 5,768,203</b>

See notes to financial statements.

**North Butler Community School District**

**Statement of Activities**

**Year Ended June 30, 2012**

	Expenses	Program Revenues		
		Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
<b>Functions/Programs</b>				
<b>Governmental Activities:</b>				
Instruction:				
Regular instruction	\$ 3,393,906	\$ 407,943	\$ 806,918	\$ -
Special instruction	837,253	141,612	82,176	-
Other instruction	834,966	193,162	6,965	-
	<u>\$ 5,066,125</u>	<u>\$ 742,717</u>	<u>\$ 896,059</u>	<u>\$ -</u>
Support Services:				
Student services	\$ 59,106	\$ -	\$ 3,770	\$ -
Instructional staff services	100,652	-	-	-
Administration services	932,356	-	-	-
Operation and maintenance of plant services	722,914	227	-	-
Transportation services	489,365	-	-	-
	<u>\$ 2,304,393</u>	<u>\$ 227</u>	<u>\$ 3,770</u>	<u>\$ -</u>
Other Expenditures:				
Facilities acquisition	\$ 3,043	\$ -	\$ -	\$ -
Long-term debt interest	135,508	-	-	-
AEA flow-through	231,657	-	-	-
	<u>\$ 370,208</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total Governmental Activities	<u>\$ 7,740,726</u>	<u>\$ 742,944</u>	<u>\$ 899,829</u>	<u>\$ -</u>
Business Type Activities:				
Non-Instructional Programs:				
Food service operations	\$ 333,733	\$ 182,178	\$ 159,850	\$ -
Total	<u>\$ 8,074,459</u>	<u>\$ 925,122</u>	<u>\$ 1,059,679</u>	<u>\$ -</u>

See notes to financial statements.

Net (Expense) Revenue  
And Changes in Net Assets

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Governmental Activities	Business Type Activities	Total
\$ -2,179,045	\$ -	\$ -2,179,045
-613,465	-	-613,465
-634,839	-	-634,839
\$ -3,427,349	\$ -	\$ -3,427,349
\$ -55,336	\$ -	\$ -55,336
-100,652	-	-100,652
-932,356	-	-932,356
-722,687	-	-722,687
-489,365	-	-489,365
\$ -2,300,396	\$ -	\$ -2,300,396
\$ -3,043	\$ -	\$ -3,043
-135,508	-	-135,508
-231,657	-	-231,657
\$ -370,208	\$ -	\$ -370,208
\$ -6,097,953	\$ -	\$ -6,097,953
\$ -	\$ 8,295	\$ 8,295
\$ -6,097,953	\$ 8,295	\$ -6,089,658

**North Butler Community School District**

**Statement of Activities**

**Year Ended June 30, 2012**

	<u>Program Revenues</u>		
		Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
<u>Expenses</u>	<u>Charges for Services</u>		

**General Revenues:**

Property Tax Levied For:  
  General purposes  
  Debt service  
  Capital outlay  
Statewide sales, services and use tax  
Unrestricted state grants  
Unrestricted investment earnings  
Other

Total General Revenues

Change in net assets  
Net assets beginning of year  
Prior period adjustment

Adjusted net assets beginning of year

Net Assets End of Year

Net (Expense) Revenue  
And Changes in Net Assets

---

Governmental Activities	Business Type Activities	Total
\$ 2,458,286	\$ -	\$ 2,458,286
115,681	-	115,681
215,397	-	215,397
458,865	-	458,865
2,792,638	-	2,792,638
15,458	213	15,671
173,436	-	173,436
<hr/>		
\$ 6,229,761	\$ 213	\$ 6,229,974
<hr/>		
\$ 131,808	\$ 8,508	\$ 140,316
\$ 5,831,923	\$ 60,698	\$ 5,892,621
-213,580	-51,154	-264,734
<hr/>		
\$ 5,618,343	\$ 9,544	\$ 5,627,887
<hr/>		
\$ 5,750,151	\$ 18,052	\$ 5,768,203
<hr/>		

## North Butler Community School District

Balance Sheet  
Governmental Funds

June 30, 2012

<b>Assets</b>	General	Debt Service	Capital Projects	Non-Major Funds	Total
Cash and Pooled Investments	\$ 413	\$ 1,444	\$ 1,474,589	\$ 674,599	\$ 2,151,045
Receivables:					
Property Tax:					
Delinquent	34,916	2,018	3,399	3,244	43,577
Succeeding year	2,514,879	74,700	217,882	-	2,807,461
Accounts	113,550	-	-	-	113,550
Due from other funds	43,000	1,050	52,900	-	96,950
Due from other governments	236,405	-	208,908	-	445,313
<b>Total Assets</b>	<b>\$ 2,943,163</b>	<b>\$ 79,212</b>	<b>\$ 1,957,678</b>	<b>\$ 677,843</b>	<b>\$ 5,657,896</b>
<b>Liabilities and Fund Balances</b>					
Liabilities:					
Accounts payable	\$ 131,683	\$ 200	\$ 51,308	\$ 2,591	\$ 185,782
Early retirement payable	-	-	-	30,252	30,252
Due to other funds	52,900	-	1,050	1,113	55,063
Deferred Revenue:					
Succeeding year property tax	2,514,879	74,700	217,882	-	2,807,461
Other	149,521	-	-	-	149,521
Total Liabilities	<b>\$ 2,848,983</b>	<b>\$ 74,900</b>	<b>\$ 270,240</b>	<b>\$ 33,956</b>	<b>\$ 3,228,079</b>
Fund Balances:					
Restricted for:					
Categorical funding	\$ 10,107	\$ -	\$ -	\$ -	\$ 10,107
Debt service	-	4,312	-	-	4,312
Management levy purposes	-	-	-	490,054	490,054
Student activities	-	-	-	153,833	153,833
School infrastructure	-	-	1,151,299	-	1,151,299
Physical plant and equipment	-	-	536,139	-	536,139
Unrestricted	84,073	-	-	-	84,073
Total Fund Balances	<b>\$ 94,180</b>	<b>\$ 4,312</b>	<b>\$ 1,687,438</b>	<b>\$ 643,887</b>	<b>\$ 2,429,817</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 2,943,163</b>	<b>\$ 79,212</b>	<b>\$ 1,957,678</b>	<b>\$ 677,843</b>	<b>\$ 5,657,896</b>

See notes to financial statements.

## North Butler Community School District

Reconciliation of the Balance Sheet – Governmental Funds  
To the Statement of Net Assets

June 30, 2012

<b>Total fund balances of governmental funds (page 16)</b>	<b>\$ 2,429,817</b>
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*Amounts reported for governmental activities in the Statement of Net Assets are different because:*

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds	6,114,775
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Other long-term assets are not available to pay current year expenditures and, therefore, are deferred in the governmental funds	
--	--

Accrued interest payable on long-term liabilities is not due and payable in the current year and, therefore, is not reported as a liability in the governmental funds	-5,438
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Long-term liabilities, including bonds and notes payable, compensated absences payable, and other postemployment benefits payable, are not due and payable in the current year and, therefore, are not reported in the governmental funds	-2,789,003
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<b>Net assets of governmental activities (page 13)</b>	<b>\$ 5,750,151</b>
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North Butler Community School District

Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds

Year Ended June 30, 2012

	General	Debt Service	Capital Projects	Non-Major Funds	Total
<b>Revenues:</b>					
<b>Local Sources:</b>					
Local tax	\$ 2,258,279	\$ 115,681	\$ 674,262	\$ 200,007	\$ 3,248,229
Tuition	558,945	-	-	-	558,945
Other	158,242	2,327	15,057	197,267	372,893
<b>Intermediate sources</b>					
State sources	3,543,474	67	127	120	3,543,788
Federal sources	148,679	-	-	-	148,679
<b>Total Revenues</b>	<b>\$ 6,667,619</b>	<b>\$ 118,075</b>	<b>\$ 689,446</b>	<b>\$ 397,394</b>	<b>\$ 7,872,534</b>
<b>Expenditures:</b>					
<b>Current:</b>					
<b>Instruction:</b>					
Regular instruction	\$ 3,112,304	\$ -	\$ 13,411	\$ -	\$ 3,125,715
Special instruction	833,051	-	-	-	833,051
Other instruction	675,247	-	-	156,426	831,673
	<b>\$ 4,620,602</b>	<b>\$ -</b>	<b>\$ 13,411</b>	<b>\$ 156,426</b>	<b>\$ 4,790,439</b>
<b>Support Services:</b>					
Student services	\$ 58,565	\$ -	\$ -	\$ -	\$ 58,565
Instructional staff services	82,234	-	102,784	-	185,018
Administration services	817,080	27,123	119,772	80,512	1,044,487
Operation and maintenance of plant services	593,936	-	40,269	116,352	750,557
Transportation services	437,620	-	18,010	-	455,630
	<b>\$ 1,989,435</b>	<b>\$ 27,123</b>	<b>\$ 280,835</b>	<b>\$ 196,864</b>	<b>\$ 2,494,257</b>
<b>Other Expenditures:</b>					
Facilities acquisition	\$ -	\$ -	\$ 514,421	\$ -	\$ 514,421
<b>Long-Term Debt:</b>					
Principal	-	2,545,000	-	-	2,545,000
Interest and fiscal charges	1,050	139,758	-	-	140,808
AEA flow-through	231,657	-	-	-	231,657
	<b>\$ 232,707</b>	<b>\$ 2,684,758</b>	<b>\$ 514,421</b>	<b>\$ -</b>	<b>\$ 3,431,886</b>
<b>Total Expenditures</b>	<b>\$ 6,842,744</b>	<b>\$ 2,711,881</b>	<b>\$ 808,667</b>	<b>\$ 353,290</b>	<b>\$ 10,716,582</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>\$ -175,125</b>	<b>\$ -2,593,806</b>	<b>\$ -119,221</b>	<b>\$ 44,104</b>	<b>\$ -2,844,048</b>

North Butler Community School District

Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds

Year Ended June 30, 2012

	General	Debt Service	Capital Projects	Non-Major Funds	Total
Other Financing Sources (Uses):					
General obligation bonds issued	\$ -	\$ 2,315,000	\$ -	\$ -	\$ 2,315,000
Operating transfers in	-	222,000	-	-	222,000
Operating transfers out	-	-	-222,000	-	-222,000
Total Other Financing Sources	\$ -	\$ 2,537,000	\$ -222,000	\$ -	\$ 2,315,000
Net change in fund balances	\$ -175,125	\$ -56,806	\$ -341,221	\$ 44,104	\$ -529,048
Fund balances beginning of year	\$ 326,454	\$ 192,783	\$ 2,204,602	\$ 599,096	\$ 3,322,935
Prior period adjustment	-57,149	-131,665	-175,943	687	-364,070
Adjusted fund balances beginning of year	\$ 269,305	\$ 61,118	\$ 2,028,659	\$ 599,783	\$ 2,958,865
Fund Balances End of Year	\$ 94,180	\$ 4,312	\$ 1,687,438	\$ 643,887	\$ 2,429,817

## North Butler 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, 2012**

**Net change in fund balances – total governmental funds (page 18)** \$ -529,048

***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, these costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation/amortization expense in the Statement of Activities. Capital outlay expenditures exceeded depreciation/amortization expense in the current year, as follows:

Expenditures for capital assets	\$ 798,409	
Depreciation expense	-331,008	467,401

Proceeds from the issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increase long-term liabilities in the Statement of Net Assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year issues exceeded repayments, as follows:

Issued	\$ -2,315,000	
Repaid	2,545,000	230,000

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

5,300

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

Early retirement	\$ -6,163	
Other postemployment benefits	-35,682	-41,845

**Change in Net Assets of Governmental Activities (page 15)** \$ 131,808

North Butler Community School District

Statement of Net Assets  
Proprietary Funds

June 30, 2012

	<u>School Nutrition</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 50,468
Accounts receivable	330
Inventories	4,740
Capital assets, net of accumulated depreciation	<u>13,922</u>
<b>Total Assets</b>	<b><u>\$ 69,460</u></b>
<b>Liabilities</b>	
Interfund payable	\$ 43,000
Deferred revenue	<u>8,408</u>
<b>Total Liabilities</b>	<b><u>\$ 51,408</u></b>
<b>Net Assets</b>	
Invested in capital assets, net of related debt	\$ 13,922
Unrestricted	<u>4,130</u>
<b>Total Net Assets</b>	<b><u>\$ 18,052</u></b>

**North Butler Community School District**  
**Statement of Revenues, Expenses and Changes in Fund Net Assets**  
**Proprietary Funds**

**Year Ended June 30, 2012**

	School Nutrition
Operating revenues:	
Local sources:	
Charges for service	\$ 182,178
Non-instructional programs:	
Food service operations:	
Salaries	\$ 123,607
Benefits	20,502
Purchased services	554
Supplies	185,790
Depreciation	2,079
Other	1,201
Total operating expenses	\$ 333,733
Operating loss	\$ -151,555
Non-operating revenues:	
State sources	\$ 3,397
Federal sources	156,453
Interest income	213
Total non-operating revenues	\$ 160,063
Decrease in net assets	\$ 8,508
Net assets beginning of year	\$ 60,698
Prior period adjustment	-51,154
Adjusted net asset, beginning of year	\$ 9,544
Net Assets End of Year	\$ 18,052

See notes to financial statements.

## North Butler Community School District

Statement of Cash Flows  
Proprietary Fund

Year Ended June 30, 2012

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 186,943
Cash paid to employees for services	-154,058
Cash paid to suppliers for goods or services	-164,790
Net cash used by operating activities	<u>\$ -131,905</u>
Cash flows from non-capital financing activities:	
State grants received	\$ 3,397
Federal grants received	132,656
Net cash provided by non-capital financing activities	<u>\$ 136,053</u>
Cash flows from investing activities:	
Interest on investments	<u>\$ 213</u>
Net Increase in cash and cash equivalents	\$ 4,361
Cash and cash equivalents beginning of year	<u>46,107</u>
Cash and Cash Equivalents End of Year	<u>\$ 50,468</u>
<b>Reconciliation of operating loss to net cash used by operating activities:</b>	
Operating loss	\$ -151,555
Adjustments to reconcile operating loss to net cash used by operating activities:	
Commodities used	23,797
Depreciation	2,079
(Increase) in inventories	-497
(Increase) in accounts receivable	-242
Decrease in accounts payable	-545
Decrease in due to other funds	-9,949
Increase in deferred revenue	<u>5,007</u>
Net Cash Used by Operating Activities	<u>\$ 131,905</u>

**Non-cash investing, capital and financing activities:**

During the year ended June 30, 2012, the District received \$23,797 of federal commodities.

North Butler Community School District

Statement of Cash Flows  
Proprietary Fund

Year Ended June 30, 2012

	Private Purpose Trust <u>Scholarship</u>
<b>Assets</b>	
Cash and pooled investments	\$ 120,368
Due from other funds	<u>1,113</u>
<b>Total assets</b>	<u>\$ 121,481</u>
<b>Liabilities</b>	
Bank overdrafts	<u>\$ 824</u>
<b>Net assets</b>	
Reserved for scholarships	<u>\$ 120,657</u>

North Butler Community School District

Statement of Cash Flows  
Proprietary Fund

Year Ended June 30, 2012

	Private Purpose Trust <u>Scholarship</u>
Additions:	
Local sources:	
Gifts and contributions	\$ 53,294
Interest income	1,292
Total additions	<u>\$ 54,586</u>
Deductions:	
Instruction:	
Regular:	
Scholarships awarded	\$ 7,550
Other	745
	<u>\$ 8,295</u>
Change in net assets	<u>\$ 46,291</u>
Net assets beginning of year	\$ 40,366
Prior period adjustment	34,000
Adjusted net assets, beginning of year	<u>\$ 74,366</u>
Net Assets, End of Year	<u>\$ 120,657</u>

**North Butler Community School District**

**Notes to the Reissued Financial Statements**

**June 30, 2012**

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

North Butler 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. The geographic area served includes the Cities of Allison, Bristow and Greene, Iowa and portions of the predominately agricultural territories in Butler and Floyd 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, North Butler 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. North Butler Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

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

**B. Basis of Presentation**

Government-wide Financial Statements – The Statement of Net Assets and the Statement of Activities report information on all of the non-fiduciary activities of the District. For the most part, the effect of inter-fund 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 Assets presents the District's non-fiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in the following categories:

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

*Restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

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

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

The District reports the following major governmental funds:

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

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

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

The District reports the following major proprietary fund:

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

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

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

#### C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

The proprietary funds of the District apply all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

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

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

D. Assets, Liabilities and Fund Equity

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

Cash, Pooled Investments and Cash Equivalents – The cash balances of most District funds are pooled and invested. Investments are stated at fair value.

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½ % per month penalty for delinquent payments; is based on January 1, 2010 assessed property valuations; is for the tax accrual period July 1, 2011 through June 30, 2012 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2011.

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

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

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

Asset Class	Amount
Land	\$ 2,000
Buildings	10,000
Improvements other than buildings	10,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	2,000

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

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Improvements other than buildings	20 – 50 years
Furniture and equipment	5 – 15 years

Salaries and Benefits Payable – Payroll and related expenditures for support staff corresponding to the current school year, which were paid in July and August, have been accrued as liabilities.

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

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

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 Assets.

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.

Committed – Amounts which can be used only for specific purposes determined pursuant to constraints formally imposed by the Board of Education through resolution approved prior to year end. Those committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same action it employed to commit those amounts.

Unassigned – All amounts not included in other spendable classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2012, expenditures exceeded the amounts budgeted in the other expenditures function.

**(2) Cash and Pooled Investments**

The District's deposits in banks at June 30, 2012 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.

**(3) Due From and Due To Other Funds**

The detail of inter-fund receivables and payables at June 30, 2012 is as follows:

Receivable Fund	Payable Fund	Amount
Capital Projects – Statewide Sales, Services and Use Tax	General Fund	\$ 52,900
Debt Service	Capital Projects – Statewide Sales, Services and Use Tax	1,050
General Fund	Enterprise – School Nutrition Fund	43,000
Private Purpose Trust - Scholarship	Special Revenue – Activity Fund	1,113
		<u>\$ 98,063</u>

The General Fund owes the Capital Project – Statewide Sales, Services and Use Tax Fund for over transferred funds. The Capital Projects – Statewide Sales, Services and Use Tax owes Debt Service for property taxes deposited into the wrong account. The Enterprise – School Nutrition Fund owes the General Fund for prior year transfers. The Special Revenue Activity Fund owes the Private Purpose Trust – Scholarship for under transferred funds.

**(4) Inter-fund Transfers**

The detail of inter-fund transfers for the year ended June 30, 2012 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects – Statewide Sales, Services and Use Tax	<u>\$ 222,000</u>

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

(5) **Capital Assets**

Capital assets activity for the year ended June 30, 2012 was as follows:

	Balance Beginning Of Year	Increases	Decreases	Balance End Of Year
<b>Governmental Activities:</b>				
Capital assets not being depreciated:				
Land	\$ 141,125	\$ -	\$ -	\$ 141,125
Total capital assets not being depreciated	\$ 141,125	\$ -	\$ -	\$ 141,125
Capital assets being depreciated/amortized:				
Buildings	\$ 7,985,534	\$ 678,177	\$ -	\$ 8,663,711
Improvements other than buildings	142,046	-	-	142,046
Furniture and equipment	2,035,525	120,232	-	2,155,757
Total capital assets being depreciated/amortized	\$ 10,163,105	\$ 798,409	\$ -	\$ 10,961,514
Less accumulated depreciation for:				
Buildings	\$ 2,922,864	\$ 163,423	\$ -	\$ 3,086,287
Improvements other than buildings	117,056	2,030	-	119,086
Furniture and equipment	1,616,936	165,555	-	1,782,491
Total accumulated depreciation/amortization	\$ 4,656,856	\$ 331,008	\$ -	\$ 4,987,864
Total capital assets being depreciated/amortized, net	\$ 5,506,249	\$ 467,401	\$ -	\$ 5,973,650
Governmental Activities Capital Assets, Net	\$ 5,647,374	\$ 467,401	\$ -	\$ 6,114,775

	Balance Beginning Of Year	Increases	Decreases	Balance End Of Year
<b>Business type activities:</b>				
Furniture and equipment	\$ 24,978	\$ -	\$ 867	\$ 24,111
Less accumulated depreciation	8,977	2,079	867	10,189
Business Type Activities Capital Assets, Net	\$ 16,001	\$ 2,079	\$ -	\$ 13,922

Depreciation expense was charged to the following functions:

Governmental Activities:

Instruction:

Regular	\$ 266,702
Other	418
Support services:	5,449
Operation and maintenance of plant	7,235
Transportation	51,204

Total Depreciation Expense – Governmental Activities \$ 331,008

Business Type Activities:

Food service operations \$ 2,079

(6) **Long-term Liabilities**

Changes in long-term liabilities for the year ended June 30, 2012 are summarized as follows:

	Balance Beginning Of Year	Additions	Reductions	Balance End Of Year	Due Within One Year
General obligation bonds	\$ 2,480,000	\$ 2,315,000	\$ 2,480,000	\$ 2,315,000	\$ 245,000
Revenue bonds	450,000	-	65,000	385,000	70,000
Loan	-	350,000	350,000	-	-
Early retirement	47,157	63,984	57,821	53,320	10,664
Net OPEB liability	-	44,246	8,563	35,683	-
<b>Total</b>	<b>\$ 2,977,157</b>	<b>\$ 2,773,230</b>	<b>\$ 2,961,384</b>	<b>\$ 2,789,003</b>	<b>\$ 325,664</b>

Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five and must have completed fifteen years of continuous service to the District. Employees must complete an application, which is subject to approval by the Board of Education. The early retirement incentive for each eligible employee approved by the Board will be 45% of the salary for their last year of employment with the District. The payment will be made either in a lump sum at the time of qualification or over a period of time that will be not less than three years. The amount paid during the year ending June 30, 2012 was \$57,821.

Line of Credit Loan

The District has entered into a line of credit loan agreement with Lincoln Savings Bank for \$450,000 at an interest rate of 4.5%. At June 30, 2012 the District had no loan balance.

General Obligation Bonds

Details of the District's June 30, 2012 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of March 1, 2012			
	Interest Rate	Principal	Interest	Total
2013	0.40%	\$ 245,000	\$ 28,400	\$ 273,400
2014	0.50%	250,000	23,363	273,363
2015	0.70%	255,000	22,113	277,113
2016	0.90%	255,000	20,328	275,328
2017	1.00%	255,000	18,033	273,033
2018	1.20%	255,000	15,483	270,483
2019	1.40%	260,000	12,423	272,423
2020	1.55%	265,000	8,783	273,783
2021	1.70%	275,000	4,675	279,675
		<b>\$ 2,315,000</b>	<b>\$ 153,601</b>	<b>\$ 2,468,601</b>

## Revenue Bonds

Details of the District's June 30, 2012 statewide sales, services and use tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of June 28, 2007			
	Interest Rate	Principal	Interest	Total
2013	4.20%	\$ 70,000	\$ 16,572	\$ 86,572
2014	4.25%	75,000	13,632	88,632
2015	4.30%	75,000	10,445	85,445
2016	4.35%	80,000	7,220	87,220
2017	4.40%	85,000	3,740	88,740
		<u>\$ 385,000</u>	<u>\$ 51,609</u>	<u>\$ 436,609</u>

The District has pledged future statewide sales, services and use tax revenues to repay the \$690,000 of bonds issued in June 2007. The bonds were issued for the purpose of financing a portion of the costs of a new school. 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 2017. The bonds are not a general obligation of the District. Annual principal and interest payments on the bonds are expected to require approximately 50 percent of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the notes is \$436,609. For the current year, no principal or interest was paid on the bonds and total statewide sales, services and use tax revenues were \$458,865.

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

- a) \$69,000 of the proceeds from the issuance of the revenue bonds shall be deposited to a reserve account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the sinking account. The balance of the proceeds shall be deposited to the project account.
- b) All proceeds from the statewide sales, services and use tax shall be placed in a revenue account.
- c) 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.
- d) Any monies remaining in the revenue account after the required transfer to the sinking account may be transferred to the project account to be used for any lawful purpose.

The District did not comply with all of the revenue bond provisions during the year ended June 30, 2012. The required reserve account was not established by the District and no transfers were made to the sinking account.

### **(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 5.38% of their annual covered salary and the District is required to contribute 8.07% of annual covered payroll for the years ended June 30, 2012, 2011 and 2010. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2012, 2011 and 2010 were \$340,664, \$252,670 and \$287,588, respectively, equal to the required contributions for each year.

**(8) Other Postemployment Benefits (OPEB)**

Plan description – The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 60 active and 9 retired members in the plan. Participants must be age 55 or older at retirement.

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

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

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

The following table shows the components of the District’s annual OPEB cost for the year ended June 30, 2012, the amount actually contributed to the plan and changes in the District’s net OPEB obligations:

Annual required contribution	\$	44,246
Interest on net OPEB obligation		-
Adjustment to annual required contribution		-
Annual OPEB cost	\$	44,246
Contributions made		8,563
Increase in net OPEB obligation	\$	35,683
Net OPEB obligation beginning of year		-
Net OPEB obligation end of year	\$	35,683

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2011. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2012.

For the year ended June 30, 2012, the District contributed \$443,173 to the medical plan. Plan members eligible for benefits contributed \$26,355, or 6% of the premium costs.

The District’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2011 are summarized as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2012	\$44,246	19.4%	\$35,683

Funded Status and Funding Progress – As of July 1, 2011, the most recent actuarial valuation date for the period July 1, 2011 through June 30, 2012, the actuarial accrued liability was \$311,714, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$311,714. The covered payroll (annual payroll of active employees covered by the plan) was \$3,209,614 and the ratio of the UAAL to covered payroll was 9.7%. As of June 30, 2012, there were no trust fund assets.

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

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

As of the July 1, 2011 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6%. The ultimate medical trend rate is 6%. An inflation rate of 0% is assumed for the purpose of this computation.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2009 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2009.

Projected claim costs of the medical plan are \$305.61 per month for retirees less than age 65 and \$305.61 per month for retirees who have attained age 65. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

**(9) Risk Management**

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

**(10) Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$231,657 for the year ended June 30, 2012 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**(11) Commitments**

The District has entered into a contract totaling \$65,240 for a classroom air conditioning unit project. At June 30, 2012, costs of \$46,635.50 had been accrued. The balance of \$18,604.50 will be paid when the project is complete.

**(12) Prior Period Adjustments**

All funds had prior period adjustments as follows:

<u>Funds</u>		<u>Amount</u>
General	\$	-57,149
Management		-161
Student Activity		-2,660
Disaster		-3,508
Statewide Sales, Services and Use Tax		-180,519
Physical Plant and Equipment Levy		4,576
Debt Service		-131,665
Enterprise – School Nutrition		-51,154
Private Purpose Trust - Scholarship		34,000

**(13) Subsequent Events**

The District has evaluated subsequent events through March 27, 2013 which is the date that the financial statement were available to be issued.

**Required Supplementary Information**

**North Butler Community School District**

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

**Required Supplementary Information**

**Year Ended June 30, 2012**

	Governmental Funds Actual	Proprietary Funds Actual
Receipts:		
Local sources	\$ 4,180,067	\$ 182,391
Intermediate sources	-	-
State sources	3,543,788	3,397
Federal sources	148,679	156,453
Total Receipts	<u>\$ 7,872,534</u>	<u>\$ 342,241</u>
Disbursements:		
Instruction	\$ 4,790,439	\$ -
Support services	2,494,257	-
Non-instructional programs	-	333,733
Other expenditures	3,431,886	-
Total Disbursements	<u>\$ 10,716,582</u>	<u>\$ 333,733</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	\$ -2,844,048	\$ 8,508
Other financing sources (uses), net	2,315,000	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures/expenses and other financing sources (uses)	<u>\$ -529,048</u>	<u>\$ 8,508</u>
Balances beginning of year	\$ 3,322,935	\$ 60,698
Prior period adjustment	-364,070	-51,154
Adjusted balances beginning of year	<u>\$ 2,958,865</u>	<u>\$ 9,544</u>
Balances End of Year	<u>\$ 2,429,817</u>	<u>\$ 18,052</u>

See accompanying independent auditor's report.

	Total Actual	Budgeted Amounts	Final to Actual Variance
\$	4,362,458	\$ 4,042,545	\$ 319,913
	-	-	-
	3,547,185	3,624,598	-77,413
	305,132	269,000	36,132
\$	8,214,775	\$ 7,936,143	\$ 278,632
\$	4,790,439	\$ 5,015,000	\$ 224,561
	2,494,257	2,501,500	7,243
	333,733	465,000	131,267
	3,431,886	1,160,505	-2,271,381
\$	11,050,315	\$ 9,142,005	\$ -1,908,310
\$	-2,835,540	\$ -1,205,862	\$ -1,629,678
	2,315,000	-	2,315,000
\$	-520,540	\$ -1,205,862	\$ 685,322
\$	3,383,633	\$ 3,161,259	\$ 222,374
	-415,224	-	-415,224
\$	2,968,409	\$ 3,161,259	\$ -192,850
\$	2,447,869	\$ 1,955,397	\$ 492,472

**North Butler Community School District**  
**Notes to Required Supplementary Information – Budgetary Reporting**  
**Year Ended June 30, 2012**

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 a GAAP basis.

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

During the year ended June 30, 2012, expenditures in the other expenditures function exceeded the amount budgeted.

**North Butler Community School District**

**Schedule of Funding Progress for the  
Retiree Health Plan**

**Required Supplementary Information**

**June 30, 2012**

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2012	July 1, 2011	\$-	\$311,714	\$311,714	0.0%	\$3,209,614	9.7%

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

**Other Supplementary Information**

## North Butler Community School District

Combining Balance Sheet  
Non-Major Governmental Funds

June 30, 2012

	Special Revenue		
	Management Levy	Student Activity	Total
<b>Assets</b>			
Cash and pooled investments	\$ 519,653	\$ 154,946	\$ 674,599
Receivables:			
Property Tax:			
Delinquent	3,244	-	3,244
<b>Total Assets</b>	<b>\$ 522,897</b>	<b>\$ 154,946</b>	<b>\$ 677,843</b>
<b>Liabilities and Fund Balances</b>			
Liabilities:			
Accounts payable	\$ 2,591	\$ -	\$ 2,591
Early retirement payable	30,252	-	30,252
Due to other funds	-	1,113	1,113
Total Liabilities	<b>\$ 32,843</b>	<b>\$ 1,113</b>	<b>\$ 33,956</b>
Fund Balances:			
Restricted for:			
Management levy purposes	\$ 490,054	\$ -	\$ 490,054
Student activities	-	153,833	153,833
Total fund balances	<b>\$ 490,054</b>	<b>\$ 153,833</b>	<b>\$ 643,887</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 522,897</b>	<b>\$ 154,946</b>	<b>\$ 677,843</b>

**North Butler Community School District**  
**Combining Schedule of Revenues, Expenditures**  
**and Changes in Fund Balances**  
**Non-Major Funds**

**Year Ended June 30, 2012**

	<u>Special Revenue</u>				
	Disaster	PERL	Management Levy	Student Activity	Total
Revenues:					
Local Sources:					
Local tax	\$ -	\$ -	\$ 200,007	\$ -	\$ 200,007
Other	-	-	14,767	182,500	197,267
State sources	-	-	120	-	120
Total Revenues	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 214,894</u>	<u>\$ 182,500</u>	<u>\$ 397,394</u>
Expenditures:					
Current:					
Instruction:					
Other instruction	\$ -	\$ -	-	\$ 156,426	\$ 156,426
Support Services:					
Administration services	-	-	80,512	-	80,512
Operation and maintenance of plant services	-	208	116,144	-	116,352
Total Expenditures	<u>\$ -</u>	<u>\$ 208</u>	<u>\$ 196,656</u>	<u>\$ 156,426</u>	<u>\$ 353,290</u>
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ -208	\$ 18,238	\$ 26,074	\$ 44,104
Fund balances beginning of year	\$ -3,508	\$ 208	\$ 471,977	\$ 130,419	\$ 599,096
Prior period adjustment	3,508	-	-161	-2,660	687
Adjusted fund balance, beginning of year	<u>\$ -</u>	<u>\$ 208</u>	<u>\$ 471,816</u>	<u>\$ 127,759</u>	<u>\$ 599,783</u>
Fund Balances End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 490,054</u>	<u>\$ 153,833</u>	<u>\$ 643,887</u>

See accompanying independent auditor's report.

## North Butler Community School District

## Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year Ended June 30, 2012

Account	Balance Beginning Of Year	Revenues and Inter-fund Transfers	Expenditures	Intra- Fund Transfers	Balance End of Year
Athletics	\$ -216	\$ 74,163	\$ 71,280	\$ -	\$ 2,667
Corn Bowl	-	15,306	5,262	-	10,044
District Football	427	-	-	-	427
Science Club	689	50	450	-	289
Cheerleaders	2,633	3,397	3,400	-	2,630
Class Funds	-	67	4,464	7,827	3,430
Athletic Concessions	-	14,515	10,080	-	4,435
Magazine	4,618	-	-	-	4,618
FFA	1,139	6,189	4,378	-	2,950
FCS Class	1,334	595	563	-	1,366
National Honor Society	2,203	-	1,013	-	1,190
Liabrary	566	263	-	-	829
Music	1,305	2,408	2,799	-	914
Industrial Tech	3,355	533	468	-	3,420
Pre Kindergarten	127	740	595	-	272
Science	11,534	-	367	-	11,167
Math	10,294	-	-	-	10,294
Drama/Speech	8,170	1,075	2,086	-	7,159
Annual	3,939	11,930	7,409	-	8,460
Student Council	1,990	875	1,155	-	1,710
MS Student Council	1,144	-	-	-	1,144
School Store	3,623	8,054	4,069	-	7,608
Elementary	1,436	5,537	7,023	-	-50
High School	2,054	-	1,990	-	64
Insurance	10	-	-	-	10
Dues/Fees	914	834	408	-	1,340
HI FI	20,984	8	-	-	20,992
Jump Rope for Heart	316	-	-	-	316
Class of 2009	700	-	-	-700	-
Spanish	1,727	3,555	3,734	-	1,548
Class of 2012	4,127	-	-	-4,127	-
Class of 2010	379	-	-	-379	-
Class of 2013	1,336	862	862	-1,336	-
Class of 2014	62	-	59	-3	-
Class of 2011	1,372	-	90	-1,282	-
Class of 2017	-	5,686	3,856	-	1,830
MS Music	11,887	80	82	-	11,885
MS Pop	2,058	1,035	706	-	2,387
MS Drama	4,621	564	564	-	4,621
MS Funds	13,321	24,179	17,029	-	20,471
MS Computers	1,581	-	185	-	1,396
	\$ 127,759	\$ 182,500	\$ 156,426	\$ -	\$ 153,833

See accompanying independent auditor's report.

## North Butler Community School District

Combining Balance Sheet  
Capital Project Accounts

June 30, 2012

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
<b>Assets</b>			
Cash and pooled investments	\$ 892,263	\$ 582,326	\$ 1,474,589
Receivables:			
Property Tax:			
Delinquent	-	3,399	3,399
Succeeding year	-	217,882	217,882
Due from other governments	208,908	-	208,908
Due from other funds	52,900	-	52,900
<b>Total Assets</b>	<b>\$ 1,154,071</b>	<b>\$ 803,607</b>	<b>\$ 1,957,678</b>
<b>Liabilities and Fund Balances</b>			
Liabilities:			
Accounts payable	\$ 1,722	\$ 49,586	\$ 51,308
Due to other funds	1,050	-	1,050
Deferred revenue:			
Succeeding year property tax	-	217,882	217,882
Total Liabilities	\$ 2,772	\$ 267,468	\$ 270,240
Fund Balances:			
Restricted for:			
School infrastructure	\$ 1,151,299	\$ -	\$ 1,151,299
Physical plant and equipment	-	536,139	536,139
Total fund balances	\$ 1,151,299	\$ 536,139	\$ 1,687,438
<b>Total Liabilities and Fund Balances</b>	<b>\$ 1,154,071</b>	<b>\$ 803,607</b>	<b>\$ 1,957,678</b>

See accompanying independent auditor's report.

**North Butler Community School District**  
**Combining Schedule of Revenues, Expenditures**  
**and Changes in Fund Balances**  
**Capital Project Accounts**

**Year Ended June 30, 2012**

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local Sources:			
Local tax	\$ 458,865	\$ 215,397	\$ 674,262
Other	7,324	7,733	15,057
State sources	-	127	127
Total Revenues	<u>\$ 466,189</u>	<u>\$ 223,257</u>	<u>\$ 689,446</u>
Expenditures:			
Current:			
Instruction:			
Regular	\$ -	\$ 13,411	\$ 13,411
Support services:			
Instructional staff	84,970	17,814	102,784
Administration	-	119,772	119,772
Operation and maintenance of plant	-	40,269	40,269
Transportation	-	18,010	18,010
Other Expenditures:			
Facilities acquisition	287,763	226,658	514,421
Total Expenditures	<u>\$ 372,733</u>	<u>\$ 435,934</u>	<u>\$ 808,667</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 93,456</u>	<u>\$ -212,677</u>	<u>\$ -119,221</u>
Other Financing Sources (Uses):			
Operating transfers in (out)	<u>\$ -222,000</u>	<u>\$ -</u>	<u>\$ -222,000</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -128,544</u>	<u>\$ -212,677</u>	<u>\$ -341,221</u>
Fund balances beginning of year	\$ 1,460,362	\$ 744,240	\$ 2,204,602
Prior period adjustment	-180,519	4,576	-175,943
Adjusted Fund balances, beginning of year	<u>\$ 1,279,843</u>	<u>\$ 748,816</u>	<u>\$ 2,028,659</u>
Fund Balances End of Year	<u>\$ 1,151,299</u>	<u>\$ 536,139</u>	<u>\$ 1,687,438</u>

See accompanying independent auditor's report.

**North Butler Community School District**

**Combining Balance Sheet  
Private Purpose Trusts  
Scholarships**

**June 30, 2012**

	Harms Scholarship	Boylan Scholarship	North Butler Scholarship	Stuntz Scholarship	Graft Scholarship
<b>Assets</b>					
Cash	\$ 56	\$ -	\$ 3,448	\$ 1,000	\$ 3,000
Investment	5,000	34,324	-	39,188	-
Due from other funds	-	1,113	-	-	-
<b>Total Assets</b>	<b>\$ 5,056</b>	<b>\$ 35,437</b>	<b>\$ 3,448</b>	<b>\$ 40,188</b>	<b>\$ 3,000</b>
<b>Liabilities and Fund Equity</b>					
Liabilities					
Bank overdrafts	\$ -	\$ 824	\$ -	\$ -	\$ -
Fund equity:					
Fund Balances:					
Reserved for scholarships	5,056	34,613	3,448	40,188	3,000
<b>Total Liabilities and Fund Equity</b>	<b>\$ 5,056</b>	<b>\$ 35,437</b>	<b>\$ 3,448</b>	<b>\$ 40,188</b>	<b>\$ 3,000</b>

See accompanying independent auditor's report.

Rottler Scholarship	Beal Scholarship	Bruce Scholarship	Ladwid Scholarship	Total
\$ 51	\$ 91	\$ 105	\$ 105	\$ 7,856
5,000	9,000	10,000	10,000	112,512
-	-	-	-	1,113
<u>\$ 5,051</u>	<u>\$ 9,091</u>	<u>\$ 10,105</u>	<u>\$ 10,105</u>	<u>\$ 121,481</u>
\$ -	\$ -	\$ -	\$ -	\$ 824
5,051	9,091	10,105	10,105	120,657
<u>\$ 5,051</u>	<u>\$ 9,091</u>	<u>\$ 10,105</u>	<u>\$ 10,105</u>	<u>\$ 121,481</u>

**North Butler Community School District**

**Combining Schedule of Revenues, Expenditures and Changes in Fund Balances  
Private Purpose Trusts  
Scholarships**

**Year Ended June 30, 2012**

	Harms Scholarship	Allison- Bristow Scholarship	North Scholarship	Boylan Scholarship	North- Butler Scholarship
<b>Revenues:</b>					
<b>Local Sources:</b>					
Interest on investment	\$ 56	\$ -	\$ -	\$ 652	\$ 44
Contributions/Other	-	-	-	-	10,294
<b>Total Revenues</b>	<b>\$ 56</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 652</b>	<b>\$ 10,338</b>
<b>Expenditures:</b>					
<b>Instruction:</b>					
Regular Instruction:					
Scholarships	\$ -	\$ 749	\$ 656	\$ -	\$ 6,145
Other	-	-	-	-	745
<b>Total Expenditures</b>	<b>\$ -</b>	<b>\$ 749</b>	<b>\$ 656</b>	<b>\$ -</b>	<b>\$ 6,890</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>\$ 56</b>	<b>\$ -749</b>	<b>\$ -656</b>	<b>\$ 652</b>	<b>\$ 3,448</b>
Net assets beginning of year	\$ 5,000	\$ 749	\$ 656	\$ 33,961	\$ -
Prior period adjustment	-	-	-	-	-
<b>Adjusted net assets beginning of year</b>	<b>\$ 5,000</b>	<b>\$ 749</b>	<b>\$ 656</b>	<b>\$ 33,961</b>	<b>\$ -</b>
<b>Net Assets End of Year</b>	<b>\$ 5,056</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 34,613</b>	<b>\$ 3,448</b>

See accompanying independent auditor's report.

Stuntz Scholarship	Graft Scholarship	Rottler Scholarship	Beal Scholarship	Bruce Scholarship	Ladwid Scholarship	Total
\$ 188	\$ -	\$ 51	\$ 91	\$ 105	\$ 105	1,292
40,000	3,000	-	-	-	-	53,294
\$ 40,188	\$ 3,000	\$ 51	\$ 91	\$ 105	\$ 105	\$ 54,586
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	7,550
-	-	-	-	-	-	745
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,295
\$ 40,188	\$ 3,000	\$ 51	\$ 91	\$ 105	\$ 105	46,291
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	40,366
-	-	5,000	9,000	10,000	10,000	34,000
\$ -	\$ -	\$ 5,000	\$ 9,000	\$ 10,000	\$ 10,000	74,366
\$ 40,188	\$ 3,000	\$ 5,051	\$ 9,091	\$ 10,105	\$ 10,105	120,657

**North Butler Community School District**  
**Schedule of Revenues by Source and Expenditures by Function**  
**All Governmental Funds**  
**For the Last Nine Years\*\***

	Modified Accrual Basis			
	2012	2011	2010	2009
<b>Revenues:</b>				
<b>Local Sources:</b>				
Local tax	\$ 3,248,229	\$ 3,352,635	\$ 3,252,544	\$ 3,241,882
Tuition	558,945	1,023,433	849,638	941,818
Other	372,893	338,567	371,709	440,360
Intermediate sources	-	-	-	-
State sources	3,543,788	2,996,711	2,612,839	3,057,836
Federal sources	148,679	368,824	497,638	312,570
<b>Total</b>	<b>\$ 7,872,534</b>	<b>\$ 8,080,170</b>	<b>\$ 7,584,368</b>	<b>\$ 7,994,466</b>
<b>Expenditures:</b>				
<b>Instruction:</b>				
Regular instruction	\$ 3,125,715	\$ 4,867,136	\$ 4,891,503	\$ 4,685,302
Special instruction	833,051	*	*	*
Other instruction	831,673	*	*	*
<b>Support services:</b>				
Student services	58,565	88,145	70,274	50,185
Instructional staff services	185,018	197,214	153,952	201,417
Administrative services	1,044,487	887,788	1,017,008	1,006,732
Operation and maintenance of plant services	750,557	735,033	777,244	914,144
Transportation services	455,630	382,729	358,019	366,312
Non-instructional programs	-	-	-	5,158
<b>Other expenditures:</b>				
Facilities acquisition	514,421	22,808	2,831	71,400
<b>Long-term debt:</b>				
Principal	2,545,000	260,000	240,000	235,000
Interest and other charges	140,808	146,594	157,953	169,133
AEA flow-through	231,657	255,130	238,242	213,266
<b>Total</b>	<b>\$ 10,716,582</b>	<b>\$ 7,842,577</b>	<b>\$ 7,907,026</b>	<b>\$ 7,918,049</b>

\*Prior years Instruction – Special and Other portion of regular instruction is unknown.

\*\*2011 thru 2004 are Allison and Greene School Districts combined.

See accompanying independent auditor's report.

Modified Accrual Basis					
2008	2007	2006	2005	2004	
\$ 3,219,782	\$ 3,311,813	\$ 3,042,527	\$ 3,167,782	\$ 2,893,569	
676,019	692,766	604,978	540,895	382,212	
433,669	440,666	385,019	326,613	403,424	
-	-	-	-	-	
2,886,298	2,806,168	2,732,363	2,692,209	2,507,351	
192,599	269,313	268,452	227,071	634,418	
<u>\$ 7,408,367</u>	<u>\$ 7,520,726</u>	<u>\$ 7,033,339</u>	<u>\$ 6,954,570</u>	<u>\$ 6,820,974</u>	
\$ 4,120,960	\$ 3,977,184	\$ 3,896,529	\$ 3,833,277	\$ 3,663,899	
*	*	*	*	*	
*	*	*	*	*	
64,968	108,923	97,276	66,326	95,581	
160,041	157,584	169,272	130,223	175,783	
942,243	920,282	853,846	956,273	795,860	
718,764	897,033	659,191	714,527	622,663	
365,658	400,116	368,164	418,658	288,727	
4,540	1,965	20,059	23,230	41,059	
566,610	173,687	67,939	124,708	873,319	
220,000	361,038	325,000	371,038	310,000	
177,331	162,897	192,219	185,401	201,570	
208,201	204,483	201,214	195,992	198,465	
<u>\$ 7,549,316</u>	<u>\$ 7,365,192</u>	<u>\$ 6,850,709</u>	<u>\$ 7,019,653</u>	<u>\$ 7,266,926</u>	

**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**

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  
North Butler Community School District:

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of North Butler Community School District as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued my report thereon dated March 27, 2013. I conducted my 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.

Internal Control Over Financial Reporting

The management of North Butler Community School District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing my audit, I considered the North Butler Community School District's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing my opinion on the effectiveness of North Butler Community School District's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of North Butler Community School District's internal control over financial reporting.

My consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, I identified certain deficiencies in internal control over financial reporting I consider to be material weaknesses and other deficiencies I consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or 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. I consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings as items I-A-12 thru I-D-12 to be material weaknesses.

A significant deficiency is a deficiency or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. I consider the deficiency described in Part I of the accompanying Schedule of Findings as item I-E-12 to be a significant deficiency.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether North Butler Community School District's financial statements are free of material misstatement, I 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 my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, I noted certain immaterial instances of noncompliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2012 are based exclusively on knowledge obtained from procedures performed during my audit of the financial statements of the District. Since my 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.

North Butler Community School District's responses to findings identified in my audit are described in the accompanying Schedule of Findings. While I have expressed my conclusions on the District's responses, I did not audit North Butler Community School District's responses and, accordingly, I express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of North Butler Community School District and other parties to whom North Butler Community School District may report, including federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

I would like to acknowledge the many courtesies and assistance extended to me by personnel of North Butler Community School District during the course of my audit. Should you have any questions concerning any of the above matters, I shall be pleased to discuss them with you at your convenience.



Keith Oltrogge  
Certified Public Accountant

March 27, 2013

**North Butler Community School District**

**Schedule of Findings**

**Year Ended June 30, 2012**

**Part I – Findings Related to the Financial Statements:**

**INTERNAL CONTROL DEFICIENCIES:**

I-A-12 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. Cash receipts are issued and bank deposits are prepared by the same person. An independent person does not open the mail and prepare an initial listing of the checks received and later compare the listing to the receipts issued. Also, vouchers are processed, disbursements are recorded and checks are prepared by the same person.

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

Response – We will continue to review our procedures and implement additional control where possible.

Conclusion – Response accepted.

I-B-12 Financial Reporting – During the audit, I identified material amounts of receivable and payables not recorded in the District's financial statements. Adjustments were subsequently made by the District to properly include these amounts in the financial statements.

Recommendation – The District should implement procedures to ensure all receivables and payables are identified and included in the District's financial statements.

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

Conclusion – Response accepted.

I-C-12 Financial Reporting – During the audit, I identified material amounts of accrued expenses not recorded in the District's financial statements. Payroll disbursements made in July and August were recorded as cash disbursements in June, resulting in an understatement of cash and liabilities.

Recommendation – Accrued payroll and benefits for July and August should be accrued at June 30.

Response – We will accrue payroll and benefits accordingly in July and August to reflect the correct cash and liabilities for the next fiscal year.

Conclusion – Response accepted.

**North Butler Community School District**

**Schedule of Findings**

**Year Ended June 30, 2012**

**Part I – Findings Related to the Financial Statements (continued):**

**INTERNAL CONTROL DEFICIENCIES:**

I-D-12 Financial Reporting – During the audit, I identified material amounts of receipts for property taxes not properly recorded in the District’s financial statements. Adjustments were subsequently made by the District to properly transfer the property tax receipts to the correct fund in the financial statements.

Recommendation – The District should implement procedures to ensure all receipts are recorded in the correct fund in the District’s financial statements. The District should transfer \$1,050 from the Capital Project – Statewide Sales, Services and Use Tax to Debt Service for the incorrect receipt.

Response – We will double check these in the future to make sure all receipts are recorded in the correct fund. We will make the recommended corrective transfer.

Conclusion – Response accepted.

I-E-12 Annual Financial Statements – The ability to apply generally accepted accounting principles to the financial statements and determine the sufficiency of the footnote disclosure is a necessary aspect of internal control over the District’s financial reporting process. The District does not possess an individual with the appropriate expertise to apply generally accepted accounting principles to the financial statements and to draft and determine the sufficiency of the necessary disclosures. The District has a limited number of employees and it is not cost beneficial to employ an individual with this type of expertise and knowledge. The internal financial statements prepared by the District are not prepared in accordance with generally accepted accounting principles and do not contain the required footnote disclosures.

Recommendation – This is common control deficiency of most small Districts and is often not corrected due to cost benefit considerations. I could assist you in gaining the necessary knowledge and skills if you determine that this is a control deficiency that the District would like to address.

Response – We will consult with you as needed on financial statement considerations.

Conclusions – Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were reported.

**North Butler Community School District**

**Schedule of Findings**

**Year Ended June 30, 2012**

**Part II - Other Findings Related to Statutory Reporting:**

II-A-12 Certified Budget – Expenditures for the year ended June 30, 2012 exceed the certified budget amounts in the other expenditures function.

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

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

Conclusion – Response accepted.

II-B-12 Questionable Expenditures – No expenditures that may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.

II-C-12 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-12 Business Transactions – Business transactions between the District and District officials or employees are detailed as follows:

<u>Name, Title &amp; Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Bouillion Lawn Care - Employee	services	\$207
Warren Wiegmann – Spouse of School Secretary	repairs	\$56

In accordance with an Attorney General’s opinion date November 9, 1976, the above transactions do not appear to represent conflicts of interest.

II-E-12 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 the coverage is adequate for current operations.

II-F-12 Board Minutes – Certain minutes were not published as required by Chapter 279.35 of the Code of Iowa.

Recommendation – The Board Secretary should furnish a copy of the Board proceedings to be published within two weeks of each meeting.

Response – Procedures have been revised to ensure minutes are published as required.

Conclusion – Response accepted.

II-G-12 Certified Enrollment – No variances in the basic enrollment data certified to the Iowa Department of Education were noted.

II-H-12 Supplementary Weighting – No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

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

**North Butler Community School District**

**Schedule of Findings**

**Year Ended June 30, 2012**

**Part II - Other Findings Related to Statutory Reporting (continued):**

II-J-12 Certified Annual Report – The Certified Annual Report was certified timely to the Iowa Department of Education. Certain adjustments were made to the District’s records for audit purposes subsequent to the submission of the Certified Annual Report.

Recommendation – The District should reflect the adjustments made to the fiscal year 2012 Certified Annual Report as upward and downward adjustments to the fiscal year 2013 beginning fund balance.

Response – We will reflect this as soon as the audit is issued. The report will be given to the auditor for the next year.

Conclusion – Response accepted.

II-K-12 Deficit Balances – The Student Activity Account had one deficit account at June 30, 2012.

Recommendation – The District should continue to monitor this situation and investigate alternatives to eliminate these deficits in order to return this account to a sound financial condition.

Response – We are working on this.

Conclusion – Response accepted.

II-L-12 Electronic Check Retention – Chapter 554D.114 of the Code of Iowa allows the District to retain cancelled checks in an electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check. The District retains cancelled checks through electronic image, but does not obtain an image of the back of each cancelled check as required.

Recommendation – The District should obtain and retain an image of both the front and back of each cancelled check as required.

Response – The District will obtain and retain images of both the front and back of cancelled checks as required. The District can go online at any time and see/print the back side of any check.

Conclusion – Response accepted.

II-M-12 Categorical Funding – No instances were noted of categorical funding being used to supplant rather than supplement other funds.

According to proposed administrative rules, “Categorical funding shall not be comingled with other funding. School districts shall use a project code and program code as defined by Uniform Financial Accounting.” We noted that during the year some categorical funding expenditures were comingled with other General Fund expenditures, then were classified as categorical spending at the end of the year.

Recommendation – All categorical funding expenditures should be posted to the correct expenditure account as the expenditures are incurred.

Response – We have revised our procedures for identifying categorical expenditures so that they will be coded to the correct expenditure accounts as incurred.

Conclusion – Response accepted.

**North Butler Community School District**

**Schedule of Findings**

**Year Ended June 30, 2012**

**Part II - Other Findings Related to Statutory Reporting (continued):**

II-N-12 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 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, 2012, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$	1,279,843
Revenues/transfers in:			
Sales tax revenues	\$	214,474	
Other local revenues		7,324	
School infrastructure supplemental amount		244,391	466,189
			<hr/>
		\$	1,746,032
Expenditures/transfers out:			
School infrastructure	\$	287,763	
Equipment		84,970	
Transfers to other funds:			
Debt service fund		222,000	594,733
			<hr/>
Ending balance		\$	<u>1,151,299</u>

For the year ended June 30, 2012, the District reduced the following levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa:

	Per \$1,000 of Taxable Valuation		Property Tax Dollars
	<hr/>		<hr/>
Debt service levy	\$ 1.3265	\$	458,865
Physical plant and equipment levy	0.3438		146,053
Public educational and recreational levy	-		-

II-O-12 Revenue Bonds – The District has not funded the reserve account required by the revenue bond resolution. In addition, the required monthly transfers from the revenue account to the sinking account were not made by the District.

Recommendation – The District should maintain the reserve account in the amount required and make the monthly transfers to the sinking account required by the bond resolution.

Response – We will maintain a reserve account and begin making transfers to a sinking account.

Conclusion – Response accepted.