

North Butler Community School District

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

June 30, 2014

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North Butler Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
Eric Bixby	President	2015
Troy Feldman	Vice President	2015
Kristy Lammer	Board Member	2017
Laura Staudt	Board Member	2017
Scott Bruns	Board Member	2015
Jon Heuer	Board Member	2015
John Moellers	Board Member	2015
School Officials		
Terry Kenealy*	Superintendent	2014
Noreen Wiegmann**	District Secretary/Business Manager	2014
Shellee Bartlett***	District Secretary/Business Manager	2014
John Barth	Board Treasurer	2014
Rick Engel	Attorney	2014

*Resigned June 30, 2014

**Resigned May 30, 2014

***Appointed June 1, 2014

Independent Auditor's Report

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

Report on the Financial Statements

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, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

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

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 13 and 38 through 40 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. 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 information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

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. I previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the two years ended June 30, 2013, a different accounting firm audited the financial statements for the seven 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.

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, I have also issued my report dated December 3, 2014 on my consideration of North Butler Community School District's internal control over financial reporting and on 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 in considering North Butler Community School District's internal control over financial reporting and compliance.



Keith Oltrogge
Certified Public Accountant

December 3, 2014

North Butler Community School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014

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, 2014. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2014 FINANCIAL HIGHLIGHTS

- General Fund revenues decreased from \$7,040,807 in fiscal 2013 to \$6,953,012 in fiscal 2014, while General Fund expenditures decreased from \$7,060,208 in fiscal 2013 to \$6,973,889 in fiscal 2014. The District's General Fund balance decreased from adjusted \$72,083 at the end of fiscal year 2013 to \$39,438 at the end of fiscal year 2014, a 45.3% decrease.
- The District's solvency ratio has decreased from -0.1% at June 30, 2013 to -3.2 % in fiscal 2014. The District's solvency level indicates the District's ability to meet unforeseen financing requirements.

USING THIS ANNUAL REPORT

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

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

The Government-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of 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

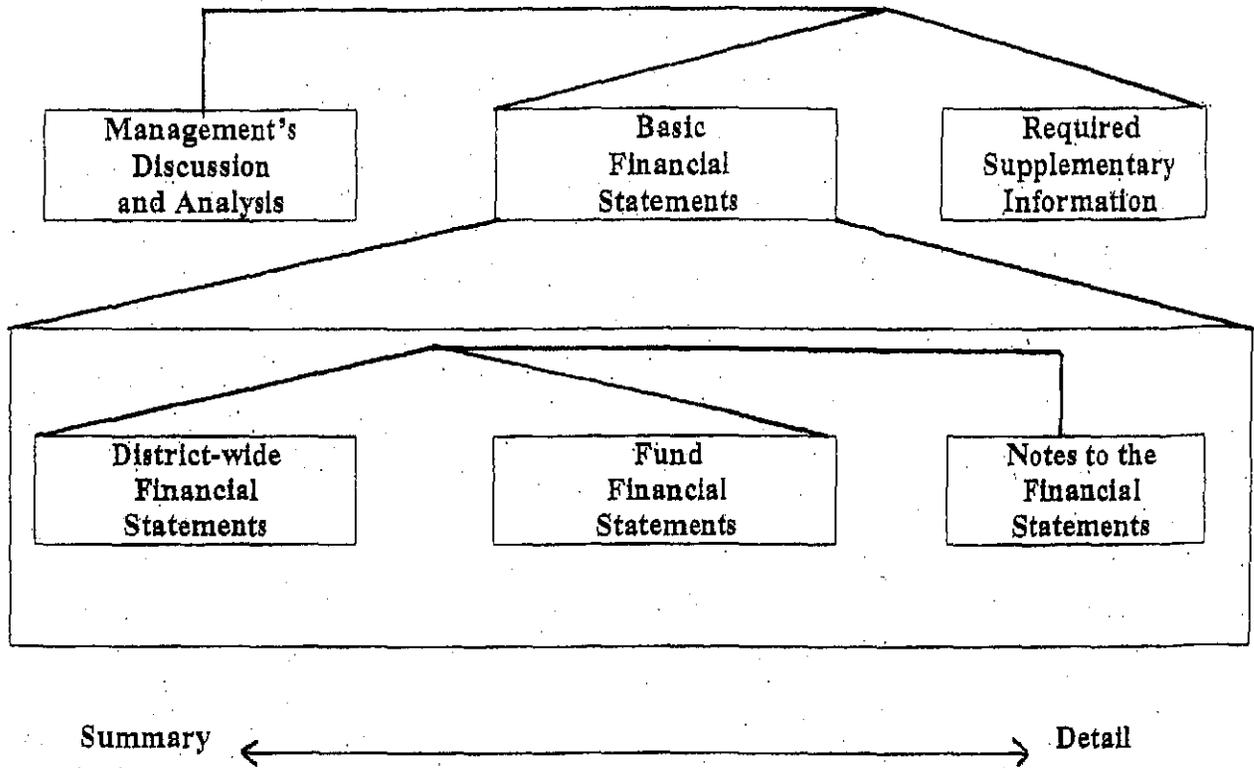


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

**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 position Statement of activities	Balance sheet Statement of revenues, expenditures and changes in fund balances	Statement of net position Statement of revenues, expenses and changes in fund net position Statement of cash flows	Statement of fiduciary net position Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

The two government-wide financial statements report the District's net position and how it has changed. Net position is one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net position 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 it is properly using certain revenues, such as federal grants.

The District has three kinds of funds:

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

The District's governmental funds include the General Fund, 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, is 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 Position, Statement of Revenues, Expenses and Changes in Fund Net Position and a Statement of Cash Flows.

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

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

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

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 position at June 30, 2014 compared to June 30, 2013.

Figure A-3
Condensed Statement of Net Position

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2014	2013	2014	2013	2014	2013	2013-2014
Current and other assets	\$5,863,334	\$5,621,134	\$28,189	\$22,423	\$5,891,523	\$5,643,557	4.4%
Capital assets	6,475,744	6,473,708	9,903	11,913	6,485,647	6,485,621	-
Total assets	\$12,339,078	\$12,094,842	\$38,092	\$34,336	\$12,377,170	\$12,129,178	2.0%
Long-term liabilities	\$2,287,839	\$2,566,674	\$-	\$-	\$2,287,839	\$2,566,674	-10.9%
Other liabilities	793,363	752,316	7,410	7,591	800,773	759,907	6.4%
Total liabilities	\$3,081,202	\$3,318,990	\$7,410	\$7,591	\$3,088,612	\$3,326,581	-7.0%
Deferred inflows of resources	\$2,993,875	\$2,908,578	\$-	\$-	\$2,993,875	\$2,908,578	2.9%
Net position:							
Net investment in capital assets	\$4,415,744	\$4,088,708	\$9,903	\$11,913	\$4,425,647	\$4,100,621	7.9%
Restricted	2,067,941	1,760,553	-	-	2,067,941	1,760,553	17.5%
Unrestricted	-174,860	62,837	-24,045	-29,992	-198,905	32,845	-705.6%
Total net position	\$6,308,825	\$5,912,098	-\$14,142	-\$18,079	\$6,294,683	\$5,894,019	6.8%

The District's combined net position increased 6.8%, or \$400,664, over the prior year. The largest portion of the District's net position 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 position represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position increased \$307,388, or 17.5% over the prior year. The increase was primarily the result of an increase in revenue in the activity fund of \$120,532, along with an increase in general fund-categorical funding of \$175,605.

Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased \$231,750, or 705.6%. This reduction in unrestricted net position was primarily a result of the General fund expenditures exceeding revenue.

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

Figure A-4
Changes in Net Position

	Governmental Activities		Business Type Activities		Total District		Total Change
	2014	2013	2014	2013	2014	2013	2013-2014
Revenues:							
Program revenues:							
Charges for service	\$805,827	\$698,894	\$201,734	\$194,755	\$1,007,561	\$893,649	12.7%
Operating grants, contributions and restricted interest	1,259,975	1,238,654	189,028	158,807	1,449,003	1,397,461	3.6%
Capital grants, contributions and restricted interest	-	7,419	-	-	-	7,419	-100%
General revenues:							
Property tax	2,908,263	2,807,707	-	-	2,908,263	2,807,707	3.5%
Income surtax	213,193	162,641	-	-	213,193	162,641	31.0%
Statewide sales, service and use tax	535,014	268,167	-	-	535,014	268,167	99.5%
Unrestricted state grants	2,527,905	2,821,783	-	-	2,527,905	2,821,783	-10.5%
Unrestricted investment earnings	7,270	8,991	1	129	7,271	9,120	-20.3%
Other	65,250	34,847	-	-	65,250	34,847	87.2%
Total revenues	\$8,322,697	\$8,049,103	\$390,763	\$353,691	\$8,713,460	\$8,402,794	3.6%
Program expenses:							
Governmental activities:							
Instruction	\$5,185,746	\$5,178,866	\$-	\$-	\$5,185,746	\$5,178,866	0.1%
Support services	2,432,783	2,577,787	-	-	2,432,783	2,577,787	-5.7%
Non-instructional programs	3,515	-	386,826	389,822	390,341	389,822	0.1%
Other expenses	292,158	293,202	-	-	292,158	293,202	-0.4%
Total expenses	\$7,914,202	\$8,049,855	\$386,826	\$389,822	\$8,301,028	\$8,439,677	-1.7%
Change in net position	\$408,495	-\$752	\$3,937	-\$36,131	\$412,432	-\$36,883	1,018.2%
Net position, beginning of year	\$5,912,098	\$5,899,627	-\$18,079	\$18,052	\$5,894,019	\$5,917,679	-0.4%
Prior period adjustment	-11,768	13,223	-	-	-11,768	13,223	-88.9%
Adjusted net position, beginning of year	\$5,900,330	\$5,912,850	-\$18,079	\$18,052	\$5,882,251	\$5,930,902	-0.9%
Net position, end of year	\$6,308,825	\$5,912,098	-\$14,142	-\$18,079	\$6,294,683	\$5,894,019	6.7%

In fiscal year 2014, property tax and unrestricted state grants account for 62.3% of governmental activities revenue while charges for service and operating grants, contributions and restricted interest accounted for 100% of business type activities revenue. The District's total revenues were \$8,713,460, of which approximately \$8,322,697 was for governmental activities and \$390,763 was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 3.6% increase in revenues and a 1.7% decrease in expenses. Property tax increased \$100,556.

Prior period adjustments for 2013 and 2014 were a timing issue due to accrued payroll.

Governmental Activities

Revenues for governmental activities were \$8,322,697 and expenses were \$7,914,202 for the year ended June 30, 2014. 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, 2014 compared to the year ended June 30, 2013.

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

	Total Cost of Services			Net Cost of Services		
	2014	2013	Change 2013-2014	2014	2013	Change 2013-2014
Instruction	\$5,185,746	\$5,178,866	0.1%	\$3,124,078	\$3,247,214	-3.8%
Support services	2,432,783	2,577,787	-5.7%	2,428,649	2,571,891	-5.6%
Non-instructional programs	3,515	-	100%	3,515	-	100%
Other expenses	292,158	293,202	3.1%	292,158	285,783	3.1%
Totals	\$7,914,202	\$8,049,855	-1.7%	\$5,848,400	\$6,104,888	-4.3%

For the year ended June 30, 2014:

- The cost financed by users of the District’s programs was \$1,007,561.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,449,003.
- The net cost of governmental activities was financed with \$3,656,470 in property and other taxes and \$2,527,905 in unrestricted state grants.

Business Type Activities

Revenues for business type activities during the year ended June 30, 2014 were \$390,763 representing a 10.4% increase over the prior year, while expenses totaled \$386,826, a 0.8% decrease 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 \$6,308,825, above last year’s ending adjusted fund balances of \$5,912,098.

Governmental Fund Highlights

- The District’s deteriorating General Fund financial position is the result of many factors. The decrease in expenditures was not enough to offset the District’s decrease in General Fund revenue, requiring the District to use carryover fund balance to meet its financial obligations during the year.
- The General Fund balance decreased from adjusted \$72,083 to \$39,438, due in part to expenditures exceeding revenue.
- The Capital Projects Fund balance increased from adjusted \$1,390,734 to \$1,425,950 due to the decrease in expenditures.

Proprietary Fund Highlights

- School Nutrition Fund net position increased from -\$18,079 at June 30, 2013 to -\$14,142 at June 30, 2014, representing an increase of approximately 27.8%.

BUDGETARY HIGHLIGHTS

Over the course of the year, North Butler Community School District amended its budget one time to reflect additional instructional expenditures.

The District's total revenue was \$8,006 less than total budgeted receipts, a variance of 0.1%. The most significant variance resulted from the District receiving less in local sources.

The District's 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 support services functional area due to the timing of expenditures at year end without sufficient time to amend the certified budget.

Fund Balance vs. Unspent (Unused) Budget Authority

Unspent budget authority is a unique feature of the Iowa school foundation formula. Iowa public school districts are required to keep track of fund balance and unused budget authority.

Simply stated, fund balance is the balance on the books assuming the District would cease operations at the end of the fiscal year. The following pages within the audit report will state fund balances for the various funds required to operate the District.

The Iowa public school funding formula is a pupil based formula. Each district receives an amount of funding (cash) and the authorization to spend it (authority). Another way to look at authority is to think of it as a credit card limit. Simply stated the budget authority is the number of student's times the formula amount per student. Unspent budget authority is the total authority (credit card limit) minus expenditures for the fiscal year. This "unspent budget authority" amount is carried forward to be included in the total authorized budget or spending authority for the next fiscal year.

Total authorized budget or spending authority is the legal limit an Iowa public school district can spend in a fiscal year. As stated above, this is not the same as cash or fund balance. The State of Iowa has established spending authority to enforce per pupil spending equity across the state. Unspent budget authority gained more importance in 2007 when the Iowa Legislature passed a law allowing the initiation of a Phase II review of public school districts that overspend their budget spending authority for two consecutive years. This review is both a financial viability review as well as a full academic review. At the completion of the review, the School Budget Review committee (SBRC), through the State Board of Education, may order remedies up to and including dissolution of the school district.

Adequate unspent budget authority is critical in management of the District in the event of unforeseen increases or decreases in enrollment as well unanticipated mid-year across the board reductions in state foundation aid. With approximately 80% of a public school districts expenses directly tied to labor contracts, it is very difficult to make mid-year corrections when state mandated across the board funding reductions are implemented.

The following chart shows the change in Unspent Budget Authority between fiscal years 2013 and 2014.

	Unspent Budget Authority Comparison		
	2013	2014	Change
Budget Revenue			
Maximum General Fund District Cost	\$5,003,804	\$5,398,406	\$394,602
Preschool Foundation Aid	147,025	165,267	18,242
Instructional Support Fund	290,898	300,300	9,402
Other Miscellaneous Income	979,033	951,527	-27,506
Previous Year Unspent Budget Authority	1,007,400	-43,616	-1,051,016
Maximum Budget Authority	\$7,428,160	\$6,771,884	-\$656,276
Total Expenditures	\$7,471,776	\$6,985,657	-\$486,119
End Fiscal Year Unspent Budget Authority	-\$43,616	-\$213,773	-\$170,157

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2014, the District had invested \$6,485,647, 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 0% 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 \$463,573.

The original cost of the District's capital assets was \$12,288,858. Governmental funds account for \$12,264,747, 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,
	2014	2013	2014	2013	2014	2013	2013-2014
Land	\$141,125	\$141,125	\$-	\$-	\$141,125	\$141,125	-
Buildings	5,437,092	5,538,042	-	-	5,437,092	5,538,042	-1.9%
Improvements other than buildings	23,144	20,930	-	-	23,144	20,930	10.5%
Furniture and equipment	874,383	773,611	9,903	11,913	884,286	785,524	12.5%
Totals	\$6,475,744	\$6,473,708	\$9,903	\$11,913	\$6,485,647	\$6,485,621	-

Long-Term Debt

At June 30, 2014, the District had \$2,060,000 in total long-term debt outstanding. This represents a decrease of 13.7% 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 \$19 million.

Figure A-7
Outstanding Long-term Obligations

	Total District		Total Change
	June 30,		June 30,
	2014	2013	2013-2014
General obligation bonds	\$1,820,000	\$2,070,000	-12.1%
Revenue bonds	240,000	315,000	-23.9%
Totals	<u>\$2,060,000</u>	<u>\$2,385,000</u>	<u>-13.7%</u>

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:

- The District is looking at ways to reduce expenditures to improve the negative unspent authorized budget balance.

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 Shellee Bartlett, 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 Position

June 30, 2014

	Govern- mental Activities	Business Type Activities	Total
Assets			
Cash and Cash Equivalents	\$ 2,031,748	\$ 26,635	\$ 2,058,383
Receivables:			
Property tax:			
Delinquent	59,714	-	59,714
Succeeding year	2,993,875	-	2,993,875
Income surtax	160,046	-	160,046
Accounts	546,679	404	547,083
Due from other governments	71,272	-	71,272
Inventories	-	1,150	1,150
Capital assets, net of accumulated depreciation	6,475,744	9,903	6,485,647
Total Assets	\$ 12,339,078	\$ 38,092	\$ 12,377,170
Liabilities			
Accounts payable	\$ 204,051	\$ -	\$ 204,051
Salaries and benefits payable	584,756	1,090	585,846
Accrued interest payable	4,556	-	4,556
Unearned (prepaid) revenue	-	6,320	6,320
Long-term liabilities:			
Portion due within one year:			
General obligation bonds	1,565,000	-	1,565,000
Revenue bonds	165,000	-	165,000
Early retirement	79,084	-	79,084
Portion due after one year:			
General obligation bonds	255,000	-	255,000
Revenue bonds	75,000	-	75,000
Early retirement	39,515	-	39,515
Net OPEB liability	109,240	-	109,240
Total Liabilities	\$ 3,081,202	\$ 7,410	\$ 3,088,612
Deferred Inflows of Resources			
Unavailable property tax revenue	\$ 2,993,875	\$ -	\$ 2,993,875
Net Position			
Net investment in capital assets	\$ 4,415,744	\$ 9,903	\$ 4,425,647
Restricted for:			
Categorical funding	260,548	-	260,548
Debt service	7,851	-	7,851
Management levy purposes	101,160	-	101,160
Student activities	272,432	-	272,432
Physical plant and equipment	431,950	-	431,950
School infrastructure	994,000	-	994,000
Unrestricted	-174,860	-24,045	-198,905
Total Net Position	\$ 6,308,825	\$ -14,142	\$ 6,294,683

See notes to financial statements.

North Butler Community School District

Statement of Activities

Year Ended June 30, 2014

	Program Revenues			
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Functions/Programs				
Governmental Activities:				
Instruction:				
Regular instruction	\$ 3,445,659	\$ 372,532	\$ 1,019,449	\$ -
Special instruction	832,876	100,338	227,753	-
Other instruction	907,211	332,392	9,204	-
	<u>\$ 5,185,746</u>	<u>\$ 805,262</u>	<u>\$ 1,256,406</u>	<u>\$ -</u>
Support Services:				
Student services	\$ 108,540	\$ -	\$ 3,569	\$ -
Instructional staff services	201,029	-	-	-
Administration services	874,369	-	-	-
Operation and maintenance of plant services	742,240	565	-	-
Transportation services	506,605	-	-	-
	<u>\$ 2,432,783</u>	<u>\$ 565</u>	<u>\$ 3,569</u>	<u>\$ -</u>
Non-instructional programs	\$ 3,515	\$ -	\$ -	\$ -
Other Expenditures:				
Facilities acquisition	\$ 3,523	\$ -	\$ -	\$ -
Long-term debt interest	38,521	-	-	-
AEA flow-through	250,114	-	-	-
	<u>\$ 292,158</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total Governmental Activities	<u>\$ 7,914,202</u>	<u>\$ 805,827</u>	<u>\$ 1,259,975</u>	<u>\$ -</u>
Business Type Activities:				
Non-Instructional Programs:				
Food service operations	\$ 386,826	\$ 201,734	\$ 189,028	\$ -
Total	<u>\$ 8,301,028</u>	<u>\$ 1,007,561</u>	<u>\$ 1,449,003</u>	<u>\$ -</u>

See notes to financial statements.

Net (Expense) Revenue
And Changes in Net Position

Governmental Activities	Business Type Activities	Total
\$ -2,053,678	\$ -	\$ -2,053,678
-504,785	-	-504,785
-565,615	-	-565,615
<u>\$ -3,124,078</u>	<u>\$ -</u>	<u>\$ -3,124,078</u>
\$ -104,971	\$ -	\$ -104,971
-201,029	-	-201,029
-874,369	-	-874,369
-741,675	-	-741,675
-506,605	-	-506,605
<u>\$ -2,428,649</u>	<u>\$ -</u>	<u>\$ -2,428,649</u>
<u>\$ -3,515</u>	<u>\$ -</u>	<u>\$ -3,515</u>
\$ -3,523	\$ -	\$ -3,523
-38,521	-	-38,521
-250,114	-	-250,114
<u>\$ -292,158</u>	<u>\$ -</u>	<u>\$ -292,158</u>
<u>\$ -5,848,400</u>	<u>\$ -</u>	<u>\$ -5,848,400</u>
\$ -	\$ 3,936	\$ 3,936
<u>\$ -5,848,400</u>	<u>\$ 3,936</u>	<u>\$ -5,844,464</u>

North Butler Community School District

Statement of Activities

Year Ended June 30, 2014

	<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

Income surtax

Statewide sales, services and use tax

Unrestricted state grants

Unrestricted investment earnings

Other

Total General Revenues

Change in net position

Net position beginning of year

Prior period adjustment

Adjusted net position beginning of year

Net Position End of Year

Net (Expense) Revenue
And Changes in Net Position

Governmental Activities	Business Type Activities	Total
\$ 2,607,671	\$ -	\$ 2,607,671
74,690	-	74,690
225,902	-	225,902
213,193	-	213,193
535,014	-	535,014
2,527,905	-	2,527,905
7,270	1	7,271
65,250	-	65,250
\$ 6,256,895	\$ 1	\$ 6,256,896
\$ 408,495	\$ 3,937	\$ 412,432
\$ 5,912,098	\$ -18,079	\$ 5,894,019
-11,768	-	-11,768
\$ 5,900,330	\$ -18,079	\$ 5,882,251
\$ 6,308,825	\$ -14,142	\$ 6,294,683

North Butler Community School District

Balance Sheet
Governmental Funds

June 30, 2014

Assets	General	Capital Projects	Non-Major Funds	Total
Cash and Pooled Investments	\$ 426,615	\$ 1,109,189	\$ 495,944	\$ 2,031,748
Receivables:				
Property Tax:				
Delinquent	47,563	6,840	5,311	59,714
Succeeding year	2,482,764	232,697	278,414	2,993,875
Income surtax	160,046	-	-	160,046
Accounts	234,399	311,326	954	546,679
Due from other funds	44,824	2,340	-	47,164
Due from other governments	71,272	-	-	71,272
Total assets	\$ 3,467,483	\$ 1,662,392	\$ 780,623	\$ 5,910,498
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts payable	\$ 198,139	\$ 3,745	\$ 2,167	\$ 204,051
Salaries and benefits payable	584,756	-	-	584,756
Due to other funds	2,340	-	-	2,340
Total liabilities	\$ 785,235	\$ 3,745	\$ 2,167	\$ 791,147
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	\$ 2,482,764	\$ 232,697	\$ 278,414	\$ 2,993,875
Other	160,046	-	-	160,046
Total deferred inflows of resources	\$ 2,642,810	\$ 232,697	\$ 278,414	\$ 3,153,921
Fund Balances:				
Restricted for:				
Categorical funding	\$ 260,548	\$ -	\$ -	\$ 260,548
Debt service	-	-	7,851	7,851
Management levy purposes	-	-	219,759	219,759
Student activities	-	-	272,432	272,432
School infrastructure	-	994,000	-	994,000
Physical plant and equipment	-	431,950	-	431,950
Unrestricted	-221,110	-	-	-221,110
Total fund balances	\$ 39,438	\$ 1,425,950	\$ 500,042	\$ 1,965,430
Total liabilities, deferred inflows of resources and fund balances	\$ 3,467,483	\$ 1,662,392	\$ 780,623	\$ 5,910,498

See notes to financial statements.

North Butler Community School District

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

June 30, 2014

Total fund balances of governmental funds (page 17)	\$ 1,965,430
<i>Amounts reported for governmental activities in the Statement of Net Position are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds	6,475,744
Other long-term assets, including income surtax receivable, are not available to pay current period expenditures and, therefore, are deferred inflows of resources in the governmental funds.	160,046
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	-4,556
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	<u>-2,287,839</u>
Net position of governmental activities (page 14)	<u>\$ 6,308,825</u>

North Butler Community School District

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

Year Ended June 30, 2014

	General	Capital Projects	Non-Major Funds	Total
Revenues:				
Local Sources:				
Local tax	\$ 2,612,892	\$ 225,902	\$ 274,656	\$ 3,113,450
Tuition	451,692	-	-	451,692
Other	100,817	9,208	316,630	426,655
Intermediate sources				
State sources	-	-	-	-
Federal sources	3,491,504	535,134	149	4,026,787
Federal sources	296,107	-	-	296,107
Total Revenues	\$ 6,953,012	\$ 770,244	\$ 591,435	\$ 8,314,691
Expenditures:				
Current:				
Instruction:				
Regular instruction	\$ 3,027,722	\$ 14,592	\$ -	\$ 3,042,314
Special instruction	892,571	-	-	892,571
Other instruction	728,258	-	190,044	918,302
	\$ 4,648,551	\$ 14,592	\$ 190,044	\$ 4,853,187
Support Services:				
Student services	\$ 108,037	\$ -	\$ -	\$ 108,037
Instructional staff services	94,406	254,702	-	349,108
Administration services	770,252	-	90,925	861,177
Operation and maintenance of plant services	613,013	43,070	136,487	792,570
Transportation services	489,516	42,458	179	532,153
	\$ 2,075,224	\$ 340,230	\$ 227,591	\$ 2,643,045
Other Expenditures:				
Facilities acquisition	\$ -	\$ 85,206	\$ -	\$ 85,206
Long-Term Debt:				
Principal	-	-	325,000	325,000
Interest and fiscal charges	-	-	38,995	38,995
AEA flow-through	250,114	-	-	250,114
	\$ 250,114	\$ 85,206	\$ 363,995	\$ 699,315
Total Expenditures	\$ 6,973,889	\$ 440,028	\$ 781,630	\$ 8,195,547
Excess (deficiency) of revenues over (under) expenditures	\$ -20,877	\$ 330,216	\$ -190,195	\$ 119,144

North Butler Community School District

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

Year Ended June 30, 2014

	General	Capital Projects	Non-Major Funds	Total
Other Financing Sources (Uses):				
Operating transfers in	\$ -	\$ -	\$ 295,000	\$ 295,000
Operating transfers out	-	-295,000	-	-295,000
Total Other Financing Sources	\$ -	\$ -295,000	\$ 295,000	\$ -
Net change in fund balances	\$ -20,877	\$ 35,216	\$ 104,805	\$ 119,144
Fund balances beginning of year	\$ 72,083	\$ 1,390,734	\$ 395,237	\$ 1,858,054
Prior period adjustment	-11,768	-	-	-11,768
Adjusted fund balances beginning of year	\$ 60,315	\$ 1,390,734	\$ 395,237	\$ 1,846,286
Fund balances end of year	\$ 39,438	\$ 1,425,950	\$ 500,042	\$ 1,965,430

See notes to financial statements.

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, 2014

Net change in fund balances – total governmental funds (page 20) \$ 119,144

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	\$ 465,609	
Depreciation expense	<u>-463,573</u>	2,036

Income surtax revenue not received until several months after year end is not considered available revenue and is recognized as deferred inflows of resources in the governmental funds.		8,006
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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 Position. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Current year repayments exceeded issuances, as follows:

Repaid		325,000
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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.		474
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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	\$ -8,238	
Other postemployment benefits	<u>-37,927</u>	-46,165

Change in Net Position of Governmental Activities (page 16)		<u>\$ 408,495</u>
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North Butler Community School District

Statement of Net Position
Proprietary Funds

June 30, 2014

	<u>School Nutrition</u>
Assets	
Current Assets:	
Cash and cash equivalents	\$ 26,635
Accounts receivable	404
Inventories	1,150
Total current assets	<u>\$ 28,189</u>
Non-Current Assets:	
Capital assets, net of accumulated depreciation	\$ 9,903
Total non-current assets	<u>\$ 9,903</u>
Total Assets	<u>\$ 38,092</u>
Liabilities	
Current Liabilities	
Salaries and benefits payable	\$ 1,090
Interfund payable	44,824
Unearned (prepaid) revenue	6,320
Total current liabilities	<u>\$ 52,234</u>
Total Liabilities	<u>\$ 52,234</u>
Net Position	
Net investment in capital assets	\$ 9,903
Unrestricted	<u>-24,045</u>
Total Net Position	<u>\$ -14,142</u>

See notes to financial statements.

North Butler Community School District

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

Year Ended June 30, 2014

	<u>School Nutrition</u>
Operating revenues:	
Local sources:	
Charges for service	\$ 201,734
Non-instructional programs:	
Food service operations:	
Salaries	\$ 147,836
Benefits	23,215
Purchased services	2,332
Supplies	211,434
Depreciation	2,009
Total operating expenses	<u>\$ 386,826</u>
Operating loss	<u>\$ -185,092</u>
Non-operating revenues:	
State sources	\$ 3,302
Federal sources	185,726
Interest income	1
Total non-operating revenues	<u>\$ 189,029</u>
Increase in net position	\$ 3,937
Net position beginning of year	<u>-18,079</u>
Net Position End of Year	<u>\$ -14,142</u>

See notes to financial statements.

North Butler Community School District

Statement of Cash Flows
Proprietary Fund

Year Ended June 30, 2014

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 202,767
Cash paid to employees for services	-169,960
Cash paid to suppliers for goods or services	-189,103
Net cash used by operating activities	<u>\$ -156,296</u>
Cash flows from non-capital financing activities:	
State grants received	\$ 3,302
Federal grants received	162,682
Net cash provided by non-capital financing activities	<u>\$ 165,984</u>
Cash flows from investing activities:	
Interest on investments	<u>\$ 1</u>
Net increase in cash and cash equivalents	\$ 9,689
Cash and cash equivalents beginning of year	<u>16,946</u>
Cash and Cash Equivalents End of Year	<u>\$ 26,635</u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ -185,092
Adjustments to reconcile operating loss to net cash used by operating activities:	
Commodities used	24,762
Depreciation	2,009
Decrease in inventories	1,742
Decrease in accounts receivable	464
(Decrease) in accounts payable	-1,841
Increase in salaries and benefits	1,091
Increase in unearned (prepaid) revenue	<u>569</u>
Net Cash Used by Operating Activities	<u>\$ -156,296</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2014, the District received \$24,762 of federal commodities.

North Butler Community School District

Statement of Fiduciary Net Position
Fiduciary Fund

Year Ended June 30, 2014

	Private Purpose Trust <u>Scholarship</u>
Assets	
Cash and pooled investments	\$ 126,952
Total assets	<u>\$ 126,952</u>
Liabilities	
	<u>\$ -</u>
Net position	
Reserved for scholarships	<u>\$ 126,952</u>

North Butler Community School District
Statement of Changes in Fiduciary Net Position
Fiduciary Fund

Year Ended June 30, 2014

	Private Purpose Trust
	Scholarship
Additions: Local sources: Gifts and contributions Interest income Total additions	\$ 11,345 4,754 <u>\$ 16,099</u>
Deductions: Instruction: Regular: Scholarships awarded	\$ 10,000 <u>\$ 10,000</u>
Change in net position	\$ 6,099
Net position beginning of year	<u>120,853</u>
Net Position, End of Year	<u>\$ 126,952</u>

North Butler Community School District

Notes to the Financial Statements

June 30, 2014

(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 Position 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 Position presents the District's non-fiduciary assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Net position is reported in the following categories:

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

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

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

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

Fund Financial Statements – Separate financial statements are provided for governmental, proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as 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 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 position and changes in net position. The District's fiduciary funds include the following:

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

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.

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

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

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

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

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 teachers with annual contracts corresponding to the current school year, which were paid in July and August, have been accrued as liabilities.

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

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

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

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

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

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

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, 2014, expenditures exceeded the amounts budgeted in the support services function and the District exceeded its General Fund unspent authorized budget.

(2) **Cash and Pooled Investments**

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

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

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

The detail of inter-fund receivables and payables at June 30, 2014 is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Enterprise – School Nutrition Fund	\$ 44,824
Capital Projects – Physical Plant and Equipment Levy	General Fund	2,340
Total		<u>\$ 47,164</u>

The Enterprise – School Nutrition Fund owes the General Fund for payroll expenses. The General Fund owes the Capital Project – Physical Plant and Equipment Levy for snow removal (general maintenance) improperly coded to the wrong fund.

(4) **Inter-fund Transfers**

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

Transfer to	Transfer from	Amount
Debt Service	Capital Projects – Statewide Sales, Services and Use Tax	<u>\$ 295,000</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, 2014 was as follows:

	Balance Beginning Of Year	Increases	Decreases	Balance End Of Year
Governmental Activities:				
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	\$ 8,809,940	\$ 91,924	\$ -	\$ 8,901,864
Improvements other than buildings	142,046	4,371	9,509	136,908
Furniture and equipment	2,779,366	369,314	63,830	3,084,850
Total capital assets being depreciated/amortized	\$ 11,731,352	\$ 465,609	\$ 73,339	\$ 12,123,622
Less accumulated depreciation for:				
Buildings	\$ 3,271,898	\$ 192,874	\$ -	\$ 3,464,772
Improvements other than buildings	121,116	2,157	9,509	113,764
Furniture and equipment	2,005,755	268,542	63,830	2,210,467
Total accumulated depreciation/amortization	\$ 5,398,769	\$ 463,573	\$ 73,339	\$ 5,789,003
Total capital assets being depreciated/amortized, net	\$ 6,332,583	\$ 2,036	\$ -	\$ 6,334,619
Governmental Activities Capital Assets, Net	\$ 6,473,708	\$ 2,036	\$ -	\$ 6,475,744
	Balance Beginning Of Year	Increases	Decreases	Balance End Of Year
Business type activities:				
Furniture and equipment	\$ 24,111	\$ -	\$ -	\$ 24,111
Less accumulated depreciation	12,199	2,009	-	14,208
Business Type Activities Capital Assets, Net	\$ 11,912	\$ 2,009	\$ -	\$ 9,903
Depreciation expense was charged to the following functions:				
Governmental Activities:				
Instruction:				
Regular				\$ 361,749
Special				14,065
Other				3,808
Support services:				
Instructional staff				26,220
Operation and maintenance of plant				9,481
Transportation				44,735
Non-Instructional				3,515
Total Depreciation Expense – Governmental Activities				\$ 463,573
Business Type Activities:				
Food service operations				\$ 2,009

(6) Long-term Liabilities

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

	Balance Beginning Of Year	Additions	Reductions	Balance End Of Year	Due Within One Year
General obligation bonds	\$ 2,070,000	\$ -	\$ 250,000	\$ 1,820,000	\$ 255,000
Revenue bonds	315,000	-	75,000	240,000	75,000
Loan	-	200,000	200,000	-	-
Early retirement	110,361	88,697	80,459	118,599	39,515
Net OPEB liability	71,313	37,927	-	109,240	-
Total	\$ 2,566,674	\$ 326,624	\$ 605,459	\$ 2,287,839	\$ 369,515

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, 2014 was \$80,459.

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 3.50%. At June 30, 2014 the District had no loan balance.

General Obligation Bonds

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

Year Ending June 30,	Bond Issue of March 1, 2012			
	Interest Rate	Principal	Interest	Total
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
		\$ 1,820,000	\$ 101,838	\$ 1,921,838

Revenue Bonds

Details of the District's June 30, 2014 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
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>\$ 240,000</u>	<u>\$ 21,405</u>	<u>\$ 261,405</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 \$88,632. For the current year, no principal or interest was paid on the bonds and total statewide sales, services and use tax revenues were \$535,014.

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 comply with all of the revenue bond provisions during the year ended June 30, 2014.

(7) Pension and Retirement Benefits

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

Plan members are required to contribute 5.95% of their annual covered salary and the District is required to contribute 8.93% of annual covered payroll for the years ended June 30, 2014, 2013 and 2012. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2014, 2013 and 2012 were \$382,596, \$342,982 and \$340,664, 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, 2014; the amount actually contributed to the plan and changes in the District’s net OPEB obligations:

Annual required contribution	\$	48,623
Interest on net OPEB obligation		1,783
Adjustment to annual required contribution		-2,765
Annual OPEB cost	\$	47,641
Contributions made		-9,714
Increase in net OPEB obligation	\$	37,927
Net OPEB obligation beginning of year		71,313
Net OPEB obligation end of year	\$	109,240

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, 2014.

For the year ended June 30, 2014, the District contributed \$472,441 to the medical plan. Plan members eligible for benefits contributed \$21,181, or 4.4% of the premium costs.

The District’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligations 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
June 30, 2013	\$47,747	22.3%	\$71,313
June 30, 2014	\$48,623	20.0%	\$109,240

Funded Status and Funding Progress – As of July 1, 2011, the most recent actuarial valuation date for the period July 1, 2013 through June 30, 2014, the actuarial accrued liability was \$300,692, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$300,692. The covered payroll (annual payroll of active employees covered by the plan) was \$3,962,644 and the ratio of the UAAL to covered payroll was 13.2%. As of June 30, 2014, there were no trust fund assets.

Actuarial Methods and Assumptions – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, 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 \$250,114 for the year ended June 30, 2014 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(11) Categorical Funding

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

Program	Amount
Dropout Prevention	\$ 219,260
Teacher Salary Supplement	559
Market Factor	2,191
Professional Development	3,553
Early Literacy	15,334
Core Curriculum	12,388
Teacher Leadership	7,263
Total	\$ 260,548

(12) Prior Period Adjustments

The District had prior period adjustments as follows:

Funds	Amount
General	\$ -11,768

(13) Subsequent Events

The District has evaluated subsequent events through December 3, 2014 which is the date that the financial statement were available to be issued.

(14) Deficit Balances

The General Fund had an unrestricted fund balance of -\$221,110 at June 30, 2014. The Proprietary Fund – School Nutrition Fund had a -\$14,142 balance at June 30, 2014.

(15) Related Party Transactions

The District had business transactions between the District and District officials or employees totaling \$970.

(16) Prospective Accounting Change

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

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, 2014

	Governmental Funds Actual	Proprietary Funds Actual
Receipts:		
Local sources	\$ 3,991,797	\$ 201,735
Intermediate sources	-	-
State sources	4,026,787	3,302
Federal sources	296,107	185,726
Total Receipts	<u>\$ 8,314,691</u>	<u>\$ 390,763</u>
Disbursements:		
Instruction	\$ 4,853,187	\$ -
Support services	2,643,045	-
Non-instructional programs	-	386,826
Other expenditures	699,315	-
Total Disbursements	<u>\$ 8,195,547</u>	<u>\$ 386,826</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	<u>\$ 119,144</u>	<u>\$ 3,937</u>
Balances beginning of year	\$ 1,858,054	\$ -18,079
Prior period adjustment	-11,768	-
Adjusted balances beginning of year	<u>\$ 1,846,286</u>	<u>\$ -18,079</u>
Balances End of Year	<u>\$ 1,965,430</u>	<u>\$ -14,142</u>

See accompanying independent auditor's report.

	Total Actual	Budgeted Amount		Final to Actual Variance
		Original	Final	
\$	4,193,532	\$ 4,944,536	\$ 4,944,536	\$ -751,004
	-	-	-	-
	4,030,089	3,516,924	3,516,924	513,165
	481,833	252,000	252,000	229,833
\$	8,705,454	\$ 8,713,460	\$ 8,713,460	\$ -8,006
<hr/>				
\$	4,853,187	\$ 5,390,980	\$ 5,512,059	\$ 658,872
	2,643,045	2,376,221	2,376,221	-266,824
	386,826	515,593	515,593	128,767
	699,315	804,720	804,720	105,405
\$	8,582,373	\$ 9,087,514	\$ 9,208,593	\$ 626,220
<hr/>				
\$	123,081	\$ -374,054	\$ -495,133	\$ 618,214
<hr/>				
\$	1,839,975	\$ 1,783,351	\$ 1,783,351	\$ 56,624
	-11,768	-	-	-11,768
<hr/>				
\$	1,828,207	\$ 1,783,351	\$ 1,783,351	\$ 44,856
<hr/>				
\$	1,951,288	\$ 1,409,297	\$ 1,288,218	\$ 663,070

North Butler Community School District

Notes to Required Supplementary Information – Budgetary Reporting

Year Ended June 30, 2014

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting 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, the District adopted one budget amendment, increasing budgeted expenditures by \$121,079

During the year ended June 30, 2014, expenditures in the support services program function exceeded the amended amount budgeted, and the District exceeded its General Fund unspent authorized budget.

North Butler Community School District

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

Required Supplementary Information

June 30, 2014

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%
2013	July 1, 2011	\$-	\$300,632	\$300,632	0.0%	\$2,844,482	10.5%
2014	July 1, 2011	\$-	\$300,692	\$300,692	0.0%	\$3,962,644	13.2%

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.

Supplementary Information

North Butler Community School District

**Combining Balance Sheet
Non-Major Governmental Funds**

June 30, 2014

	Special Revenue			
	Debt Service	Management Levy	Student Activity	Total
Assets				
Cash and pooled investments	\$ 6,360	\$ 215,939	\$ 273,645	\$ 495,944
Receivables:				
Property Tax:				
Delinquent	1,491	3,820	-	5,311
Succeeding year	78,414	200,000	-	278,414
Accounts	-	-	954	954
Total Assets	\$ 86,265	\$ 419,759	\$ 274,599	\$ 780,623
Liabilities, Deferred Inflows of Resource and Fund Balances				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ 2,167	\$ 2,167
Total liabilities	\$ -	\$ -	\$ 2,167	\$ 2,167
Deferred inflows of resources:				
Succeeding year property tax	\$ 78,414	\$ 200,000	\$ -	\$ 278,414
Total deferred inflows of resources	\$ 78,414	\$ 200,000	\$ -	\$ 278,414
Fund Balances:				
Restricted for:				
Debt service	\$ 7,851	\$ -	\$ -	\$ 7,851
Management levy purposes	-	219,759	-	219,759
Student activities	-	-	272,432	272,432
Total fund balances	\$ 7,851	\$ 219,759	\$ 272,432	\$ 500,042
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 86,265	\$ 419,759	\$ 274,599	\$ 780,623

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

Year Ended June 30, 2014

	Special Revenue			
	Debt Service	Management Levy	Student Activity	Total
Revenues:				
Local Sources:				
Local tax	\$ 74,690	\$ 199,966	\$ -	\$ 274,656
Other	-	6,054	310,576	316,630
State sources	39	110	-	149
Total Revenues	\$ 74,729	\$ 206,130	\$ 310,576	\$ 591,435
Expenditures:				
Current:				
Instruction:				
Other instruction	\$ -	\$ -	\$ 190,044	\$ 190,044
Support Services:				
Administration services	-	90,925	-	90,925
Operation and maintenance of plant services	-	136,487	-	136,487
Transportation services	-	179	-	179
Other Expenditures:				
Long-term debt:				
Principal	325,000	-	-	325,000
Interest and fiscal charges	38,995	-	-	38,995
Total Expenditures	\$ 363,995	\$ 227,591	\$ 190,044	\$ 781,630
Excess (deficiency) of revenues over (under) expenditures	\$ -289,266	\$ -21,461	\$ 120,532	\$ -190,195
Other financing sources (uses):				
Operating transfer in	295,000	-	-	295,000
Excess (deficiency) of revenue and other financing sources over (under) expenditures	\$ 5,734	\$ -21,461	\$ 120,532	\$ 104,805
Fund balances beginning of year	2,117	241,220	151,900	395,237
Fund Balances End of Year	\$ 7,851	\$ 219,759	\$ 272,432	\$ 500,042

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, 2014

Account	Balance Beginning Of Year	Revenues and Inter-fund Transfers	Expenditures	Intra- Fund Transfers	Balance End of Year
Athletics	\$ 6,422	\$ 103,082	\$ 99,191	\$ 7,580	\$ 17,893
Corn Bowl	10,044	-	-	-10,044	-
District Football	-3	191	427	239	-
Science Club	289	429	-	-	718
Cheerleaders	723	1,755	3,516	1,906	868
Class Funds	-77	778	3,166	5,337	2,872
Athletic Concessions	7,932	15,224	13,285	-3,497	6,374
Magazine	4,618	-	4,618	-	-
Sports Complex (Track)	-	99,105	134	-	98,971
FFA	3,435	3,882	2,613	-484	4,220
FCS Class	1,390	-	265	167	1,292
National Honor Society	381	325	671	809	844
Liabrary	829	110	-	-	939
Music	2,271	6,540	3,804	-1,356	3,651
Industrial Tech	3,778	759	732	-358	3,447
Pre Kindergarten	272	2,421	-	-	2,693
Science	9,398	-	1,995	1,769	9,172
Math	5,790	-	4,504	4,504	5,790
Drama/Speech	5,279	3,350	4,621	6,501	10,509
Annual	11,079	12,680	12,842	-2,619	8,298
Student Council	1,998	923	-	-288	2,633
MS Student Council	1,144	750	1,522	-1	371
HS Activity	1,355	4,794	4,794	6,253	7,608
Elementary	10,312	6,747	-	-10,312	6,747
High School	64	-	64	-	-
Insurance	10	-	10	-	-
Dues/Fees	1,340	-	-	-1,340	-
HI FI	21,901	1,967	1,473	-2,844	19,551
Jump Rope for Heart	316	-	-	-	316
Ed Flex	-	2,576	1,300	-	1,276
Student Needs	-	1,722	-	-	1,722
Spanish	102	323	1,752	1,447	120
Class of 2017	1,830	-	-	-1,830	-
MS Music	11,885	67	-	-	11,952
MS Pop	4,722	4,121	6,508	-2,335	-
MS Drama	4,621	-	-	-4,621	-
MS Funds	15,054	32,276	16,237	5,417	36,510
Allison Elementary	1,396	3,679	-	-	5,075
	\$ 151,900	\$ 310,576	\$ 190,044	\$ -	\$ 272,432

See accompanying independent auditor's report.

North Butler Community School District

Combining Balance Sheet
Capital Project Accounts

June 30, 2014

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Assets			
Cash and pooled investments	\$ 685,381	\$ 423,808	\$ 1,109,189
Receivables:			
Property Tax:			
Delinquent	-	6,840	6,840
Succeeding year	-	232,697	232,697
Accounts	311,326	-	311,326
Due from other funds	-	2,340	2,340
Total assets	\$ 996,707	\$ 665,685	\$ 1,662,392
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts Payable	\$ 2,707	\$ 1,038	\$ 3,745
Total liabilities	\$ 2,707	\$ 1,038	\$ 3,745
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	\$ -	\$ 232,697	\$ 232,697
Total deferred inflows of resources	\$ -	\$ 232,697	\$ 232,697
Fund Balances:			
Restricted for:			
School infrastructure	\$ 994,000	\$ -	\$ 994,000
Physical plant and equipment	-	431,950	431,950
Total fund balances	\$ 994,000	\$ 431,950	\$ 1,425,950
Total liabilities, deferred inflows of resources and fund balances	\$ 996,707	\$ 665,685	\$ 1,662,392

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

Year Ended June 30, 2014

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local Sources:			
Local tax	\$ -	\$ 225,902	\$ 225,902
Other	3,107	6,101	9,208
State sources	535,014	120	535,134
Federal sources	-	-	-
Total Revenues	<u>\$ 538,121</u>	<u>\$ 232,123</u>	<u>\$ 770,244</u>
Expenditures:			
Current:			
Instruction:			
Regular	\$ -	\$ 14,592	\$ 14,592
Support services:			
Instructional staff	174,801	79,901	254,702
Operation and maintenance of plant	318	42,752	43,070
Transportation	42,458	-	42,458
Other Expenditures:			
Facilities acquisition	2,707	82,499	85,206
Total Expenditures	<u>\$ 220,284</u>	<u>\$ 219,744</u>	<u>\$ 440,028</u>
Excess (deficiency) of revenues over (under) expenditures	\$ 317,837	\$ 12,379	\$ 330,216
Other Financing Sources (Uses):			
Operating transfers in (out)	-295,000	-	-295,000
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	\$ 22,837	\$ 12,379	\$ 35,216
Fund balances beginning of year	971,163	\$ 419,571	1,390,734
Fund Balances End of Year	<u>\$ 994,000</u>	<u>\$ 431,950</u>	<u>\$ 1,425,950</u>

North Butler Community School District

**Combining Balance Sheet
Private Purpose Trusts
Scholarships**

June 30, 2014

	Harms Scholarship	Boylan Scholarship	North Butler Scholarship	Stuntz Scholarship	Graft Scholarship
Assets					
Cash	\$ 121	\$ -	\$ 4,025	\$ -	\$ 3,000
Investment	5,000	34,324	-	41,081	-
Total Assets	\$ 5,121	\$ 34,324	\$ 4,025	\$ 41,081	\$ 3,000
Liabilities and Fund Balances					
Liabilities	\$ -	\$ -	\$ -	\$ -	\$ -
Fund Balances:					
Reserved for scholarships	5,121	34,324	4,025	41,081	3,000
Total Liabilities and Fund Balances	\$ 5,121	\$ 34,324	\$ 4,025	\$ 41,081	\$ 3,000

See accompanying independent auditor's report.

Rottler Scholarship		Beal Scholarship		Bruce Scholarship		Ladwid Scholarship		Ressler Scholarship		Total	
\$	2,256	\$	160	\$	125	\$	125	\$	35	\$	9,847
	5,000		9,000		10,000		10,000		2,700		117,105
\$	7,256	\$	9,160	\$	10,125	\$	10,125	\$	2,735	\$	126,952
\$	-	\$	-	\$	-	\$	-	\$	-	\$	-
	7,256		9,160		10,125		10,125		2,735		126,952
\$	7,256	\$	9,160	\$	10,125	\$	10,125	\$	2,735	\$	126,952

North Butler Community School District

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

Year Ended June 30, 2014

	Harms Scholarship	Boylan Scholarship	North- Butler Scholarship	Stuntz Scholarship	Graft Scholarship
Revenues:					
Local Sources:					
Interest on investment	\$ 83	\$ 772	\$ 1	\$ 3,156	\$ -
Contributions/Other	-	-	8,345	-	-
Total Revenues	\$ 83	\$ 772	\$ 8,346	\$ 3,156	\$ -
Expenditures:					
Instruction:					
Regular Instruction:					
Scholarships	\$ 100	\$ 800	\$ 5,550	\$ 2,000	\$ -
Other	-	834	-834	-	-
Total Expenditures	\$ 100	\$ 1,634	\$ 4,716	\$ 2,000	\$ -
Excess (deficiency) of revenues over (under) expenditures	\$ -17	\$ -862	\$ 3,630	\$ 1,156	\$ -
Net position beginning of year	\$ 5,138	\$ 35,186	\$ 395	\$ 39,925	\$ 3,000
Net Position End of Year	\$ 5,121	\$ 34,324	\$ 4,025	\$ 41,081	\$ 3,000

See accompanying independent auditor's report.

Rottler Scholarship	Beal Scholarship	Bruce Scholarship	Ladwid Scholarship	Ressler Scholarship	Total
\$ 103	\$ 184	\$ 210	\$ 210	\$ 35	\$ 4,754
3,000	-	-	-	-	11,345
\$ 3,103	\$ 184	\$ 210	\$ 210	\$ 35	\$ 16,099
\$ 1,000	\$ 150	\$ 200	\$ 200	\$ -	\$ 10,000
-	-	-	-	-	-
\$ 1,000	\$ 150	\$ 200	\$ 200	\$ -	\$ 10,000
\$ 2,103	\$ 34	\$ 10	\$ 10	\$ 35	\$ 6,099
\$ 5,153	\$ 9,126	\$ 10,115	\$ 10,115	\$ 2,700	\$ 120,853
\$ 7,256	\$ 9,160	\$ 10,125	\$ 10,125	\$ 2,735	\$ 126,952

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

	Modified Accrual Basis			
	2014	2013	2012	2011
Revenues:				
Local Sources:				
Local tax	\$ 3,113,450	\$ 3,235,951	\$ 3,248,229	\$ 3,352,635
Tuition	451,692	478,569	558,945	1,023,433
Other	426,655	264,163	372,893	338,567
Intermediate sources	-	-	-	-
State sources	4,026,787	3,637,682	3,543,788	2,996,711
Federal sources	296,107	430,174	148,679	368,824
Total	\$ 8,314,691	\$ 8,046,539	\$ 7,872,534	\$ 8,080,170
Expenditures:				
Instruction:				
Regular instruction	\$ 3,042,314	\$ 3,531,032	\$ 3,125,715	\$ 4,867,136
Special instruction	892,571	851,365	833,051	*
Other instruction	918,302	723,545	831,673	*
Support services:				
Student services	108,037	98,646	58,565	88,145
Instructional staff services	349,108	588,552	185,018	197,214
Administrative services	861,177	936,231	1,044,487	887,788
Operation and maintenance of plant services	792,570	753,269	750,557	735,033
Transportation services	532,153	513,224	455,630	382,729
Non-instructional programs	-	-	-	-
Other expenditures:				
Facilities acquisition	85,206	42,429	514,421	22,808
Long-term debt:				
Principal	325,000	315,000	2,545,000	260,000
Interest and other charges	38,995	45,972	140,808	146,594
AEA flow-through	250,114	232,260	231,657	255,130
Total	\$ 8,195,547	\$ 8,631,525	\$ 10,716,582	\$ 7,842,577

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

**2011 thru 2005 are Allison and Greene School Districts combined.

See accompanying independent auditor's report.

Modified Accrual Basis						
2010	2009	2008	2007	2006	2005	
\$ 3,252,544	\$ 3,241,882	\$ 3,219,782	\$ 3,311,813	\$ 3,042,527	\$ 3,167,782	
849,638	941,818	676,019	692,766	604,978	540,895	
371,709	440,360	433,669	440,666	385,019	326,613	
-	-	-	-	-	-	
2,612,839	3,057,836	2,886,298	2,806,168	2,732,363	2,692,209	
497,638	312,570	192,599	269,313	268,452	227,071	
<u>\$ 7,584,368</u>	<u>\$ 7,994,466</u>	<u>\$ 7,408,367</u>	<u>\$ 7,520,726</u>	<u>\$ 7,033,339</u>	<u>\$ 6,954,570</u>	
\$ 4,891,503	\$ 4,685,302	\$ 4,120,960	\$ 3,977,184	\$ 3,896,529	\$ 3,833,277	
*	*	*	*	*	*	
*	*	*	*	*	*	
70,274	50,185	64,968	108,923	97,276	66,326	
153,952	201,417	160,041	157,584	169,272	130,223	
1,017,008	1,006,732	942,243	920,282	853,846	956,273	
777,244	914,144	718,764	897,033	659,191	714,527	
358,019	366,312	365,658	400,116	368,164	418,658	
-	5,158	4,540	1,965	20,059	23,230	
2,831	71,400	566,610	173,687	67,939	124,708	
240,000	235,000	220,000	361,038	325,000	371,038	
157,953	169,133	177,331	162,897	192,219	185,401	
238,242	213,266	208,201	204,483	201,214	195,992	
<u>\$ 7,907,026</u>	<u>\$ 7,918,049</u>	<u>\$ 7,549,316</u>	<u>\$ 7,365,192</u>	<u>\$ 6,850,709</u>	<u>\$ 7,019,653</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 in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of North Butler Community School District as of and for the year ended June 30, 2014, and the related notes to financial statements which collectively comprise the District's basic financial statements, and have issued my report thereon dated December 3, 2014.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered the North Butler Community School District's internal control over financial reporting to determine the audit procedures appropriate in the circumstances 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. Accordingly, I do not express an opinion on the effectiveness of North Butler Community School District's internal control.

My consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, I identified certain deficiencies in internal control I consider to be material weaknesses and 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 described in Part I of the accompanying Schedule of Findings as items I-A-14 through I-F-14 to be material weaknesses.

A significant deficiency is a deficiency or combination of deficiencies in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. I consider the deficiency described in Part I of the accompanying Schedule of Findings as item I-G-14 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, 2014 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 the Findings

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

Purpose of this Report

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

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

December 3, 2014

North Butler Community School District

Schedule of Findings

Year Ended June 30, 2014

Part I – Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

- I-A-14 Internal Controls – One of the most important responsibilities of the District is to maintain a system of internal control for efficient operation. The District’s Board of Directors is responsible for making policies and procedures that safeguard District assets, ensure District financial information is accurate, ensure employees are complying with laws and regulations pertinent to the District and discipline employees that choose not to comply with board policies and procedures.

The successful operation of the District’s internal control is dependent upon having sufficient and properly trained management and personnel to ensure that the policies and procedures formed by the Board of Directors are being followed. Based on my audit it appears the District’s internal control structure had several breakdowns, some of which are apparent in the comments that follow in the remainder of this report.

Recommendation – The District’s Board of Directors and management staff should review policies and procedures in place and evaluate the effectiveness of internal controls currently in place. Changes in the internal control structure will have to be made for the District to gain full effectiveness of internal control. Additional training may be necessary to achieve this goal.

Response – The Board of Directors and management will review and evaluate the effectiveness of the policies and procedures in place; develop new policies and procedures, where necessary; and determine changes that need to be made to assure a proper, reliable and efficient system of internal controls are in place. Educating staff on the importance of internal controls will be provided by the Superintendent.

Conclusion – Response accepted.

- I-B-14 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. 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.

North Butler Community School District

Schedule of Findings

Year Ended June 30, 2014

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

INTERNAL CONTROL DEFICIENCIES:

I-C-14 Financial Reporting – During the audit, I identified material amounts of receipts and disbursements recorded in incorrect funds. Adjustments were made by the District to properly record the receipts and disbursements to the proper fund and inter-fund receivable and payable accounts were created.

Recommendation – The District should implement procedures to ensure all receipts and disbursements are recorded in the correct fund in the District’s financial statements. The District should transfer \$2,340 from the Capital Project – Physical Plant and Equipment Levy to the General Fund for the incorrect expenditures.

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.

Accrued Payroll – Payroll disbursements made in July and August were processed incorrectly, resulting in the under statement of cash and liabilities. Adjustments were subsequently made to properly include these amounts in the financial statements.

Recommendation – The District should consult with their software support provider for future payroll accrual procedures so payroll is properly recorded.

Response – We will consult with our software support provider in the future.

Conclusion – Response accepted.

School Account Software – I noted that several accounts were not set up correctly. Receivables and payables were not being posted to the correct accounts.

Recommendation – The new Business Manager needs to verify that all accounts are set up to close to the proper accounts in the future.

Response – We are working on verifying that all accounts are posting to the correct balance sheet accounts.

Conclusion – Response accepted.

North Butler Community School District

Schedule of Findings

Year Ended June 30, 2014

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

INTERNAL CONTROL DEFICIENCIES:

I-D-14 Supporting Documentation – I noted an instance of a check being written to a vendor from a purchase order without board approval. The actual bill was for an amount almost twice the purchase order amount approved.

Recommendation – The District should review their procedures that are in place to ensure that all bills are supported, approved, and paid from an invoice. The District should adopt processes and procedures to use when an invoice may not be available, such as requiring additional approval or support documentation other than the invoice.

Response – The District will review its procedures to ensure invoices are provided for all payments.

Conclusion – Response accepted.

I-E-14 Employees Who Officiate Athletic Events – I noted the District had payrolled employees who officiated athletic events for the school. The District paid the employees with Student Activity Fund accounts payable checks instead of paying them through regular payroll where applicable taxes could be applied.

Recommendation – These payments should be paid through the payroll system in order to be included in the quarterly Federal 941 reports and W-2s.

Response – We will pay district employee officials through payroll instead of the Activity Fund.

Conclusion – Response accepted.

I-F-14 School Nutrition Fund Accounts – I noted the Enterprise, School Nutrition Fund revenue and expenses classifications as required by the Iowa Department of Education were not accurately recorded in the general ledger. The District records student meal deposits as student lunch revenue and then allocates the breakfast, adult and ala carte revenues at year end. The District records food costs in one account and then allocates them at year end.

Recommendation – The District should record meal deposits in an unearned revenue liability account. On a monthly basis, the District should recognize the amount of meals served as revenue and record these in their applicable meal revenue category to ensure more accurate revenue classifications. The District should record expenses for food in the correct accounts as the purchases are made.

Response – We are implementing changes in procedures for fiscal year 2015 which will correct this problem.

Conclusion – Response accepted.

North Butler Community School District

Schedule of Findings

Year Ended June 30, 2014

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

INTERNAL CONTROL DEFICIENCIES:

I-G-14 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, 2014

Part II - Other Findings Related to Statutory Reporting:

II-A-14 Certified Budget – District disbursements for the year ended June 30, 2014 exceed the amounts budgeted in the support services program functional area. The District also exceeded its General Fund unspent authorized budget for the year ended June 30, 2014 by approximately \$214,000.

Recommendation – The budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before disbursements were allowed to exceed the budget. The District should contact the Iowa Department of Education and the School Budget Review Committee to resolve the General Fund unspent authorized budget over expenditures.

Response – The District will amend the budget before expenditures exceed amounts budgeted. The District has contacted the Iowa Department of Education and the School Budget Review Committee. Our workout plan has been accepted.

Conclusion – Response accepted.

Budget Publication – I noted the District did not publish its fiscal 2015 budget in the local paper within the time frame required by Chapter 24.9 of the Code of Iowa.

Recommendation – The budget should have been published in the time frame required by Chapter 24.9 of the Code of Iowa which states; “each municipality shall publish the notice of the time when and the place where such hearing shall be held not less than ten nor more than twenty days before the hearing.”

Response – The District will ensure that the budget is published within the proper time frame.

Conclusion – Response accepted.

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

II-D-14 Business Transactions – Business transactions between the District and District officials or employees are detailed as follows:

<u>Name, Title & Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Bouillion Lawn Care - Employee owned	services	\$970

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-14 Bond Coverage – Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure the coverage is adequate for current operations.

North Butler Community School District

Schedule of Findings

Year Ended June 30, 2014

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

II-F-14 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.

Closed Sessions – I did note instances where the Board entered closed sessions during District meetings, but did not identify and document the specific exemption allowed under Chapter 21.5 of the Code of Iowa.

Recommendation – The District should identify the specific exemption for entering a closed session, and document the exemption allowed under Chapter 21.5 of the Code of Iowa in the District's board minutes.

Response – In the District's board minutes it now lists the specific exemption allowed under Chapter 21.5 of the Code of Iowa for entering a closed session.

Conclusion – Response accepted.

Board Approval – I noted 5 of 17 activity fund transactions requiring Board approval which were not approved by the Board. I also noted 2 activity fund transactions where the amount approved differed from the amount paid. And there were 3 activity fund transactions approved in the month after the bills were paid.

Recommendation – The District should ensure the Board approves all disbursements before they are made.

Response – The District will increase monitoring of disbursements and approval by the Board.

Conclusion – Response accepted.

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

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

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

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

North Butler Community School District

Schedule of Findings

Year Ended June 30, 2014

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

II-K-14 Deficit Balances – The following accounts have deficit balances:

General Fund
Proprietary Fund – School Nutrition

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

Response – We are working on this.

Conclusion – Response accepted.

II-L-14 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-14 Checks Outstanding – I noted during my audit that the District had checks included in the bank reconciliation which have been outstanding for over a year.

Recommendation – The District should research the outstanding checks to determine if they should be re-issued. Once checks have been outstanding for two years, the checks should be submitted to the Treasurer of Iowa as unclaimed property. Per Chapter 556.1(10) and 556.11 of the Code of Iowa, the District is required to report unclaimed property to the State Treasurer annually before November 1st.

Response – We are currently verifying the outstanding checks and have started the paperwork process of submitting these to the Treasurer of Iowa as unclaimed property.

Conclusion – Response accepted.

North Butler Community School District

Schedule of Findings

Year Ended June 30, 2014

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

II-N-14 Physical Plant and Equipment Levy (PPEL) Expenditures – I noted during my audit that the District made purchases from the PPEL Fund which do not appear to be in compliance with Chapter 423 and 298.3 of the Code of Iowa. The District had expenditures of \$2,340.14 for routine maintenance.

Recommendation – Inappropriate uses of the PPEL Fund include any other purpose not expressly authorized in the Iowa Code. The District should review Chapter 423 and Chapter 289 of the Code of Iowa for the allowability of expenditures from the PPEL Fund. A corrective transfer from the General Fund to the Capital; Projects – Physical Plant and Equipment Levy Fund of \$2,340.14 should be made.

Response – The District will make a corrective transfer from the General Fund to the Physical Plant and Equipment Levy (PPEL) in the amount of \$2,340.14 for routine maintenance. The District will review Chapter 423 and 298 of the Code of Iowa.

Conclusion – Response accepted.

II-O-14 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 commingled with other funding. School districts shall use a project code and program code as defined by Uniform Financial Accounting.” I noted that during the year some categorical funding expenditures were commingled with other General Fund expenditures, then were reclassified as categorical spending at the end of the year.

Also, excess amounts are being requested for drop-out prevention resulting in an unusually large balance in that categorical fund.

Recommendation – All categorical funding expenditures should be posted to the correct expenditure account as the expenditures are incurred. The District should review its drop-out prevention program and assess the needs for any further funding in this area.

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, 2014

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

II-P-14 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, 2014, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$ 971,163
Revenues/transfers in:		
Sales tax revenues	\$ 272,193	
Other local revenues	3,107	
School infrastructure supplemental amount	262,821	538,121
		\$ 1,509,284
Expenditures/transfers out:		
School infrastructure	\$ 3,025	
Equipment	217,259	
Transfers to other funds:		
Debt service fund	295,000	515,284
		515,284
Ending balance		\$ 994,000

For the year ended June 30, 2014, 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
Debt service levy	\$ 1.272	\$ 535,014
Physical plant and equipment levy	.350	149,137
Public educational and recreational levy	-	-
Total		\$ 684,151