

BENTON COMMUNITY SCHOOL DISTRICT
VAN HORNE, IOWA

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

JUNE 30, 2014

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BENTON COMMUNITY SCHOOL DISTRICT

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<u>Board of Education</u>		
(Before September 2013 election)		
Dan Voss	President	2015
Patrick Stepanek	Vice President	2013
Kyle Schmidt	Board Member	2013
Wayne Reinhardt	Board Member	2013
Bill Boies	Board Member	2015
Roy Becker	Board Member	2015
Brian Strellner	Board Member	2015
(After September 2013 election)		
Dan Voss	President	2015
Patrick Stepanek	Vice President	2017
Brian Strellner	Board Member	2015
Bill Boies	Board Member	2015
Roy Becker	Board Member	2015
Kyle Schmidt	Board Member	2017
Wayne Reinhardt	Board Member	2017
<u>School Officials</u>		
Gary Zittergruen	Superintendent	2014
Doug Embray	District Secretary/ Associate Superintendent	2014
Eva Bartelt	District Treasurer	2014
Ray and Associates	Attorney - Negotiations	Indefinite
Lynch, Dallas PC	Attorney	Indefinite

DOUGLAS T. HUNT, CPA
DONALD D. KAIN
CHUCK C. CONVERSE, CPA
RUSSELL S. TERPSTRA, CPA
MICHAEL G. STANLEY, CPA
DEE A.A. HOKE, CPA

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education of
Benton Community School District:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Benton Community School District, Van Horne Iowa, 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 listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States and Chapter 11 of the Code of Iowa. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Benton 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*Required Supplementary Information*

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 14 and 50 through 52 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Benton Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2013 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 7, including the Schedule of Expenditures and of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated December 23, 2014 on our consideration of Benton Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Benton Community School District's internal control over financial reporting and compliance.

Oskaloosa, Iowa
December 23, 2014

Hunt & Associates, P.C.

MANAGEMENT'S DISCUSSION AND ANALYSIS 2014

This section of the Benton Community School District's annual financial report presents a discussion and analysis of the District's financial performance during the fiscal year ending on June 30, 2014. Our analysis will focus on the District's financial performance as a whole for the fiscal year 2014.

This is the twelfth year that all District financial activities are reported on a full accrual basis, and comparisons with prior years will be made when appropriate. Efforts have been made to provide comparison data from the prior year when such data is required.

Please read this analysis in conjunction with the District's financial statements, which immediately follow this section.

Fiscal 2014 Financial Highlights

- ◆ General Fund revenue and other financing sources increased from \$15,549,656 in fiscal 2013 to \$15,860,409 in fiscal 2014 while General Fund expenditures and other financing uses increased from \$15,529,635 in fiscal 2013 to \$15,771,372 in fiscal 2014. This resulted in an overall change in the District's General Fund balance from \$2,660,964 in fiscal 2013, to \$2,750,001 in fiscal 2014, an increase from the prior fiscal year.
- ◆ The school district entered its twelfth year of the District Instructional Support Levy, funded by a mixture of Income-surtax and local property tax. The levy is scheduled to provide approximately \$742,385 for District identified purchases and supported by board resolution.
- ◆ The increase in expenditures for Fiscal 2014 was due primarily to personnel settlements, technology hardware/software and increased vendor services to the school district.
- ◆ The District continues to collect one-cent sales tax revenue from Benton, Iowa and Tama Counties during the 2014 fiscal year. The revenue from this tax has been used to reduce District long-term debt. This funding stream will also continue to fund annual district infrastructure needs.
- ◆ A stagnant economy continues to impact earning rates during the fiscal year, resulting in low General Fund interest earnings on investments. In fiscal year 2013, the District earned \$10,218 on investments. In fiscal year 2014, the District earned \$9,304 on investments, a decrease over last year's earnings.
- ◆ The District continues to support the .33 cent portion of annual PPEL revenue through the annual budgeting process and currently has no additional voted PPEL in the annual budget.

Overview of Financial Statements

This report consists of three parts: management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- ◆ The first two statements are District-wide financial statements that provide both short-term and long-term information about the District's overall financial status.
- ◆ The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District's operations in more detail than the District-wide statements.
- ◆ The statements for governmental funds explain how basic services such as regular and special education were financed in the short-term as well as what remains for future spending.
- ◆ The statements for proprietary funds offer short-term and long-term financial information about the activities the District operates like businesses, such as food services, latchkey and preschool.
- ◆ The statements for fiduciary funds provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

District-Wide Statements

The District-wide statements report information about the District as a whole using accounting methods similar to those used by private sector companies. The statement of net position includes all of the District's assets and liabilities. All of the current year's revenues and expenditures are accounted for in the statement of activities regardless of when cash is received or paid.

The two District-wide statements report the District's net position and how it has changed. Net position, the difference between the District's assets and liabilities, is one way to measure the District's financial health or position.

- ◆ Over time, increases or decreases in the District's net position are an indicator of whether the District's financial position is improving or deteriorating, respectively.
- ◆ To assess the District's overall health, you need to consider additional non-financial factors such as changes in the District's property tax base, the condition of school buildings and facilities, and student enrollment trends.

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

- ◆ **Governmental funds:** 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 funds:** The District charges fees to help cover the cost of certain services it provides. The District school nutrition program would be included here.

Fund Financial Statements

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

- ◆ 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 show that it is properly using certain revenues such as federal grants.

Benton Community School District has three types of funds:

- ◆ **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, which 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 you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the District-wide statements, additional information at the bottom of the governmental fund statements explains the relationship or differences between the two statements.
 - ◆ The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Fund, and Permanent Fund.
- ◆ **Proprietary funds:** Services for which the District charges a fee are generally reported in the proprietary funds. Proprietary funds are reported in the same way as the District-wide statements.
 - ◆ The District's enterprise funds, one type of proprietary fund, are the same as its business-type activities but provides more detail and additional information, such as cash flows. The District currently has two enterprise funds, the school nutrition program and the preschool program.
- ◆ **Fiduciary funds:** The District is trustee, or fiduciary, for assets that belong to others.
 - ◆ **Agency Fund:** These are either funds for which the District administers and accounts for certain federal and/or state grants on behalf of other Districts, or certain revenue collected from District employee purchases of pop and related expenditures.

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

Financial Analysis of the District as a Whole

Net Position: Figure A-1 provides a summary of the District's net position for fiscal years ended June 30, 2013 and June 30, 2014.

Figure A-1 Statement of Net Position

	Government Activities	Business Activity	School District	Government Activities	Business Activities	School District	Change
	2013	2013	2013	2014	2014	2014	
Current /other assets	15,238,649	130,944	15,369,593	15,220,904	114,789	15,335,693	-33,900
Capital Assets	22,446,414	121,032	22,567,446	22,211,570	140,144	22,351,714	-215,732
Total Assets	37,685,063	251,976	37,937,039	37,432,474	254,933	37,687,407	-249,632
Long-term obligations	12,475,867	0	12,475,867	12,019,627	0	12,019,627	-456,240
Other liabilities	2,053,446	19,751	2,073,197	1,967,249	23,286	1,990,535	-82,662
Unavailable Property Tax	6,523,272	0	6,523,272	6,668,128	0	6,668,128	144,856
Total Liabilities and Deferred Inflows	21,052,585	19,751	21,072,336	20,655,004	23,286	20,678,290	-394,046
Net Position:							
Net investment in capital assets	10,536,521	121,032	10,657,553	10,691,570	140,144	10,831,714	174,161
Restricted	3,758,523	0	3,758,523	3,816,048	0	3,819,048	60,525
Unrestricted	2,337,434	111,193	2,448,627	2,266,852	91,503	2,358,355	-90,272
Total Net Position	16,632,478	232,225	16,864,703	16,777,470	231,647	17,009,117	144,141

Changes in net position: Figure A-2 shows the changes in net position for the years ending June 30, 2013 and June 30, 2014.

Figure A-2 Changes in Net Position

	Government Activities	Business Activities	School District	Government Activities	Business Activities	School District	Change
	2013	2013	2013	2014	2014	2014	
Revenues:							
Program Revenue:							
Charge for service / sales	1,326,487	535,210	1,861,697	1,222,801	568,577	1,791,378	-70,319
Operating grants, restricted interest	2,205,151	254,848	2,459,999	2,218,145	274,871	2,493,016	33,017
Capital grants, and restricted interest	864,227	0	864,227	49,163	26,014	75,177	-789,050
General Revenues:							
Property tax	8,429,925	0	8,429,925	8,486,179	0	8,486,179	56,254
Unrestricted state grants	5,997,162	0	5,997,162	6,126,027	0	6,126,027	128,865
Unrestricted investments	25,637	384	26,021	14,818	305	15,123	-10,898
Other	66,479	0	66,479	85,758	0	85,758	19,279
Total revenues	18,915,068	790,442	19,705,510	18,202,891	869,767	19,072,658	-632,852
Program Expenses:							
Governmental activities							
Instruction	10,799,092	0	10,799,092	11,405,790	0	11,405,790	606,698
Support services	5,136,258	2,704	5,138,962	4,985,501	11,812	4,997,313	-141,649
Non-instruction Programs	0	809,043	809,043	0	858,533	858,533	49,490
Other expenses	1,596,898	0	1,596,898	1,666,608	0	1,666,608	69,710
Total expenses	17,532,248	811,747	18,343,995	18,057,899	870,345	18,928,244	584,249
Special items	-38,799	0	-38,799	0	0	0	-38,799
Change in net position	1,344,021	-21,305	1,322,716	144,992	-578	144,414	-1,178,302

Property tax and unrestricted state grants account for 77% of the District's total revenue. The District's expenses primarily relate to instruction and support services, which account for 86% of the total expenses.

Governmental Activities

Revenues for governmental activities were \$18,202,891 and expenses were \$18,057,899 in fiscal 2014. The District attempted to balance revenues and expenses for most Governmental Funds, excluding the Capital Projects Fund. Particular attention was given to the District General Fund. 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.

Figure A-3 Total Net Cost of Governmental Activities

Figure A-3 shows the changes in Net costs for the years ending June 30, 2013 and June 30, 2014.

	Cost of Services	Net Cost of Services	Cost of Services	Net Cost of Services	Change
	2013	2013	2014	2014	2014
Instruction	10,799,092	7,996,829	11,405,790	8,747,752	750,923
Support services	5,136,258	4,997,222	4,985,501	4,784,179	-213,043
Non-instructional programs	0	0	0	0	0
Other expenses	1,596,898	142,332	1,666,608	1,035,859	893,527
Total	17,532,248	13,136,383	18,057,899	14,567,790	1,431,407

- ◆ The cost financed by users of District's programs was \$1,222,801
- ◆ Federal and state government subsidized certain programs with grants and contributions totaling \$2,218,145
- ◆ The net cost of governmental activities was financed with \$8,486,179 in property tax and other taxes, \$6,126,027 in state foundation aid and \$14,818 in interest income.

Business -Type Activities

Revenues for the District's business-type activities were \$869,767 and expenses were \$870,345. The District's business-type activities include the School Nutrition Fund, Latch key and Preschool programs. Revenues of these activities were comprised of charges for services, federal and state reimbursements, and investment income.

During the year ended June 30, 2014, revenues increased \$79,325 from the prior year, with increased expenditures of \$58,598 from the prior year.

Financial Analysis of the District's Funds

As previously noted, the Benton 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 the District completed the year, its governmental funds reported combined fund balances of \$6,320,859 a slight increase over last year's ending fund balance of \$6,255,698.

Governmental Fund Highlights

- ◆ The District's General Fund financial position is the product of many factors. The slight increase in revenues was coupled with an increase in General Fund expenditures. These conditions resulted in slight increase in the District's General Fund carry over fund balance.
- ◆ The General Fund balance increased from \$2,660,964 to \$2,750,001 for the 2014 fiscal year. In addition 2014 was the twelfth year for a District Instructional Support Levy, which has helped support expenditures in the General Fund.
- ◆ The District's Capital Project Funds had a balance of \$1,361,932 on June 30, 2014. This balance is a combination of One-cent sales tax money collections, Physical Plant and Equipment (.33) Levy.

Proprietary Fund Highlights

The School Nutrition Fund had a net position of \$222,680 on June 30, 2014. As previously noted the District increased meal prices but will need to continue to monitor meal pricing as net position decreased by \$5,783.

Budgetary Highlights

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following the required public notice and hearing for all funds, except its private-purpose trust and agency funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis. A schedule showing the original and final budget amounts compared to the District's actual financial activity is included in the required supplementary information section of this report. Since the District does not adopt a budget for individual funds, budgets for the General Fund and Major Special Revenue Funds are not presented on the budgetary comparison pages.

Legal Budgetary Highlights

The District's total actual revenues in 2014 were \$19,184,043; \$353,979 more than the total actual revenues amount of \$18,830,064 in 2013. Total expenditures were less than budgeted amount due primarily to the District's amount allocated for the General Fund. It is the District's practice to budget expenditures at an amount that exceeds projected expenditures for the coming fiscal but is less than the maximum allowed by law. The District then manages or controls General Fund spending through a line-item budget at the building level. As a result the District's certified budget should always exceed the actual expenditures during the fiscal year.

Capital Assets and Debt Administration

Capital Assets

On June 30, 2014, the District had invested \$22,351,714 net of accumulated depreciation, in a broad range of capital assets; including land, buildings, athletic facilities, transportation equipment, computers, and audio-visual equipment. (See Figure A-4) This amount represents a net decrease from the last fiscal year. More detailed information about capital assets is available in the financial statements. Depreciation expense for the year was \$813,877.

Excluding depreciation, the District has over thirty-two million dollars in capital assets. Governmental Funds account for the majority of the District's capital assets with the remainder in the Proprietary, School Nutrition Fund.

Figure A-4
Capital Assets, Net of Depreciation

Figure A-4 shows the changes in Capital Assets for the years ending June 30, 2013 and June 30, 2014.

	Governmental	Business-type	School	Government	Business-Type	School
	Activities	Activities	District	Activities	Activities	District
	2013	2013	2013	2014	2014	2014
Land	63,056	0	63,056	63,056	0	63,056
Land Improvements	309,742	0	309,742	315,060	0	315,060
Buildings	20,504,452	0	20,504,452	20,888,164	0	20,888,164
Construction	674,451	0	674,451	0	0	0
Furniture/Equip	894,713	121,032	1,015,745	945,290	140,144	1,085,434
Totals	22,446,414	121,032	22,567,446	22,211,570	140,144	22,351,714

Long-Term Debt

On June 30, 2014, the District had \$11,520,000 in sales revenue bonds outstanding. These bonds are being used to finance the Middle School/High School Facility Roof, MS/HS Site Drainage Improvements, Atkins Elementary Renovation, MS/HS Stadium, and MS/HS Auditorium Renovation.

Factors Bearing on the District's Future

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

- ◆ The District has experienced declining enrollment for nine of the past ten years. The District has annually monitored this decline and has been able to react through aggressive cash levy options. The District has been able to reduce expenditures annually through district personnel attrition and early retirement incentives. Current projections suggest a continued enrollment decline for the next five fiscal years.
- ◆ The District has continued to support the .33 PPEL Levy through the annual budgeting process.
- ◆ Future obligations impacting the Sales Revenue Fund (33) include: current annual payments to be approximately \$925,000 annually through 2029, identified district infrastructure projects, and potential district HVAC replacement or repair needs. The Sales Revenue Fund (33) will generate annually, with the assumption of 2% State Sales Revenue Growth and declining district enrollment of 25 students annually, approximately \$1,100,000 per year.
- ◆ The District has annually supported the board approved Instructional Support Levy, (ISL) for the district improvements in technology, staff development, core curricular program, classroom supplies, concurrent course enrollment, and textbook/workbook needs. This levy is a combination of property tax and district income surtax and generates approximately \$745,000 annually for the General Fund (10) in a combination of property and income surtax. If this levy is not supported on an annual basis the district general fund would be impacted by these expenses.
- ◆ The District will negotiate a new labor contract in 2015 with its employee groups for fiscal 2016. Settlements in excess of "new money" or supplemental state aid will have an adverse effect on the District's General Fund budget and Reserve Fund Balances. The district expects to be budgeting district resources and expense within the state budget guarantee of 101% of the 2016 budget due to continued declining enrollment.

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 Douglas D. Embray, Associate Superintendent, Benton Community School District, 304 First Street, PO Box 70, Van Horne, Iowa 52346-0070.

Basic Financial Statements

BENTON COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET POSITION

June 30, 2014

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and pooled investments	\$ 6,992,215	\$ 97,743	\$ 7,089,958
Receivables:			
Property tax:			
Current year	87,280	-	87,280
Succeeding year	6,668,128	-	6,668,128
Income surtax	466,628	-	466,628
Accounts	67,835	552	68,387
Due from other governments	925,595	-	925,595
Inventories	8,802	16,494	25,296
Prepaid expenses	4,421	-	4,421
Capital assets, net of accumulated depreciation (note 4)	22,211,570	140,144	22,351,714
Total assets	37,432,474	254,933	37,687,407
Liabilities			
Accounts payable	198,013	922	198,935
Due to other governments	199,445	-	199,445
Salaries and benefits payable	1,367,831	5,546	1,373,377
Unearned revenue	-	16,818	16,818
Accrued interest payable	201,960	-	201,960
Long-term liabilities (note 5):			
Portion due within one year:			
Early retirement	40,302	-	40,302
Bonds payable	550,000	-	550,000
Capital lease purchase agreements	98,023	-	98,023
Portion due after one year:			
Early retirement	40,302	-	40,302
Bonds payable	10,970,000	-	10,970,000
Net OPEB liability	321,000	-	321,000
Total liabilities	13,986,876	23,286	14,010,162
Deferred Inflows of Resources			
Unavailable property tax revenue	6,668,128	-	6,668,128

BENTON COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET POSITION

June 30, 2014

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
Net Position			
Net investment in capital assets	\$ 10,691,570	\$ 140,144	\$ 10,831,714
Restricted for:			
Categorical funding	628,777	-	628,777
Debt service	1,539,203	-	1,539,203
Capital projects	1,119,307	-	1,119,307
Physical plant and equipment levy purposes	143,449	-	143,449
Management levy purposes	59,280	-	59,280
Student activities	311,169	-	311,169
Baseball program	17,863	-	17,863
Unrestricted	<u>2,266,852</u>	<u>91,503</u>	<u>2,358,355</u>
Total net position	<u>\$ 16,777,470</u>	<u>\$ 231,647</u>	<u>\$ 17,009,117</u>

See notes to financial statements.

BENTON COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

Year Ended June 30, 2014

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
Instruction	\$ 11,405,790	\$ 1,124,831	\$ 1,533,207	\$ -
Support services:				
Student	230,563	97,970	-	-
Instructional staff	381,535	-	36,033	-
Administration	1,563,152	-	-	-
Operation and maintenance of plant	1,765,549	-	-	-
Transportation	1,044,702	-	41,369	25,950
	<u>4,985,501</u>	<u>97,970</u>	<u>77,402</u>	<u>25,950</u>
Other expenditures:				
Facilities acquisition	15,180	-	-	23,213
Long-term debt interest and fiscal charges	409,932	-	-	-
AEA flowthrough	607,536	-	607,536	-
Depreciation (unallocated) *	633,960	-	-	-
	<u>1,666,608</u>	<u>-</u>	<u>607,536</u>	<u>23,213</u>
Total governmental activities	<u>18,057,899</u>	<u>1,222,801</u>	<u>2,218,145</u>	<u>49,163</u>

Net (Expense) Revenue
and Changes in Net Position

Governmental Activities	Business-Type Activities	Total
\$ (8,747,752)	\$ -	\$ (8,747,752)
(132,593)	-	(132,593)
(345,502)	-	(345,502)
(1,563,152)	-	(1,563,152)
(1,765,549)	-	(1,765,549)
(977,383)	-	(977,383)
(4,784,179)	-	(4,784,179)
8,033	-	8,033
(409,932)	-	(409,932)
-	-	-
(633,960)	-	(633,960)
(1,035,859)	-	(1,035,859)
(14,567,790)	-	(14,567,790)

BENTON COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
Year Ended June 30, 2014

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Business-Type Activities:				
Support services:				
Operation and maintenance of plant	\$ 11,812	\$ -	\$ -	\$ -
Non-instructional programs:				
Food service operations	814,574	519,413	274,871	26,014
Preschool/daycare operations	43,959	49,164	-	-
	<u>858,533</u>	<u>568,577</u>	<u>274,871</u>	<u>26,014</u>
Total business-type activities	<u>870,345</u>	<u>568,577</u>	<u>274,871</u>	<u>26,014</u>
Total	<u>\$ 18,928,244</u>	<u>\$ 1,791,378</u>	<u>\$ 2,493,016</u>	<u>\$ 75,177</u>

General revenues:

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

Total general revenues

Change in net position

Net position beginning of year

Net position end of year

* = This amount excludes the depreciation included in the direct expenses of the various programs.

See notes to financial statements.

Net (Expense) Revenue
and Changes in Net Position

Governmental Activities	Business-Type Activities	Total
\$ -	\$ (11,812)	\$ (11,812)
-	5,724	5,724
-	5,205	5,205
-	10,929	10,929
-	(883)	(883)
(14,567,790)	(883)	(14,568,673)
\$ 6,357,286	\$ -	\$ 6,357,286
183,311	-	183,311
634,953	-	634,953
1,310,629	-	1,310,629
6,126,027	-	6,126,027
14,818	305	15,123
85,758	-	85,758
14,712,782	305	14,713,087
144,992	(578)	144,414
16,632,478	232,225	16,864,703
\$ 16,777,470	\$ 231,647	\$ 17,009,117

BENTON COMMUNITY SCHOOL DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2014

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Total</u>
Assets					
Cash and pooled investments	\$ 4,176,917	\$ 1,740,010	\$ 598,741	\$ 476,547	\$ 6,992,215
Receivables:					
Property tax:					
Current year	80,560	-	2,381	4,339	87,280
Succeeding year	6,094,943	-	188,186	384,999	6,668,128
Income surtax	466,628	-	-	-	466,628
Accounts	67,835	-	-	-	67,835
Due from other governments	164,785	-	760,810	-	925,595
Inventories	8,802	-	-	-	8,802
Prepaid expenses	4,421	-	-	-	4,421
	<hr/>				
Total assets	<u>\$ 11,064,891</u>	<u>\$ 1,740,010</u>	<u>\$ 1,550,118</u>	<u>\$ 865,885</u>	<u>\$ 15,220,904</u>

BENTON COMMUNITY SCHOOL DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2014

	General	Debt Service	Capital Projects	Nonmajor	Total
Liabilities, Deferred Inflows of Resources and Fund Balances					
Liabilities:					
Accounts payable	\$ 186,043	\$ -	\$ -	\$ 11,970	\$ 198,013
Due to other governments	199,445	-	-	-	199,445
Salaries and benefits payable	1,367,831	-	-	-	1,367,831
Total liabilities	<u>1,753,319</u>	<u>-</u>	<u>-</u>	<u>11,970</u>	<u>1,765,289</u>
Deferred inflows of resources:					
Unavailable revenues:					
Succeeding year property tax	6,094,943	-	188,186	384,999	6,668,128
Other	466,628	-	-	-	466,628
Total deferred inflows of resources	<u>6,561,571</u>	<u>-</u>	<u>188,186</u>	<u>384,999</u>	<u>7,134,756</u>
Fund balances:					
Nonspendable:					
Inventories	8,802	-	-	-	8,802
Prepaid expenses	4,421	-	-	-	4,421
Restricted for:					
Categorical funding (note 10)	628,777	-	-	-	628,777
Revenue bonds	-	988,703	-	-	988,703
Revenue bonds sinking fund	-	750,809	-	-	750,809
Debt service	-	498	-	-	498
School infrastructure	-	-	1,119,307	-	1,119,307
Physical plant and equipment	-	-	242,625	-	242,625
Management levy purposes	-	-	-	139,884	139,884
Student activities	-	-	-	311,169	311,169
Baseball program	-	-	-	17,863	17,863
Unassigned	2,108,001	-	-	-	2,108,001
Total fund balances	<u>2,750,001</u>	<u>1,740,010</u>	<u>1,361,932</u>	<u>468,916</u>	<u>6,320,859</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 11,064,891</u>	<u>\$ 1,740,010</u>	<u>\$ 1,550,118</u>	<u>\$ 865,885</u>	<u>\$ 15,220,904</u>

See notes to financial statements.

BENTON 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	\$ 6,320,859
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	22,211,570
Other long-term assets, including income surtax receivable, are not available to pay current year expenditures and, therefore, are recognized as deferred inflows of resources in the governmental funds.	466,628
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.	(201,960)
Long-term liabilities, including early retirement, bonds payable, capital lease purchase agreements, and net OPEB liability, are not due and payable in the current year and, therefore, are not reported in the governmental funds.	<u>(12,019,627)</u>
Net position of governmental activities	<u>\$ 16,777,470</u>
See notes to financial statements.	

BENTON COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2014

	General	Debt Service	Capital Projects	Nonmajor	Total
Revenues:					
Local sources:					
Local tax	\$ 6,811,428	\$ -	\$ 183,204	\$ 325,655	\$ 7,320,287
Tuition	446,653	-	-	-	446,653
Other	158,796	74	14,898	619,112	792,880
State sources	8,098,730	-	1,310,736	188	9,409,654
Federal sources	344,802	-	-	-	344,802
Total revenues	<u>15,860,409</u>	<u>74</u>	<u>1,508,838</u>	<u>944,955</u>	<u>18,314,276</u>
Expenditures:					
Current:					
Instruction	<u>10,656,843</u>	-	-	644,675	11,301,518
Support services:					
Student	230,563	-	-	-	230,563
Instructional staff	370,583	-	-	21,433	392,016
Administration	1,546,941	-	-	5,777	1,552,718
Operation and maintenance of plant	1,397,537	-	157,836	286,010	1,841,383
Transportation	961,369	-	84,157	-	1,045,526
	<u>4,506,993</u>	<u>-</u>	<u>241,993</u>	<u>313,220</u>	<u>5,062,206</u>
Other expenditures:					
Facilities acquisition	-	-	336,893	-	336,893
Long term debt:					
Principal	-	561,210	-	-	561,210
Interest and fiscal charges	-	416,715	-	-	416,715
AEA flowthrough	607,536	-	-	-	607,536
	<u>607,536</u>	<u>977,925</u>	<u>336,893</u>	<u>-</u>	<u>1,922,354</u>
Total expenditures	<u>15,771,372</u>	<u>977,925</u>	<u>578,886</u>	<u>957,895</u>	<u>18,286,078</u>
Excess (deficiency) of revenues over (under) expenditures	<u>89,037</u>	<u>(977,851)</u>	<u>929,952</u>	<u>(12,940)</u>	<u>28,198</u>

BENTON COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2014

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Total</u>
Other financing sources (uses):					
Compensation for loss of capital assets	\$ -	\$ -	\$ 36,963	\$ -	\$ 36,963
Interfund transfers in (note 3)	-	1,122,611	-	-	1,122,611
Interfund transfers out (note 3)	-	-	(1,122,611)	-	(1,122,611)
Total other financing sources (uses)	<u>-</u>	<u>1,122,611</u>	<u>(1,085,648)</u>	<u>-</u>	<u>36,963</u>
Net change in fund balances	89,037	144,760	(155,696)	(12,940)	65,161
Fund balances beginning of year	<u>2,660,964</u>	<u>1,595,250</u>	<u>1,517,628</u>	<u>481,856</u>	<u>6,255,698</u>
Fund balances end of year	<u>\$ 2,750,001</u>	<u>\$ 1,740,010</u>	<u>\$ 1,361,932</u>	<u>\$ 468,916</u>	<u>\$ 6,320,859</u>

See notes to financial statements.

BENTON 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 \$ 65,161

Amounts reported for governmental activities in the Statement of Activities
are different because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the current year are as follows:

	Capital outlays	\$ 558,788	
	Depreciation expense	<u>(793,632)</u>	(234,844)

Income surtax revenue not received until several months after the District's fiscal year end is not considered available revenue and is recognized as deferred inflows of resources in the governmental funds. (148,348)

Repayment of long-term liabilities is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position. 561,210

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the governmental funds when due. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. 6,783

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	(35,970)	
	Net OPEB liability	<u>(69,000)</u>	<u>(104,970)</u>

Change in net position of governmental activities \$ 144,992

See notes to financial statements.

BENTON COMMUNITY SCHOOL DISTRICT

STATEMENT OF FUND NET POSITION
PROPRIETARY FUNDS

June 30, 2014

	<u>School Nutrition</u>	<u>Nonmajor - Preschool Daycare</u>	<u>Total</u>
Assets			
Cash and cash equivalents	\$ 83,962	\$ 13,781	\$ 97,743
Accounts receivable	552	-	552
Inventories	16,494	-	16,494
Capital assets, net of accumulated depreciation (note 4)	140,144	-	140,144
Total assets	<u>241,152</u>	<u>13,781</u>	<u>254,933</u>
Liabilities			
Accounts payable	922	-	922
Salaries and benefits payable	732	4,814	5,546
Unearned revenue	16,818	-	16,818
Total liabilities	<u>18,472</u>	<u>4,814</u>	<u>23,286</u>
Fund Net Position			
Net investment in capital assets	140,144	-	140,144
Unrestricted	82,536	8,967	91,503
Total fund net position	<u>\$ 222,680</u>	<u>\$ 8,967</u>	<u>\$ 231,647</u>

See notes to financial statements.

BENTON COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
Year Ended June 30, 2014

	School Nutrition	Nonmajor - Preschool Daycare	Total
Operating revenues:			
Local sources:			
Charges for services	\$ 519,413	\$ 49,164	\$ 568,577
Operating expenses:			
Support services:			
Operation and maintenance of plant	11,812	-	11,812
Non-instructional programs	814,574	43,959	858,533
Total operating expenses	<u>826,386</u>	<u>43,959</u>	<u>870,345</u>
Operating income (loss)	(306,973)	5,205	(301,768)
Non-operating revenues:			
Interest on investments	305	-	305
Capital contributions	26,014	-	26,014
State sources	5,811	-	5,811
Federal sources	269,060	-	269,060
Total non-operating revenues	<u>301,190</u>	<u>-</u>	<u>301,190</u>
Change in fund net position	(5,783)	5,205	(578)
Fund net position beginning of year	<u>228,463</u>	<u>3,762</u>	<u>232,225</u>
Fund net position end of year	<u>\$ 222,680</u>	<u>\$ 8,967</u>	<u>\$ 231,647</u>

See notes to financial statements.

BENTON COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2014

	School Nutrition	Nonmajor - Preschool Daycare	Total
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	\$ 499,284	\$ -	\$ 499,284
Cash received from miscellaneous operating activities	22,590	49,164	71,754
Cash payments to employees for services	(377,009)	(43,680)	(420,689)
Cash payments to suppliers for goods or services	(373,797)	(85)	(373,882)
Net cash provided by (used by) operating activities	<u>(228,932)</u>	<u>5,399</u>	<u>(223,533)</u>
Cash flows from non-capital financing activities:			
State grants received	5,811	-	5,811
Federal grants received	221,985	-	221,985
Net cash provided by non-capital financing activities	<u>227,796</u>	<u>-</u>	<u>227,796</u>
Cash flows from capital and related financing activities:			
Acquisition of capital assets	(13,343)	-	(13,343)
Cash flows from investing activities:			
Interest on investments	305	-	305
Net increase (decrease) in cash and cash equivalents	(14,174)	5,399	(8,775)
Cash and cash equivalents beginning of year	98,136	8,382	106,518
Cash and cash equivalents end of year	<u>\$ 83,962</u>	<u>\$ 13,781</u>	<u>\$ 97,743</u>

BENTON COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2014

	<u>School Nutrition</u>	<u>Nonmajor - Preschool Daycare</u>	<u>Total</u>
Reconciliation of operating income (loss) to net cash provided by (used by) operating activities:			
Operating income (loss)	\$ (306,973)	\$ 5,205	\$ (301,768)
Adjustments to reconcile operating income (loss) to net cash provided by (used by) operating activities:			
Depreciation	20,245	-	20,245
Commodities used	50,823	-	50,823
Decrease in accounts receivable	15	-	15
Decrease in inventories	3,617	-	3,617
Increase in accounts payable	163	-	163
Increase in salaries and benefits payable	732	194	926
Increase in unearned revenue	2,446	-	2,446
	<u> </u>	<u> </u>	<u> </u>
Net cash provided by (used by) operating activities	\$ <u>(228,932)</u>	\$ <u>5,399</u>	\$ <u>(223,533)</u>

Non-cash financing activities:

During the year ended June 30, 2014, the District received \$50,823 of federal commodities and \$26,014 of equipment contributed from other funds.

See notes to financial statements.

BENTON COMMUNITY SCHOOL DISTRICT
 STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 Year Ended June 30, 2014

		Private Purpose Trust
		<u>Scholarship</u>
Additions:		
Local sources:		
Gifts and contributions	\$	<u>2,500</u>
Deductions:		
Instruction:		
Transfer to Benton Scholarship Foundation		<u>2,500</u>
Change in fiduciary net position		-
Fiduciary net position beginning of year		<u>-</u>
Fiduciary net position end of year	\$	<u><u>-</u></u>
See notes to financial statements.		

BENTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 1. Summary of Significant Accounting Policies

Benton Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The geographic area served includes the Cities of Van Horne, Atkins, Blainstown, Elberon, Keystone, Newhall, Norway, and Watkins, Iowa, and agricultural territory in Benton, Tama, and Iowa 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, Benton 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. Benton Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

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

B. Basis of Presentation

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

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

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

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

BENTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

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

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

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

The District reports the following major governmental funds:

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

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

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

The District reports the following major proprietary fund:

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

C. Measurement Focus and Basis of Accounting

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

BENTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting (continued)

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

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

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

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

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

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

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

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

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

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

BENTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 1. Summary of Significant Accounting Policies (continued)

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

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

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

The property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 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.

Income Surtax Receivable – Income surtax budgeted for the fiscal year ended June 30, 2014 will not be received by the District until several months after the fiscal year end. Accordingly, income surtax is recorded as a receivable and included in deferred inflows of resources on the modified accrual basis for the governmental funds. For the government-wide statements, on the Statement of Activities the income surtax revenue is recognized.

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.

BENTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 1. Summary of Significant Accounting Policies (continued)

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

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

Asset Class	Amount
Land	\$ 5,000
Buildings	5,000
Improvements other than buildings	5,000
Intangibles	100,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	5,000

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

Asset Class	Estimated Useful Lives
Buildings	45-50 years
Improvements other than buildings	20 years
Furniture and equipment	5-20 years

Salaries and Benefits Payable – Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

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

Compensated Absences – District employees accumulate a limited amount of earned but unused vacation and sick leave. The District’s policy is not to reimburse for sick leave or vacation. Vacation can only be used by the employee in the year it is earned. The District has no compensated absences liability at June 30, 2014.

BENTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 1. Summary of Significant Accounting Policies (continued)

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

Deferred Inflows of Resources – Although certain revenues are measurable, they are not available.

Available means collectible within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consists of the succeeding year property tax receivable and other receivables not collected within sixty days after year end.

Deferred inflows of resources in the Statement of Net Position consist of the 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:

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

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

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2014, expenditures/expenses did not exceed the amounts budgeted.

Note 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 ensure there will be no loss of public funds.

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

BENTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 2. Cash and Pooled Investments (continued)

At June 30, 2014, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	<u>Amortized Cost</u>
Diversified Portfolio	\$ <u>988,740</u>

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

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

Note 3. Interfund Transfers

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

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects	\$ <u>1,122,611</u>

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

BENTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 4. Capital Assets

Capital assets activity for the year ended June 30, 2014 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 63,056	\$ -	\$ -	\$ 63,056
Construction in progress	674,451	-	674,451	-
Total capital assets not being depreciated	<u>737,507</u>	<u>-</u>	<u>674,451</u>	<u>63,056</u>
Capital assets being depreciated:				
Buildings	28,353,278	991,229	-	29,344,507
Improvements other than buildings	596,848	27,106	-	623,954
Furniture and equipment	2,569,600	214,904	65,561	2,718,943
Total capital assets being depreciated	<u>31,519,726</u>	<u>1,233,239</u>	<u>65,561</u>	<u>32,687,404</u>
Less accumulated depreciation for:				
Buildings	7,848,826	607,517	-	8,456,343
Improvements other than buildings	287,106	21,788	-	308,894
Furniture and equipment	1,674,887	164,327	65,561	1,773,653
Total accumulated depreciation	<u>9,810,819</u>	<u>793,632</u>	<u>65,561</u>	<u>10,538,890</u>
Total capital assets being depreciated, net	<u>21,708,907</u>	<u>439,607</u>	<u>-</u>	<u>22,148,514</u>
Governmental activities capital assets, net	<u>\$ 22,446,414</u>	<u>\$ 439,607</u>	<u>\$ 674,451</u>	<u>\$ 22,211,570</u>
	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business-type activities:				
Furniture and equipment	\$ 280,875	\$ 39,357	\$ 2,219	\$ 318,013
Less accumulated depreciation	159,843	20,245	2,219	177,869
Business-type activities capital assets, net	<u>\$ 121,032</u>	<u>\$ 19,112</u>	<u>\$ -</u>	<u>\$ 140,144</u>

BENTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 4. Capital Assets (continued)

Depreciation expense was charged to the following functions:

Governmental activities:	
Instruction	\$ 33,183
Support services:	
Administration	3,296
Operation and maintenance of plant	7,017
Transportation	<u>116,176</u>
	159,672
Unallocated depreciation	<u>633,960</u>
Total depreciation expense - governmental activities	\$ <u>793,632</u>
Business-type activities:	
Food service operations	\$ <u>20,245</u>

BENTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 5. Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2014 is as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
Early retirement	\$ 44,634	\$ 80,604	\$ 44,634	\$ 80,604	\$ 40,302
Revenue bonds	11,920,000	-	400,000	11,520,000	550,000
Capital lease purchase agreements	259,233	-	161,210	98,023	98,023
Net OPEB liability	252,000	69,000	-	321,000	-
Total	<u>\$ 12,475,867</u>	<u>\$ 149,604</u>	<u>\$ 605,844</u>	<u>\$ 12,019,627</u>	<u>\$ 688,325</u>

Early Retirement

The District offered a voluntary early retirement plan to its full-time licensed employees for the year ended June 30, 2014 only. Eligible employees must be at least age fifty-five on or before June 30, 2014 and had to have completed twenty years of continuous contracted service with the District. Employees had to complete an application which was required to be approved by the Board of Education.

The early retirement benefit for each eligible employee is equal to 50% of the employee's base salary excluding teacher salary supplement, extended days, extra duty, extra-curricular or other payments not included in the salary schedule. Early retirement benefits will be paid into a 403(b) plan in two equal annual payments in November 2014 and November 2015.

At June 30, 2014, the District has obligations to three participants with a total liability of \$80,604. Actual early retirement expenditures for the year ended June 30, 2014 totaled \$44,634. Early retirement is recorded as a long-term liability of the Governmental Activities in the government-wide financial statements.

BENTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 5. Long-Term Liabilities (continued)

Revenue Bonds

Details of the District's June 30, 2014 school infrastructure sales and services tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Issue dated July 1, 2009			
	Interest Rates	Principal	Interest	Total
2015	4.00 %	\$ 250,000	\$ 260,812	\$ 510,812
2016	4.00	275,000	250,313	525,313
2017	4.00	275,000	239,312	514,312
2018	4.00	275,000	228,313	503,313
2019	4.00	300,000	216,812	516,812
2020-2024	4.00-4.50	1,740,000	879,920	2,619,920
2025-2029	5.00	2,235,000	416,625	2,651,625
2030	5.00	500,000	12,500	512,500
		<u>\$ 5,850,000</u>	<u>\$ 2,504,607</u>	<u>\$ 8,354,607</u>

Year Ending June 30,	Issue dated May 1, 2012			
	Interest Rates	Principal	Interest	Total
2015	2.00 %	\$ 300,000	\$ 132,802	\$ 432,802
2016	2.00	305,000	126,753	431,753
2017	2.00	315,000	120,552	435,552
2018	2.00	320,000	114,202	434,202
2019	2.00	325,000	107,752	432,752
2020-2024	2.00-2.40	1,730,000	433,903	2,163,903
2025-2029	2.50-3.00	1,950,000	206,314	2,156,314
2030	3.00	425,000	6,375	431,375
		<u>\$ 5,670,000</u>	<u>\$ 1,248,653</u>	<u>\$ 6,918,653</u>

BENTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 5. Long-Term Liabilities (continued)

Revenue Bonds (continued)

Year Ending June 30,	Total		
	Principal	Interest	Total
2015	\$ 550,000	\$ 393,614	\$ 943,614
2016	580,000	377,066	957,066
2017	590,000	359,864	949,864
2018	595,000	342,515	937,515
2019	625,000	324,564	949,564
2020-2024	3,470,000	1,313,823	4,783,823
2025-2029	4,185,000	622,939	4,807,939
2030	925,000	18,875	943,875
	<u>\$ 11,520,000</u>	<u>\$ 3,753,260</u>	<u>\$ 15,273,260</u>

The District pledged future statewide sales, services and use tax revenues to repay the \$6,575,000 and \$5,820,000 bonds issued in July 2009 and May 2012, respectively. The bonds were issued for the purpose of financing a portion of the costs of an elementary school addition and to fund renovations to the track and football fields, middle/high school auditorium, and gymnasium bleachers and other miscellaneous infrastructure projects. 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 2029. The bonds are not a general obligation of the District and the debt is not subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require approximately 70 to 75 percent of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the bonds is \$15,273,260. For the current year, principal of \$400,000 and interest of \$406,866 was paid on the bonds and total statewide sales, services and use tax revenues were \$1,310,629.

The resolutions providing for the issuance of the school infrastructure sales and service tax revenue bonds include the following provisions:

- a) \$550,000 and \$438,702.50, respectively, of the proceeds from the issuance of the revenue bonds shall be deposited to the Reserve Fund to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the Sinking Fund. The balance of the proceeds shall be deposited in the Project Fund.
- b) All proceeds from the statewide sales, services and use tax shall be placed in a Revenue Fund.
- c) Sufficient monthly deposits amounting to one twelfth of the next principal and one sixth of the next interest payment shall be made to the Sinking Fund for the purpose of making the bond principal and interest payments when due.
- d) Any monies remaining in the Revenue Fund after the required transfer to the Sinking Fund may be transferred to the Project Fund to be used for any lawful purpose.

BENTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 5. Long-Term Liabilities (continued)

Capital Lease Purchase Agreements

During the year ended June 30, 2013, the District entered into a capital lease purchase agreement for high school computers and computer equipment totaling \$294,128. The agreement provides for an initial payment and two additional annual payments of \$100,429 and includes interest at 2.454%.

Details of the District's June 30, 2014 capital lease purchase agreement indebtedness are as follows:

Year Ending June 30,	High School Computers		
	Principal	Interest	Total
2015	\$ 98,023	\$ 2,406	\$ 100,429

Note 6. Other Postemployment Benefits (OPEB)

Plan Description – The District operates a single-employer health benefit plan which provides medical and prescription drug benefits for employees, retirees and their spouses. There are 29 active and 7 retired members in the plan. Retired participants must be age 55 or older at retirement.

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

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

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

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2014, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 126,000
Interest on net OPEB obligation	11,000
Adjustment to annual required contribution	<u>(10,000)</u>
Annual OPEB cost	127,000
Contributions made	<u>(58,000)</u>
Increase in net OPEB obligation	69,000
Net OPEB obligation beginning of year	<u>252,000</u>
Net OPEB obligation end of year	<u>\$ 321,000</u>

BENTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 6. Other Postemployment Benefits (OPEB) (continued)

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2014.

For the year ended June 30, 2014, the District contributed \$58,000 to the medical plan.

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

<u>Year Ended June 30,</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2012	\$ 77,000	59.7%	\$ 232,000
2013	77,000	74.0%	252,000
2014	127,000	45.7%	321,000

Funded Status and Funding Progress – As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2013 through June 30, 2014, the actuarial accrued liability was \$1,210,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,210,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$1,829,000, and the ratio of the UAAL to covered payroll was 66.2%. 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, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

As of the July 1, 2012 actuarial valuation date, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 4.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 9.5%. The ultimate medical trend rate is 5.0%. The medical trend rate is reduced 0.5% each year until reaching the 5.0% ultimate trend rate.

BENTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 6. Other Postemployment Benefits (OPEB) (continued)

Mortality rates are from the RP-2000 Combined Healthy Generational Mortality Table with Projection Scale AA. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Valuation Report as of June 30, 2011 and applying the termination factors used in the IPERS Actuarial Valuation Report as of June 30, 2011.

Projected claim costs of the medical plan are \$801 per month for retirees age 55, \$936 per month for retirees age 60, and \$1,086 per month for retirees age 64. The salary increase rate was assumed to be 3.5% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

Note 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 salary. Contribution requirements are established by State statute. The District's contributions to IPERS for the years ended June 30, 2014, 2013, and 2012 were \$923,117, \$854,337, and \$794,705, respectively, equal to the required contributions for each year.

Note 8. Risk Management

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

Note 9. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$607,536 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.

BENTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 10. Categorical Funding

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

<u>Program</u>	<u>Amount</u>
Limited English proficient	\$ 21,367
Home school assistance program	39,622
Gifted and talented programs	81,007
Four year old preschool state aid	370,490
Beginning teacher mentoring and induction	346
Teacher salary supplement	79,461
Successful progression for early readers	24,097
Professional development for model core curriculum	11,834
Teacher leadership grants	473
Math and science education improvement	<u>80</u>
 Total	 \$ <u><u>628,777</u></u>

Note 11. 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 disclosures 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

BENTON 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	Total Actual	Budgeted Amounts Original and Final	Final to Actual Variance
REVENUES:					
Local sources	\$ 8,559,820	\$ 594,896	\$ 9,154,716	\$ 10,320,179	\$ (1,165,463)
State sources	9,409,654	5,811	9,415,465	7,812,013	1,603,452
Federal sources	344,802	269,060	613,862	750,000	(136,138)
Total revenues	18,314,276	869,767	19,184,043	18,882,192	301,851
EXPENDITURES/EXPENSES:					
Instruction	11,301,518	-	11,301,518	11,950,000	648,482
Support services	5,062,206	11,812	5,074,018	6,030,000	955,982
Non-instructional programs	-	858,533	858,533	960,000	101,467
Other expenditures	1,922,354	-	1,922,354	2,561,519	639,165
Total expenditures/expenses	18,286,078	870,345	19,156,423	21,501,519	2,345,096
Excess (deficiency) of revenues over (under) expenditures/expenses	28,198	(578)	27,620	(2,619,327)	2,646,947
Other financing sources, net	36,963	-	36,963	-	36,963
Excess (deficiency) of revenues and other financing sources over (under) expenditures/expenses	65,161	(578)	64,583	(2,619,327)	2,683,910
Balance beginning of year	6,255,698	232,225	6,487,923	7,332,095	(844,172)
Balance end of year	<u>\$ 6,320,859</u>	<u>\$ 231,647</u>	<u>\$ 6,552,506</u>	<u>\$ 4,712,768</u>	<u>\$ 1,839,738</u>

See accompanying independent auditor's report.

BENTON 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 internal service, private-purpose trust and agency funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

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

During the year ended June 30, 2014, expenditures/expenses did not exceed the amounts budgeted.

BENTON COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN

(In Thousands)

Required Supplementary Information

Year Ended June 30, 2014

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial 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)
2009	July 1, 2008	\$ -	\$ 1,011	\$ 1,011	0.0%	\$ 2,524	40.1%
2010	July 1, 2008	-	1,011	1,011	0.0%	2,497	40.5%
2011	July 1, 2010	-	758	758	0.0%	2,139	35.4%
2012	July 1, 2010	-	758	758	0.0%	1,911	39.7%
2013	July 1, 2010	-	758	758	0.0%	1,742	43.5%
2014	July 1, 2012	-	1,210	1,210	0.0%	1,829	66.2%

See note 6 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost and net OPEB obligation, funded status and funding progress.

See accompanying independent auditor's report.

Supplementary Information

BENTON COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2014

	Special Revenue		Permanent	
	Management	Student	Marjorie	
	Levy	Activity	Smith	Total
			Trust	
Assets				
Cash and pooled investments	\$ 135,545	\$ 323,139	\$ 17,863	\$ 476,547
Receivables:				
Property tax:				
Current year	4,339	-	-	4,339
Succeeding year	384,999	-	-	384,999
	\$ 524,883	\$ 323,139	\$ 17,863	\$ 865,885
Total assets				
	\$ 524,883	\$ 323,139	\$ 17,863	\$ 865,885
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts payable	\$ -	\$ 11,970	\$ -	\$ 11,970
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	384,999	-	-	384,999
Fund balances:				
Restricted for:				
Management levy purposes	139,884	-	-	139,884
Student activities	-	311,169	-	311,169
Baseball program	-	-	17,863	17,863
Total fund balances	139,884	311,169	17,863	468,916
	\$ 524,883	\$ 323,139	\$ 17,863	\$ 865,885
Total liabilities, deferred inflows of resources and fund balances				

See accompanying independent auditor's report.

BENTON COMMUNITY SCHOOL DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2014

	<u>Special Revenue</u>		<u>Permanent</u>	<u>Total</u>
	<u>Management</u>	<u>Student</u>	<u>Marjorie</u>	
	<u>Levy</u>	<u>Activity</u>	<u>Smith</u>	
			<u>Trust</u>	
Revenues:				
Local sources:				
Local tax	\$ 325,655	\$ -	\$ -	\$ 325,655
Other	87	618,841	184	619,112
State sources	188	-	-	188
Total revenues	<u>325,930</u>	<u>618,841</u>	<u>184</u>	<u>944,955</u>
Expenditures:				
Current:				
Instruction	34,153	610,522	-	644,675
Support services:				
Instructional staff	10,481	10,952	-	21,433
Administration	5,777	-	-	5,777
Operation and maintenance of plant	286,010	-	-	286,010
Total expenditures	<u>336,421</u>	<u>621,474</u>	<u>-</u>	<u>957,895</u>
Excess (deficiency) of revenues over (under) expenditures	(10,491)	(2,633)	184	(12,940)
Fund balances beginning of year	<u>150,375</u>	<u>313,802</u>	<u>17,679</u>	<u>481,856</u>
Fund balances end of year	<u>\$ 139,884</u>	<u>\$ 311,169</u>	<u>\$ 17,863</u>	<u>\$ 468,916</u>

See accompanying independent auditor's report.

BENTON COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET
CAPITAL PROJECTS ACCOUNTS

June 30, 2014

	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Assets			
Cash and pooled investments	\$ 358,497	\$ 240,244	\$ 598,741
Receivables:			
Property tax:			
Current year	-	2,381	2,381
Succeeding year	-	188,186	188,186
Due from other governments	760,810	-	760,810
	<u>760,810</u>	<u>-</u>	<u>760,810</u>
Total assets	<u>\$ 1,119,307</u>	<u>\$ 430,811</u>	<u>\$ 1,550,118</u>
Deferred Inflows of Resources and Fund Balances			
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	\$ -	\$ 188,186	\$ 188,186
	<u>-</u>	<u>188,186</u>	<u>188,186</u>
Fund balances:			
Restricted for:			
School infrastructure	1,119,307	-	1,119,307
Physical plant and equipment	-	242,625	242,625
Total fund balances	<u>1,119,307</u>	<u>242,625</u>	<u>1,361,932</u>
Total deferred inflows of resources and fund balances	<u>\$ 1,119,307</u>	<u>\$ 430,811</u>	<u>\$ 1,550,118</u>

See accompanying independent auditor's report.

BENTON COMMUNITY SCHOOL DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 CAPITAL PROJECTS ACCOUNTS
 Year Ended June 30, 2014

	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Other Construction Projects	Total
Revenues:				
Local sources:				
Local tax	\$ -	\$ 183,204	\$ -	\$ 183,204
Other	14,295	590	13	14,898
State sources	1,310,629	107	-	1,310,736
Total revenues	<u>1,324,924</u>	<u>183,901</u>	<u>13</u>	<u>1,508,838</u>
Expenditures:				
Current:				
Support services:				
Operation and maintenance of plant	131,822	26,014	-	157,836
Transportation	84,157	-	-	84,157
Other expenditures:				
Facilities acquisition	86,223	231,551	19,119	336,893
Total expenditures	<u>302,202</u>	<u>257,565</u>	<u>19,119</u>	<u>578,886</u>
Excess (deficiency) of revenues over (under) expenditures	1,022,722	(73,664)	(19,106)	929,952
Other financing sources (uses):				
Compensation for loss of capital assets	-	36,963	-	36,963
Interfund transfers out	(1,054,980)	(67,631)	-	(1,122,611)
Total other financing sources (uses)	<u>(1,054,980)</u>	<u>(30,668)</u>	<u>-</u>	<u>(1,085,648)</u>
Net change in fund balances	(32,258)	(104,332)	(19,106)	(155,696)
Fund balances beginning of year	<u>1,151,565</u>	<u>346,957</u>	<u>19,106</u>	<u>1,517,628</u>
Fund balances end of year	<u>\$ 1,119,307</u>	<u>\$ 242,625</u>	<u>\$ -</u>	<u>\$ 1,361,932</u>

See accompanying independent auditor's report.

BENTON COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
Year Ended June 30, 2014

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
High School:				
Cocurricular	\$ 12,121	\$ 928	\$ 12,999	\$ 50
Drama	5,409	18,002	9,959	13,452
Vocal	4,417	119,282	119,284	4,415
Instrumental	15,751	50,343	55,665	10,429
Industrial Tech. Resale	4,178	-	-	4,178
Student Council	1,469	4,641	610	5,500
Media Club	2,479	4,302	3,113	3,668
Concessions	255	-	-	255
Yearbook	30,845	14,764	23,380	22,229
Art Club	533	1,322	193	1,662
Pom Pom	1,560	6,449	6,009	2,000
SADD	205	-	-	205
FFA	63,699	74,186	79,779	58,106
Spanish Club	14,636	5,207	14,155	5,688
National Honor Society	1,275	4,847	4,879	1,243
FCCLA	2,763	3,123	2,476	3,410
Wrestlerettes	45	-	-	45
Thespians	1,124	2,816	2,785	1,155
Class of 2013	3,761	-	3,761	-
Class of 2014	2,787	5,440	5,063	3,164
Class of 2015	3,048	1,566	1,495	3,119
Class of 2016	1,335	1,369	43	2,661
Class of 2017	-	1,532	-	1,532
Robotics	1,005	7,266	5,686	2,585
HOSA	3,962	-	-	3,962
B/G Cocurricular	28,873	24,722	25,510	28,085
Athletics	64,261	210,784	195,856	79,189
	<u>271,796</u>	<u>562,891</u>	<u>572,700</u>	<u>261,987</u>
Middle School:				
Student Council	2,415	2,732	674	4,473

BENTON COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
Year Ended June 30, 2014

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Atkins:				
Cocurricular	\$ 581	\$ 7	\$ 381	\$ 207
Student Council	2,992	13,566	10,695	5,863
Media Club	9,924	5,127	2,696	12,355
	<u>13,497</u>	<u>18,700</u>	<u>13,772</u>	<u>18,425</u>
Norway:				
Cocurricular	1,244	16	1,045	215
Student Council	29	13,323	7,463	5,889
Media Club	5,933	1,710	6,064	1,579
Yearbook	65	-	-	65
	<u>7,271</u>	<u>15,049</u>	<u>14,572</u>	<u>7,748</u>
Keystone:				
Cocurricular	1,780	1,705	1,584	1,901
VHE Fundraiser	2,000	-	-	2,000
Student Council	8,121	15,488	15,915	7,694
Media Club	6,244	2,276	2,257	6,263
Art Club	678	-	-	678
	<u>18,823</u>	<u>19,469</u>	<u>19,756</u>	<u>18,536</u>
Total	<u>\$ 313,802</u>	<u>\$ 618,841</u>	<u>\$ 621,474</u>	<u>\$ 311,169</u>

See accompanying independent auditor's report.

BENTON COMMUNITY SCHOOL DISTRICT

SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION

ALL GOVERNMENTAL FUNDS
FOR THE LAST TEN YEARS

	Modified Accrual Basis Years Ended June 30,			
	2014	2013	2012	2011
Revenues:				
Local sources:				
Local tax	\$ 7,320,287	\$ 8,414,787	\$ 8,208,003	\$ 7,714,179
Tuition	446,653	497,833	489,773	507,759
Other	792,880	864,844	893,535	839,750
Intermediate sources	-	3,001	-	-
State sources	9,409,654	7,930,297	8,005,793	7,919,389
Federal sources	344,802	328,860	762,073	1,080,946
Total revenues	\$ 18,314,276	\$ 18,039,622	\$ 18,359,177	\$ 18,062,023
Expenditures:				
Instruction	\$ 11,301,518	\$ 10,798,222	\$ 10,933,905	\$ 10,332,746
Support services:				
Student	230,563	386,660	195,028	167,276
Instructional staff	392,016	590,428	467,275	428,220
Administration	1,552,718	1,535,929	1,573,967	1,480,256
Operation and maintenance of plant	1,841,383	1,789,555	1,605,600	1,533,123
Transportation	1,045,526	1,070,038	927,684	914,728
Non-instructional programs	-	-	-	-
Other expenditures:				
Facilities acquisition	336,893	3,434,832	3,357,230	1,993,276
Long-term debt:				
Principal	561,210	263,502	2,760,000	260,000
Interest and fiscal charges	416,715	375,227	510,162	400,620
AEA flowthrough	607,536	590,339	593,338	656,501
Total expenditures	\$ 18,286,078	\$ 20,834,732	\$ 22,924,189	\$ 18,166,746

See accompanying independent auditor's report.

	2010	2009	2008	2007	2006	2005
\$	7,022,605	\$ 7,365,681	\$ 6,316,008	\$ 6,200,534	\$ 5,749,200	\$ 5,666,309
	457,447	432,324	331,666	411,950	435,003	394,057
	796,097	154,779	922,268	779,811	660,751	554,516
	2,636	24,335	5,020	27,250	-	31,116
	7,149,682	8,235,992	8,294,627	7,570,220	7,222,771	6,660,965
	902,990	407,638	326,764	408,774	416,949	275,729
\$	<u>16,331,457</u>	<u>16,620,749</u>	<u>16,196,353</u>	<u>15,398,539</u>	<u>14,484,674</u>	<u>13,582,692</u>
\$	10,026,119	\$ 10,279,703	\$ 9,806,078	\$ 8,915,773	\$ 8,477,351	\$ 8,191,843
	202,173	240,429	247,792	218,385	282,904	236,472
	453,745	439,262	420,346	399,005	415,950	361,657
	1,518,009	1,612,113	1,535,295	1,329,890	1,264,891	1,106,402
	1,600,129	1,550,534	1,618,579	1,659,135	1,416,325	1,335,313
	749,367	949,790	794,070	857,489	785,013	756,403
	-	-	27,055	-	-	-
	4,879,773	1,112,840	1,184,905	1,040,783	672,640	1,454,627
	155,000	145,000	140,000	135,000	125,000	45,000
	337,962	153,888	134,045	140,015	145,453	203,246
	645,657	578,193	563,196	531,883	500,773	477,287
\$	<u>20,567,934</u>	<u>17,061,752</u>	<u>16,471,361</u>	<u>15,227,358</u>	<u>14,086,300</u>	<u>14,168,250</u>

BENTON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2014

Grantor / Program	CFDA Number	Pass-through Grantor Number	Expenditures
Indirect:			
U. S. Department of Agriculture:			
Iowa Department of Education:			
Child Nutrition Cluster Programs:			
School Breakfast Program	10.553	0609-14	\$ 25,251
National School Lunch Program	10.555	0609-14	243,809 *
			<u>269,060</u>
U. S. Department of Education:			
Iowa Department of Education:			
Title I Grants to Local Educational Agencies	84.010	0609-SINA-13	9,240
Title I Grants to Local Educational Agencies	84.010	0609-G-14	110,132
			<u>119,372</u>
Special Education - Grants to States	84.027	0609-14	<u>3,000</u> **
Improving Teacher Quality State Grants	84.367	0609-14	<u>37,734</u>
Grants for State Assessments and Related Activities	84.369	0609-14	<u>8,002</u>
Grant Wood Area Education Agency:			
Special Education - Grants to States	84.027	0609-14	<u>71,551</u> **
Career and Technical Education - Basic Grants to States	84.048	0609-14	<u>7,003</u>
U. S. Department of Health and Human Services:			
Iowa Department of Education:			
Cooperative Agreements to Support Comprehensive School Health Programs to Prevent the Spread of HIV and Other Important Health Problems			
	93.938	0609-14	<u>170</u>
Total			<u>\$ 515,892</u>

* = Includes \$50,823 of non-cash awards.

** = Total for CFDA Number 84.027 = \$74,551

BENTON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2014

Basis of Presentation –

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

See accompanying independent auditor's report.

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

To the Board of Education of
Benton Community School District:

We have audited in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and Chapter 11 of the Code of Iowa, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Benton 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 our report thereon dated December 23, 2014.

Internal Control Over Financial Reporting

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

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

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

Compliance

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

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2014 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Benton Community School District's Responses to Findings

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

Purpose of this Report

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

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

Oskaloosa, Iowa
December 23, 2014

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

To the Board of Education of
Benton Community School District:

Report on Compliance for the Major Federal Program

We have audited Benton Community School District's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on the District's major federal program for the year ended June 30, 2014. Benton Community School District's major federal program is identified in Part I of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on the Major Federal Program

In our opinion, Benton Community School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2014.

Report on Internal Control Over Compliance

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

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

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

Purpose of this Report

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

Oskaloosa, Iowa
December 23, 2014

Hunt & Associates, P.C.

BENTON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2014

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

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

BENTON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2014

Part II: Findings Related to the Basic Financial Statements:

Instances of Non-Compliance:

No matters were reported.

Internal Control Deficiencies:

No matters were reported.

BENTON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2014

Part III: Findings and Questioned Costs for Federal Awards

Instances of Non-Compliance:

No matters were reported.

Internal Control Deficiencies:

No matters were reported.

BENTON COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2014

Part IV: Other Findings Related to Statutory Reporting:

- IV-A-14 Certified Budget – Expenditures/expenses for the year ended June 30, 2014, did not exceed the amounts budgeted.
- IV-B-14 Questionable Expenditures – No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.
- IV-C-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.
- IV-D-14 Business Transactions – Business transactions between the District and District officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Sharon Stepanek, Spouse of Board Vice President	Secretary wages	\$28,991
Colleen Reinhardt, Spouse of Board Member	Associate wages	\$15,724
Dan Voss Jr., Son of Board President	Substitute teacher wages	\$2,310

In accordance with an Attorney General’s opinion dated November 9, 1976, the transactions do not appear to represent a conflict of interest.

- IV-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 ensure that the coverage is adequate for current operations.
- IV-F-14 Board Minutes – No transactions requiring Board approval which had not been approved by the Board were noted.
- IV-G-14 Certified Enrollment – No variances in the basic enrollment data certified to the Iowa Department of Education were noted.
- IV-H-14 Supplementary Weighting – No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- IV-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.
- IV-J-14 Certified Annual Report – The Certified Annual Report was certified to the Iowa Department of Education timely and we noted no significant deficiencies in the amounts reported.

BENTON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2014

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

- IV-K-14 Categorical Funding – No instances of categorical funding being used to supplant rather than supplement other funds were noted.
- IV-L-14 Statewide Sales, Services and Use Tax – No instances of non-compliance with the allowable uses of the statewide sales, services and use tax revenue provided in Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2014, the District reported the following information regarding the statewide sales, services and use tax revenue in the District’s CAR:

Beginning balance		\$	1,151,565
Revenues:			
Interest	\$		2,095
Other local revenues			12,200
Statewide sales, services and use tax		<u>1,310,629</u>	1,324,924
Expenditures/transfers out:			
School infrastructure construction			45,723
Equipment			256,479
Transfers to other funds:			
Debt Service Fund		<u>1,054,980</u>	<u>1,357,182</u>
Ending balance		\$	<u><u>1,119,307</u></u>

For the year ended June 30, 2014, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.

- IV-M-14 Interfund Loans – We noted during our audit that the District had an implicit interfund loan between the Special Revenue, Management Levy Fund and the General Fund to cover a negative cash balance in the Management Levy Fund during the year.

According to declaratory order number 4672 issued by the Iowa Department of Education to the Iowa Auditor of State, interfund loans must be approved by Board resolution, include interest on the unpaid balance, and be repaid by October 1 of the following year.

Recommendation – The negative cash balance in the Management Levy Fund should have been covered by an interfund loan approved by the Board including the interest rate and repayment plan.

Response – We will follow the Iowa Department of Education’s declaratory order in the future when applicable.

Conclusion – Response accepted.