

North Butler Community School District

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

June 30, 2015

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**North Butler Community School District**

**Officials**

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

## Independent Auditor's Report

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

### Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of North Butler Community School District, Allison, Iowa, as of and for the year ended June 30, 2015, and the related Notes to Financial Statements, which collectively comprise the District's basic financial statements listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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

### Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of North Butler Community School District as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

### Emphasis of Matter

As discussed in Note 16 to the financial statements, North Butler Community School District adopted new accounting guidance related to Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions -- an Amendment of GASB Statement No. 27. My opinions are not modified with respect to this matter.

## Other Matters

### *Required Supplementary Information*

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the District's Proportionate Share of the Net Pension Liability, the Schedule of District Contributions and the Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 14 and 43 through 48 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. I have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

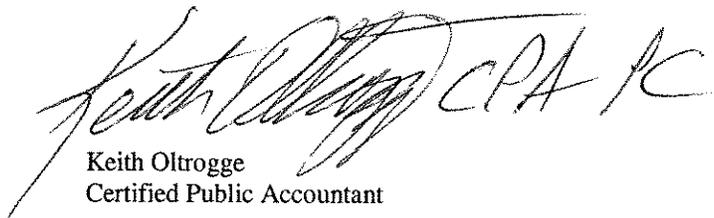
### *Supplementary Information*

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise North Butler Community School District's basic financial statements. I previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the three years ended June 30, 2014, a different accounting firm audited the financial statements for the six years ended June 30, 2011 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 8 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

### Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, I have also issued my report dated January 28, 2016 on my consideration of North Butler Community School District's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering North Butler Community School District's internal control over financial reporting and compliance.



Keith Oltrogge  
Certified Public Accountant

January 28, 2016

## **North Butler Community School District**

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

**For Fiscal Year Ended June 30, 2015**

North Butler Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2015. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

#### **2015 FINANCIAL HIGHLIGHTS**

- General Fund revenues increased from \$6,953,012 in fiscal 2014 to \$7,279,345 in fiscal 2015, and General Fund expenditures decreased from \$6,973,889 in fiscal 2014 to \$6,939,608 in fiscal 2015. The District's General Fund balance increased from adjusted \$19,965 in fiscal year 2014 to \$360,570 in fiscal year 2015, a 170.6% increase.
- The increase in General Fund revenues was attributable to an increase in state grants revenue in fiscal year 2015. The decrease in expenditures was due primarily to a decrease in support services costs.
- The District's solvency ratio has increased from -3.2% at June 30, 2014 to -.10% at June 30, 2015. A District's solvency level indicates a District is able to meet unforeseen financing requirements and presents a sound risk for the timely repayment of short-term debt obligations.

#### **USING THIS ANNUAL REPORT**

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

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

The Government-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of North Butler Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report North Butler Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which North Butler Community School District acts solely as an agent or custodian for the benefit of those outside of the District.

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

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

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

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

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

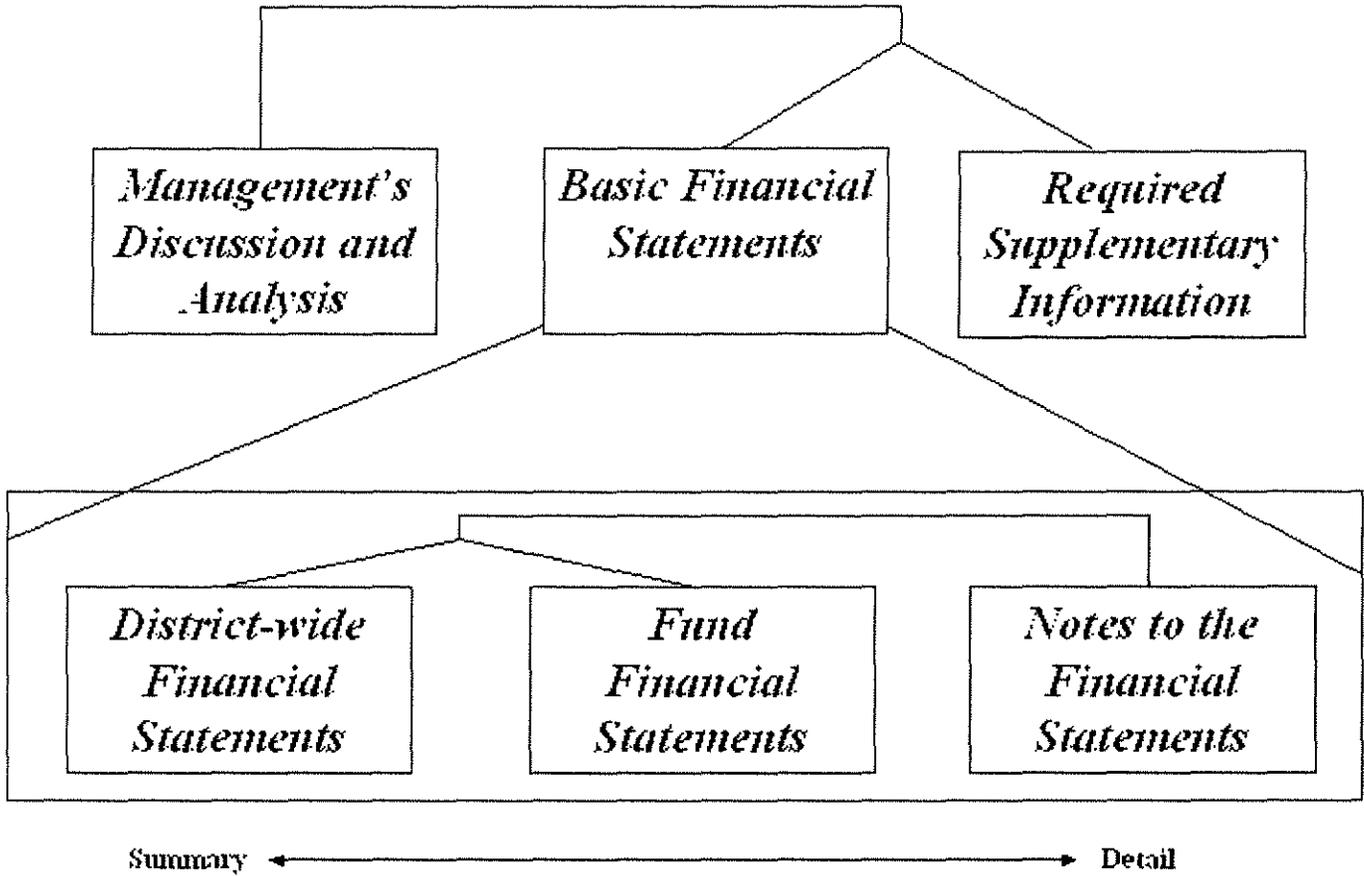


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

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

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

**Figure A-2**  
**Major Features of the Government-wide and Fund Financial Statements (continued):**

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Type of inflow/ outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

## REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

### *Government-wide Financial Statements*

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

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

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

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

### *Fund Financial Statements*

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

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

The District has three kinds of funds:

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

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

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

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, is 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 Fund and the Preschool Fund.

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

3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private Purpose Trust Funds.

- Private Purpose Trust Funds – The District accounts for outside donations for scholarships for individual students in these funds.

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

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

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

### GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District’s net position at June 30, 2015 compared to June 30, 2014.

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

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2015	2014	2015	2014	2015	2014	2014-2015
		(not restated)		(not restated)		(not restated)	
Current and other assets	\$6,253,048	\$5,863,334	\$75,613	\$28,189	\$6,328,661	\$5,891,523	7.4%
Capital assets	6,945,348	6,475,744	9,309	9,903	6,954,657	6,485,647	7.2%
Total assets	\$13,198,396	\$12,339,078	\$84,922	\$38,092	\$13,283,318	\$12,377,170	7.3%
Deferred outflows of resources	\$897,227	\$-	\$38,505	\$-	\$935,732	\$-	100%
Long-term liabilities	\$5,118,326	\$2,287,839	\$82,517	\$-	\$5,200,843	\$2,287,839	127.3%
Other liabilities	692,476	793,363	46,970	7,410	739,446	800,773	-7.6%
Total liabilities	\$5,810,802	\$3,081,202	\$129,487	\$7,410	\$5,940,289	\$3,088,612	92.3%
Deferred inflows of resources	\$3,944,532	\$2,993,875	\$40,952	\$-	\$3,985,484	\$2,993,875	33.1%
Net position							
Net investment in capital assets	\$4,642,744	\$4,415,744	\$9,309	\$9,903	\$4,652,053	\$4,425,647	5.1%
Restricted	2,298,803	2,067,941	-	-	2,298,803	2,067,941	11.2%
Unrestricted	-2,578,258	-174,860	-79,321	-24,045	-2,657,579	-198,905	-1,236.1%
Total net position	\$4,363,289	\$6,308,825	-\$70,012	-\$14,142	\$4,293,277	\$6,294,683	-31.8%

The District’s total net position decreased by nearly 32%, or \$2,001,406, from the prior year. The largest portion of the District’s net position is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District’s restricted net position increased \$230,862 or 11.2% over the prior year. The increase was primarily the result of an increase in general fund categorical funding.

Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased \$2,458,674, or 1,236.1%. This reduction in unrestricted net position was primarily a result of the District’s net pension liability and net pension expense recorded in the current year.

Governmental Accounting Standards Board Statement No 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27 was implemented during fiscal year 2015. The beginning net position as of July 1, 2014 for governmental activities and business type activities were restated by \$2,981,339 and \$97,357, respectively, to retroactively report the net pension liability as of June 30, 2013 and deferred outflows of resources related to contributions made after June 30, 2013 but prior to July 1, 2014. Fiscal year 2013 and 2014 financial statement amounts for net pension liabilities, pension expense, deferred outflows of resources and deferred inflows of resources were not restated because the information was not available. In the past, pension expense was the amount of the employer contribution. Current reporting provides a more comprehensive measure of pension expense which is more reflective of the amounts employees earned during the year.

Figure A-4 shows the changes in net position for the year ended June 30, 2015 compared to the year ended June 30, 2014.

**Figure A-4**

**Changes in Net Position**

	Governmental Activities		Business Type Activities		Total District		Total Change
	2015	2014 (not restated)	2015	2014 (not restated)	2015	2014 (not restated)	2014-2015
<b>Revenues:</b>							
Program revenues:							
Charges for service	\$735,142	\$805,827	\$230,805	\$201,734	\$965,947	\$1,007,561	-4.1%
Operating grants, contributions and restricted interest	1,135,759	1,259,975	201,646	189,028	1,337,405	1,449,003	-7.7%
Capital grants, contributions and restricted interest	-	-	-	-	-	-	-
General revenues:							
Property tax	2,990,789	2,908,263	-	-	2,990,789	2,908,263	2.8%
Income surtax	225,087	213,193	-	-	225,087	213,193	5.6%
Statewide sales, service and use tax	590,998	535,014	-	-	590,998	535,014	10.5%
Unrestricted state grants	2,867,731	2,527,905	-	-	2,867,731	2,527,905	13.4%
Unrestricted investment earnings	5,532	7,270	-	1	5,532	7,271	-23.9%
Other	129,158	65,250	-	-	129,158	65,250	97.9%
<b>Total revenues</b>	<b>\$8,680,196</b>	<b>\$8,322,697</b>	<b>\$432,451</b>	<b>\$390,763</b>	<b>\$9,112,647</b>	<b>\$8,713,460</b>	<b>4.6%</b>
<b>Program expenses:</b>							
Governmental activities:							
Instruction	\$5,075,203	\$5,185,746	\$26,872	\$-	\$5,102,075	\$5,185,746	-1.6%
Support services	2,205,451	2,432,783	-	-	2,205,451	2,432,783	-9.4%
Non-instructional programs	13,763	3,515	364,092	386,826	377,855	390,341	-3.2%
Other expenses	334,040	292,158	-	-	334,040	292,158	14.3%
<b>Total expenses</b>	<b>\$7,628,457</b>	<b>\$7,914,202</b>	<b>\$390,964</b>	<b>\$386,826</b>	<b>\$8,019,421</b>	<b>\$8,301,028</b>	<b>-3.4%</b>
Change in net position before sale of assets	\$1,051,739	\$408,495	\$41,487	\$3,937	\$1,093,226	\$412,432	165.1%
Sale of assets	3,537	-	-	-	3,537	-	100.0%
<b>Change in net position</b>	<b>\$1,055,276</b>	<b>\$408,495</b>	<b>\$41,487</b>	<b>\$3,937</b>	<b>\$1,096,763</b>	<b>\$412,432</b>	<b>165.9%</b>
<b>Net position beginning of year, as restated</b>	<b>\$3,327,486</b>	<b>\$5,912,098</b>	<b>-\$111,499</b>	<b>-\$18,079</b>	<b>\$3,215,987</b>	<b>\$5,894,019</b>	<b>-45.4%</b>
Prior period adjustment	-19,473	-11,768	-	-	-19,473	-11,768	-65.4%
<b>Adjusted net position beginning of Year, as restated</b>	<b>\$3,308,013</b>	<b>\$5,900,330</b>	<b>-\$111,499</b>	<b>-\$18,079</b>	<b>\$3,196,514</b>	<b>\$5,882,251</b>	<b>-45.6%</b>
<b>Net position end of year</b>	<b>\$4,363,289</b>	<b>\$6,308,825</b>	<b>-\$70,012</b>	<b>-\$14,142</b>	<b>\$4,293,277</b>	<b>\$6,294,683</b>	<b>-31.8%</b>

In fiscal year 2015, property tax and unrestricted state grants accounted for 67.5% of governmental activities revenue while charges for service and operating grants, contributions and restricted interest accounted for 100% of business type activities revenue. The District's total revenues were approximately \$9.1 million, of which approximately \$8.7 million was for governmental activities and \$0.4 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 4.6% increase in revenues and a 3.4% decrease in expenses. Property tax increased \$82,526.

**Governmental Activities**

Revenues for governmental activities were \$8,680,196 and expenses were \$7,628,457 for the year ended June 30, 2015. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues.

The following table presents the total and net cost of the District's major governmental activities, instruction, support services, non-instructional programs and other expenses for the year ended June 30, 2015 compared to the year ended June 30, 2014.

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

	Total Cost of Services		Change 2014-2015	Net Cost of Services		Change 2014-2015
	2015	2014 (not restated)		2015	2014 (not restated)	
Instruction	\$5,075,203	\$5,185,746	-2.1%	\$3,208,592	\$3,124,078	2.7%
Support services	2,205,451	2,432,783	-9.3%	2,201,161	2,428,649	-9.4%
Non-instructional programs	13,763	3,515	291.6%	13,763	3,515	291.6%
Other expenses	334,040	292,158	14.3%	334,040	292,158	14.3%
<b>Totals</b>	<b>\$7,628,457</b>	<b>\$7,914,202</b>	<b>-3.6%</b>	<b>\$5,757,556</b>	<b>\$5,848,400</b>	<b>-1.6%</b>

For the year ended June 30, 2015:

- The cost financed by users of the District's programs was \$965,947.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,337,405.
- The net cost of governmental activities was financed with \$3,806,874 in property and other taxes and \$2,867,731 in unrestricted state grants.

**Business Type Activities**

Revenues for business type activities during the year ended June 30, 2015 were \$432,451 representing a 10.7% increase over the prior year, while expenses totaled \$390,964, a 1.1% increase over the prior year. The District's business type activities include the School Nutrition and Preschool Funds. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

**INDIVIDUAL FUND ANALYSIS**

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$4,363,289, well above last year's adjusted ending fund balances of \$3,308,013.

## **Governmental Fund Highlights**

- The District's increase in General Fund financial position is the result of many factors. Growth during the year in tax and federal grants resulted in an increase in revenues. The increase in revenues was more than the increase in General Fund expenditures.
- The General Fund balance increased from adjusted \$19,965 to \$360,570 due, in part, to revenues exceeding expenditures.
- Capital Projects Funds balance increased from adjusted \$1,425,950 to \$1,523,347, due in part to revenue and other sources exceeding expenditures.

## **Proprietary Fund Highlights**

School Nutrition Fund net position increased from -\$111,499 at June 30, 2014 to -\$70,012 at June 30, 2015, representing an increase of approximately 37%.

## **BUDGETARY HIGHLIGHTS**

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

The District's total revenues were \$82,715 less than total budgeted revenues, a variance of 0.1%. The most significant variance resulted from the District receiving less in local sources than originally anticipated.

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

In spite of the District's budgetary practice, the certified budget was exceeded in the support services functional area due to the timing of expenditures at year end without sufficient time to amend the certified budget.

## **Fund Balance vs. Unspent (Unused) Budget Authority**

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

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

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

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

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

The following chart shows the changes in unspent budget authority between fiscal years 2014 and 2015.

	Unspent Budget Authority Comparison		
	2014	2015	Change
Budget Review			
Maximum General Fund District Cost	\$ 5,398,406	\$ 5,915,964	\$ 517,558
Preschool Foundation Aid	165,267	162,333	-2,934
Instructional Support Fund	300,300	322,356	22,056
Other Miscellaneous Income	951,527	840,377	-111,150
Previous Year Unspent Budget Authority	-43,616	-213,773	-170,157
Maximum Budget Authority	\$ 6,771,884	\$ 7,027,257	\$ 255,373
Total Expenditures	\$ 6,985,657	\$ 6,959,081	\$ -26,576
End Fiscal Year Unspent Budget Authority	\$ -213,773	\$ 68,176	\$ 281,949

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2015, the District had invested \$6,954,657, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net increase of 7.2% from last year. More detailed information about the District's capital assets is presented in Note 5 to the financial statements. Depreciation expense for the year was \$513,377.

The original cost of the District's capital assets was \$13,271,245. Governmental funds account for \$13,245,590, with the remainder of \$25,655 accounted for in the Proprietary, School Nutrition Fund.

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

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2015	2014	2015	2014	2015	2014	2014-2015
Land	\$141,125	\$141,125	\$-	\$-	\$141,125	\$141,125	-
Buildings	5,278,277	5,437,092	-	-	5,278,277	5,437,092	-2.9%
Improvements other than buildings	74,479	23,144	-	-	74,479	23,144	221.8%
Furniture and equipment	1,451,467	874,383	9,309	9,903	1,460,776	884,286	65.2%
Totals	\$6,945,348	\$6,475,744	\$9,309	\$9,903	\$6,954,657	\$6,485,647	7.2%

### Long-Term Debt

At June 30, 2015, the District had \$2,302,604 in other long-term debt outstanding. This represents an increase of 11.8% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 6 to the financial statements.

The District continues to carry a general obligation bond rating of Aa3 assigned by national rating agencies to the District's debt since 1997. The Constitution of the State of Iowa limits the amount of general obligation debt districts can issued to 5 percent of the assessed value of all taxable property within the District. The District's outstanding general obligation debt is significantly below its constitutional debt limit of approximately \$23.4 million.

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

	Total District		Total Change
	June 30,		June 30,
	2015	2014	2014-2015
General obligation bonds	\$1,565,000	\$1,820,000	-14%
Revenue bonds	165,000	240,000	-31.3%
Capital lease	572,604	-	100%
Totals	\$2,302,604	\$2,060,000	11.8%

**ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE**

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

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

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Shellee Bartlett, District Secretary/Business Manager, North Butler Community School District, 513 Birch Street, Allison, IA 50602.

## **Basic Financial Statements**

## North Butler Community School District

## Statement of Net Position

June 30, 2015

	Governmental Activities	Business Type Activities	Total
<b>Assets</b>			
Cash, cash equivalents and pooled investments	\$ 2,784,546	\$ 35,854	\$ 2,820,400
Receivables:			
Property tax:			
Delinquent	73,074	-	73,074
Succeeding year	2,990,328	-	2,990,328
Income surtax	205,144	-	205,144
Accounts	140,380	5,709	146,089
Due from other governments	59,576	2,092	61,668
Inventories	-	7,096	7,096
Prepaid expenses	-	24,862	24,862
Capital assets, net of accumulated depreciation/amortization	6,945,348	9,309	6,954,657
<b>Total Assets</b>	<b>\$ 13,198,396</b>	<b>\$ 84,922</b>	<b>\$ 13,283,318</b>
<b>Deferred Outflows of Resources</b>			
Pension related deferred outflows	\$ 897,227	\$ 38,505	\$ 935,732
<b>Liabilities</b>			
Excess of warrants issued over bank balance	\$ -	\$ 29,918	\$ 29,918
Accounts payable	97,803	1,259	99,062
Salaries and benefits payable	588,342	10,547	598,889
Unearned revenue	-	5,246	5,246
Accrued interest payable	6,331	-	6,331
Long-term liabilities:			
Portion due within one year:			
General obligation bonds	255,000	-	255,000
Revenue bonds	80,000	-	80,000
Capital lease	76,927	-	76,927
Early retirement	31,243	-	31,243
Portion due after one year:			
General obligation bonds	1,310,000	-	1,310,000
Revenue bonds	85,000	-	85,000
Capital lease	495,677	-	495,677
Early retirement	142,921	-	142,921
Net pension liability	2,502,036	82,517	2,584,553
Net OPEB liability	139,522	-	139,522
<b>Total Liabilities</b>	<b>\$ 5,810,802</b>	<b>\$ 129,487</b>	<b>\$ 5,940,289</b>
<b>Deferred Inflows of Resources</b>			
Unavailable property tax revenue	\$ 2,990,328	\$ -	\$ 2,990,328
Pension related deferred inflows	954,204	40,952	995,156
<b>Total deferred inflows of resources</b>	<b>\$ 3,944,532</b>	<b>\$ 40,952</b>	<b>\$ 3,985,484</b>

North Butler Community School District

Statement of Net Position

June 30, 2015

	Govern- mental Activities	Business Type Activities	Total
<b>Net Position</b>			
Net investment in capital assets	\$ 4,642,744	\$ 9,309	\$ 4,652,053
Restricted for:			
Categorical funding	439,106	-	439,106
Debt service	8,449	-	8,449
School infrastructure	961,920	-	961,920
Management levy purposes	8,630	-	8,630
Student activities	319,271	-	319,271
Physical plant and equipment	561,427	-	561,427
Unrestricted	-2,578,258	-79,321	-2,657,579
<b>Total Net Position</b>	<b>\$ 4,363,289</b>	<b>\$ -70,012</b>	<b>\$ 4,293,277</b>

North Butler Community School District

Statement of Activities

Year Ended June 30, 2015

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
<b>Governmental Activities:</b>				
Instruction:				
Regular instruction	\$ 3,215,034	\$ 414,726	\$ 998,239	\$ -
Special instruction	923,167	77,832	55,555	-
Other instruction	937,002	241,524	78,735	-
	<u>\$ 5,075,203</u>	<u>\$ 734,082</u>	<u>\$ 1,132,529</u>	<u>\$ -</u>
Support Services:				
Student services	\$ 94,980	\$ -	\$ -	\$ -
Instructional staff services	269,834	-	-	-
Administration services	725,578	-	-	-
Operation and maintenance of plant services	621,481	1,060	3,230	-
Transportation services	493,578	-	-	-
	<u>\$ 2,205,451</u>	<u>\$ 1,060</u>	<u>\$ 3,230</u>	<u>\$ -</u>
Non-instructional programs	\$ 13,763	\$ -	\$ -	\$ -
Other Expenditures:				
Facilities acquisition	\$ 19,667	\$ -	\$ -	\$ -
Long-term debt interest	41,827	-	-	-
AEA flow-through	272,546	-	-	-
	<u>\$ 334,040</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total Governmental Activities	<u>\$ 7,628,457</u>	<u>\$ 735,142</u>	<u>\$ 1,135,759</u>	<u>\$ -</u>
<b>Business Type Activities:</b>				
Non-Instructional Programs:				
Food service operations	\$ 364,092	\$ 210,362	\$ 201,646	\$ -
Instructional Programs:				
Preschool operations	26,872	20,443	-	-
Total Business Type Activities	<u>\$ 390,964</u>	<u>\$ 230,805</u>	<u>\$ 201,646</u>	<u>\$ -</u>
Total	<u>\$ 8,019,421</u>	<u>\$ 965,947</u>	<u>\$ 1,337,405</u>	<u>\$ -</u>

Net (Expense) Revenue  
And Changes in Net Position

Governmental Activities		Business Type Activities		Total
\$	-1,802,069	\$	-	\$ -1,802,069
	-789,780		-	-789,780
	-616,743		-	-616,743
\$	-3,208,592	\$	-	\$ -3,208,592
\$	-94,980	\$	-	\$ -94,980
	-269,834		-	-269,834
	-725,578		-	-725,578
	-617,191		-	-617,191
	-493,578		-	-493,578
\$	-2,201,161	\$	-	\$ -2,201,161
\$	-13,763	\$	-	\$ -13,763
\$	-19,667	\$	-	\$ -19,667
	-41,827		-	-41,827
	-272,546		-	-272,546
\$	-334,040	\$	-	\$ -334,040
\$	-5,757,556	\$	-	\$ -5,757,556
\$	-	\$	47,916	\$ 47,916
	-		-6,429	-6,429
\$	-	\$	41,487	\$ 41,487
\$	-5,757,556	\$	41,487	\$ -5,716,069

**North Butler Community School District**

**Statement of Activities**

**Year Ended June 30, 2015**

	Program Revenues		
	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Expenses			

**General Revenues:**

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

Total General Revenues

Change in net position before sale of assets

Sale of assets

Change in net position

Net position beginning of year, as restated

Prior Period Adjustment

Adjusted Net Position beginning of year, as restated

Net Position End of Year

See notes to financial statements.

Net (Expense) Revenue  
And Changes in Net Position

Governmental Activities	Business Type Activities	Total
\$ 2,680,190	\$ -	\$ 2,680,190
78,319		78,319
232,280	-	232,280
225,087	-	225,087
590,998	-	590,998
2,867,731	-	2,867,731
5,532		5,532
129,158	-	129,158
<u>\$ 6,809,295</u>	<u>\$ -</u>	<u>\$ 6,809,295</u>
\$ 1,051,739	\$ 41,487	\$ 1,093,226
3,537	-	3,537
<u>\$ 1,055,276</u>	<u>\$ 41,487</u>	<u>\$ 1,096,763</u>
\$ 3,327,486	\$ -111,499	\$ 3,215,987
-19,473	-	-19,473
<u>\$ 3,308,013</u>	<u>\$ -111,499</u>	<u>\$ 3,196,514</u>
<u>\$ 4,363,289</u>	<u>\$ -70,012</u>	<u>\$ 4,293,277</u>

North Butler Community School District

Balance Sheet  
Governmental Funds

June 30, 2015

	General	Capital Projects	Non- Major Funds	Total
<b>Assets</b>				
Cash, Cash Equivalents and Pooled Investments	\$ 852,674	\$ 1,428,101	\$ 503,771	\$ 2,784,546
Receivables:				
Property Tax:				
Delinquent	60,282	5,506	7,286	73,074
Succeeding year	2,475,615	238,085	276,628	2,990,328
Income surtax	205,144	-	-	205,144
Accounts	45,779	93,272	1,329	140,380
Due from other governments	59,576	-	-	59,576
Due from other funds	23,000	119	-	23,119
<b>Total Assets</b>	<b>\$ 3,722,070</b>	<b>\$ 1,765,083</b>	<b>\$ 789,014</b>	<b>\$ 6,276,167</b>
<b>Liabilities, Deferred Inflows of Resources &amp; Fund Balances</b>				
Liabilities:				
Due to other funds	\$ 119	\$ -	\$ -	\$ 119
Accounts payable	92,280	3,651	1,872	97,803
Salaries and benefits payable	588,342	-	-	588,342
<b>Total Liabilities</b>	<b>\$ 680,741</b>	<b>\$ 3,651</b>	<b>\$ 1,872</b>	<b>\$ 686,264</b>
Deferred inflows of resources				
Unavailable revenues:				
Succeeding year property tax	\$ 2,475,615	\$ 238,085	\$ 276,628	\$ 2,990,328
Other	205,144	-	-	205,144
<b>Total deferred inflows of resources</b>	<b>\$ 2,680,759</b>	<b>\$ 238,085</b>	<b>\$ 276,628</b>	<b>\$ 3,195,472</b>
Fund Balances:				
Restricted for:				
Categorical funding	\$ 439,106	\$ -	\$ -	\$ 439,106
Debt service	-	-	8,449	8,449
Management levy purposes	-	-	182,794	182,794
Student activities	-	-	319,271	319,271
School infrastructure	-	961,920	-	961,920
Physical plant and equipment	-	561,427	-	561,427
Unassigned	-78,536	-	-	-78,536
<b>Total Fund Balances</b>	<b>\$ 360,570</b>	<b>\$ 1,523,347</b>	<b>\$ 510,514</b>	<b>\$ 2,394,431</b>
<b>Total Liabilities, Deferred Inflows of Resources &amp; Fund Balances</b>	<b>\$ 3,722,070</b>	<b>\$ 1,765,083</b>	<b>\$ 789,014</b>	<b>\$ 6,276,167</b>

See notes to financial statements.

**North Butler Community School District**  
**Reconciliation of the Balance Sheet – Governmental Funds**  
**To the Statement of Net Position**

**June 30, 2015**

<b>Total fund balances of governmental funds (page 19)</b>	\$	2,394,431
<i>Amounts reported for governmental activities in the Statement of Net Position are different because:</i>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds		6,945,348
Other long-term assets, including income surtax receivable, are not available to pay current period expenditures and, therefore, are recognized as deferred inflows of resources in the governmental funds.		205,144
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds		-6,331
Pension related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental funds, as follows:		
Deferred outflows of resources	\$ 897,227	
Deferred inflows of resources	<u>-954,204</u>	-56,977
Long-term liabilities, including bonds and notes payable, early retirement, other postemployment benefits payable and net pension liability are not due and payable in the current year and, therefore, are not reported in the governmental funds		<u>-5,118,326</u>
<b>Net position of governmental activities (page 16)</b>	<b>\$</b>	<b><u>4,363,289</u></b>

See notes to financial statements.

## North Butler Community School District

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

Year Ended June 30, 2015

	General	Capital Projects	Non- Major Funds	Total
Revenues:				
Local Sources:				
Local tax	\$ 2,660,360	\$ 232,280	\$ 278,138	\$ 3,170,778
Tuition	474,342	-	-	474,342
Other	144,111	10,376	241,003	395,490
Intermediate sources	-	-	-	-
State sources	3,805,244	592,362	1,594	4,399,200
Federal sources	195,288	-	-	195,288
Total Revenues	\$ 7,279,345	\$ 835,018	\$ 520,735	\$ 8,635,098
Expenditures:				
Current:				
Instruction:				
Regular instruction	\$ 2,828,962	\$ 10,705	\$ 81,658	\$ 2,921,325
Special instruction	1,042,393	-	-	1,042,393
Other instruction	833,322	-	184,036	1,017,358
	\$ 4,704,677	\$ 10,705	\$ 265,694	\$ 4,981,076
Support Services:				
Student services	\$ 103,861	\$ -	\$ -	\$ 103,861
Instructional staff services	134,626	194,327	-	328,953
Administration services	737,748	-	52,536	790,284
Operation and maintenance of plant services	550,816	31,027	76,055	657,898
Transportation services	435,334	656,904	27,952	1,120,190
	\$ 1,962,385	\$ 882,258	\$ 156,543	\$ 3,001,186
Non-instructional	\$ -	\$ -	\$ 9,915	\$ 9,915
Other Expenditures:				
Facilities acquisition	\$ -	\$ 127,990	\$ -	\$ 127,990
Long-Term Debt:				
Principal	-	-	414,300	414,300
Interest and fiscal charges	-	-	40,052	40,052
AEA flow-through	272,546	-	-	272,546
	\$ 272,546	\$ 127,990	\$ 454,352	\$ 854,888
Total Expenditures	\$ 6,939,608	\$ 1,020,953	\$ 886,504	\$ 8,847,065
Excess (deficiency) of revenues over (under) expenditures	\$ 339,737	\$ -185,935	\$ -365,769	\$ -211,967

**North Butler Community School District**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**

**Year Ended June 30, 2015**

	General	Capital Projects	Non- Major Funds	Total
Other Financing Sources (Uses)				
Sale of assets	\$ 868	\$ 2,669	\$ -	\$ 3,537
Operating transfers in (out)	-	-376,241	376,241	-
Capital lease proceeds	-	656,904	-	656,904
Total Other Financing Sources (Uses)	<u>\$ 868</u>	<u>\$ 283,332</u>	<u>\$ 376,241</u>	<u>\$ 660,441</u>
Change in fund balances	<u>\$ 340,605</u>	<u>\$ 97,397</u>	<u>\$ 10,472</u>	<u>\$ 448,474</u>
Fund balances beginning of year	<u>\$ 39,438</u>	<u>\$ 1,425,950</u>	<u>\$ 500,042</u>	<u>\$ 1,965,430</u>
Prior period adjustment	<u>-19,473</u>	<u>-</u>	<u>-</u>	<u>-19,473</u>
Adjusted fund balances beginning of year	<u>\$ 19,965</u>	<u>\$ 1,425,950</u>	<u>\$ 500,042</u>	<u>\$ 1,945,957</u>
Fund Balances End of Year	<u><u>\$ 360,570</u></u>	<u><u>\$ 1,523,347</u></u>	<u><u>\$ 510,514</u></u>	<u><u>\$ 2,394,431</u></u>

See notes to financial statements.

North Butler Community School District

Reconciliation of the Statement of Revenues, Expenditures and  
Changes in Fund Balances – Governmental Funds  
To the Statement of Activities

Year Ended June 30, 2015

Change in fund balances – total governmental funds (page 22) \$ 448,474

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

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

Expenditures for capital assets	\$ 980,843	
Depreciation expense	<u>-511,239</u>	469,604

Certain delinquent property tax not collected for several months after year end is not considered available revenue and is recognized as deferred inflows of resources in the governmental funds. 45,098

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

Issued	\$ -656,904	
Repaid	<u>414,300</u>	-242,604

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 funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. -1,775

The current year District employer share of IPERS contributions are reported as expenditures in the governmental funds, but are reported as a deferred outflow of resources in the Statement of Net Position. 384,451

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	\$ -55,565	
Pension expense	37,875	
Other postemployment benefits	<u>-30,282</u>	-47,972

Change in Net Position of Governmental Activities (page 18) \$ 1,055,276

See notes to financial statements.

## North Butler Community School District

Statement of Net Position  
Proprietary Funds

June 30, 2015

	School Nutrition	Non-major Preschool	Total
<b>Assets</b>			
<b>Current Assets:</b>			
Cash and cash equivalents	\$ 35,854	\$ -	\$ 35,854
Accounts receivable	546	5,163	5,709
Due from other governments	2,092	-	2,092
Prepaid expenses	-	24,862	24,862
Inventories	7,096	-	7,096
<b>Total Current Assets</b>	<b>\$ 45,588</b>	<b>\$ 30,025</b>	<b>\$ 75,613</b>
<b>Non-Current Assets:</b>			
Capital assets, net of accumulated depreciation	\$ 9,309	\$ -	\$ 9,309
<b>Total Assets</b>	<b>\$ 54,897</b>	<b>\$ 30,025</b>	<b>\$ 84,922</b>
<b>Deferred Outflows of Resources</b>			
Pension related deferred outflows	\$ 29,590	\$ 8,915	\$ 38,505
<b>Liabilities</b>			
<b>Current Liabilities:</b>			
Excess of warrants issued over bank balance	\$ -	\$ 29,918	\$ 29,918
Accounts payable	1,259	-	1,259
Salaries and benefits payable	4,578	5,969	10,547
Due to other funds	23,000	-	23,000
Unearned revenue	5,246	-	5,246
<b>Total Current Liabilities</b>	<b>\$ 34,083</b>	<b>\$ 35,887</b>	<b>\$ 69,970</b>
<b>Noncurrent liabilities:</b>			
Net pension liability	\$ 82,517	\$ -	\$ 82,517
<b>Total noncurrent liabilities</b>	<b>\$ 82,517</b>	<b>\$ -</b>	<b>\$ 82,517</b>
<b>Total Liabilities</b>	<b>\$ 116,600</b>	<b>\$ 35,887</b>	<b>\$ 152,487</b>
<b>Deferred Inflows of Resources</b>			
Pension related deferred inflows	\$ 31,470	\$ 9,482	\$ 40,952
<b>Net Position</b>			
Net investment in capital assets	\$ 9,309	\$ -	\$ 9,309
Unrestricted	-72,892	-6,429	-79,321
<b>Total Net Position</b>	<b>\$ -63,583</b>	<b>\$ -6,429</b>	<b>\$ -70,012</b>

See notes to financial statements.

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

**Year Ended June 30, 2015**

	School Nutrition	Non-major Preschool	Total
Operating revenues:			
Local sources:			
Charges for service	\$ 210,362	\$ 20,443	\$ 230,805
Operating expenses:			
Instruction:			
Salaries	\$ -	\$ 40,679	\$ 40,679
Benefits	-	-13,807	-13,807
	\$ -	\$ 26,872	\$ 26,872
Non-instructional programs:			
Food service operations:			
Salaries	\$ 139,086	\$ -	\$ 139,086
Benefits	9,368	-	9,368
Purchased services	4,774	-	4,774
Supplies	208,726	-	208,726
Depreciation	2,138	-	2,138
	\$ 364,092	\$ -	\$ 364,092
Total operating expenses	\$ 364,092	\$ 26,872	\$ 390,964
Operating income (loss)	\$ -153,730	\$ -6,429	\$ -160,159
Non-operating revenues:			
State sources	\$ 3,312	\$ -	\$ 3,312
Federal sources	198,334	-	198,334
Total non-operating revenues	\$ 201,646	\$ -	\$ 201,646
Increase (Decrease) in net position	\$ 47,916	\$ -6,429	\$ 41,487
Net position beginning of year, as restated	-111,499	-	-111,499
Net Position End of Year	\$ -63,583	\$ -6,429	\$ -70,012

See notes to financial statements.

## North Butler Community School District

Statement of Cash Flows  
Proprietary Funds

Year Ended June 30, 2015

	School Nutrition	Non-major Preschool
Cash flows from operating activities:		
Cash received from preschool tuition	\$ -	\$ 15,280
Cash received from sale of lunches and breakfasts	209,146	-
Cash paid to employees for services	-157,926	-45,198
Cash paid to suppliers for goods or services	-188,430	-
Net cash provided (used) by operating activities	<u>\$ -137,210</u>	<u>\$ -29,918</u>
Cash flows from non-capital financing activities:		
State grants received	\$ 3,312	\$ -
Federal grants received	166,485	-
Net cash provided by non-capital financing activities	<u>\$ 169,797</u>	<u>\$ -</u>
Cash flows from capital and related financing activities:		
Inter-fund loan payment	\$ -21,824	\$ -
Acquisition of capital assets	-1,544	-
Net cash provided (used) by capital and related financing activities	<u>-23,368</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	\$ 9,219	\$ -29,918
Cash and cash equivalents beginning of year	<u>26,635</u>	<u>-</u>
Cash and Cash Equivalents End of Year	<u>\$ 35,854</u>	<u>\$ -29,918</u>
<b>Reconciliation of operating loss to net cash used by operating activities:</b>		
Operating (loss) income	\$ -153,730	\$ -6,429
Adjustments to reconcile operating loss to net cash used by operating activities:		
Commodities used	29,757	-
Depreciation	2,138	-
(Increase) Decrease in inventories	-5,946	-
(Increase) Decrease in accounts receivable	-142	-5,163
Increase (Decrease) in accounts payable	1,259	-
Increase (Decrease) in salaries and benefits payable	3,488	5,969
Increase (Decrease) in unearned revenue	-1,074	-
Increase (Decrease) in net pension liability	-26,998	-24,862
(Increase) Decrease in deferred outflows of resources	-17,432	-8,915
Increase (Decrease) in deferred inflows of resources	31,470	9,482
Net Cash Provided (Used) by Operating Activities	<u>\$ -137,210</u>	<u>\$ -29,918</u>

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

During the year ended June 30, 2015, the District received \$29,757 of federal commodities.

See notes to financial statements.

North Butler Community School District

Statement of Fiduciary Net Position  
Fiduciary Funds

June 30, 2015

	Private Purpose Trust <u>Scholarship</u>
<b>Assets</b>	
Cash, cash equivalents and pooled investments	\$ 125,352
<b>Total Assets</b>	<u>\$ 125,352</u>
<b>Liabilities</b>	<u>\$ -</u>
<b>Net position</b>	
Reserved for scholarships	<u>\$ 125,352</u>

**North Butler Community School District**  
**Statement of Changes in Fiduciary Net Position**  
**Fiduciary Funds**  
**Year Ended June 30, 2015**

	<u>Private Purpose</u> <u>Trust</u> <u>Scholarship</u>
Additions:	
Local sources:	
Interest income	\$ 3,710
Contributions	10,790
Total Additions	<u>\$ 14,500</u>
Deductions:	
Instruction:	
Regular instruction:	
Scholarships awarded/Other	<u>\$ 16,100</u>
Change in net position	\$ -1,600
Net position beginning of year	<u>126,952</u>
Net Position End of Year	<u><u>\$ 125,352</u></u>

## North Butler Community School District

### Notes to Financial Statements

June 30, 2015

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

North Butler Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. The geographic area served includes the cities of Allison, Bristow and Greene, Iowa and portions of the predominately agricultural territories in Butler and Floyd Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

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

##### A. Reporting Entity

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

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

##### B. Basis of Presentation

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

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

*Net investment in capital assets* consists of capital assets, net of accumulated depreciation/amortization 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 are imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position

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

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

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

The District reports the following major governmental funds:

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

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

The District reports the following major proprietary fund:

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

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net 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.

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, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Equity

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

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

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½ % per month penalty for delinquent payments; is based on January 1, 2013 assessed property valuations; is for the tax accrual period July 1, 2014 through June 30, 2015 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2014.

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

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

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

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

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

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

Deferred Outflows of Resources – Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense and contributions from the employer after the measurement date but before the end of the employer’s reporting period.

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

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

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

Pensions – For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Iowa Public Employees’ Retirement System (IPERS) and additions to/deductions from IPERS’ fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Inflows of Resources – Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consist of property tax receivable and other receivables not collected within sixty days after year-end.

Deferred inflows of resources in the Statement of Net Position consist of succeeding year property tax receivables that will not be recognized until the year for which it is levied and the unamortized portion of the net difference between projected and actual earnings on pension plan investments.

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

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.

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

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2015, expenditures exceeded the amounts budgeted in the support services function.

(2) **Cash, Cash Equivalents and Pooled Investments**

The District's deposits in banks at June 30, 2015 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

(3) **Inter-fund Transfers**

The detail of inter-fund transfers for the year ended June 30, 2015 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects – Statewide Sales, Services and Use Tax	\$ 376,241

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

(4) **Due From and Due to Other Funds**

The detail of inter-fund receivables and payables at June 30, 2015 is as follows:

Receivable Fund	Payable Fund	Amount
Capital Projects – Physical Plant and Equipment Levy	General Fund	\$ 119
General Fund	Enterprise – School Nutrition Fund	23,000
Total		<u>\$ 23,119</u>

The Enterprise, School Nutrition Fund owes the General Fund for payroll expenses. The General Fund owes the Capital Projects – Physical Plant and Equipment Levy Fund for copier maintenance improperly coded to the wrong fund.

(5) **Capital Assets**

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

	Balance Beginning Of Year	Increases	Decreases	Balance End Of Year
<b>Governmental Activities:</b>				
Capital assets not being depreciated:				
Land	\$ 141,125	\$ -	\$ -	\$ 141,125
Total capital assets not being depreciated	\$ 141,125	\$ -	\$ -	\$ 141,125
Capital assets being depreciated:				
Buildings	\$ 8,901,864	\$ 40,607	\$ -	\$ 8,942,471
Improvements other than buildings	136,908	53,807	-	190,715
Furniture and equipment	3,084,850	886,429	-	3,971,279
Total capital assets being depreciated	\$ 12,123,622	\$ 980,843	\$ -	\$ 13,104,465
Less accumulated depreciation for:				
Buildings	\$ 3,464,772	\$ 199,422	\$ -	\$ 3,664,194
Improvements other than buildings	113,764	2,472	-	116,236
Furniture and equipment	2,210,467	309,345	-	2,519,812
Total accumulated depreciation	\$ 5,789,003	\$ 511,239	\$ -	\$ 6,300,242
Total capital assets being depreciated, net	\$ 6,334,619	\$ 469,604	\$ -	\$ 6,804,223
Governmental Activities Capital Assets, Net	\$ 6,475,744	\$ 469,604	\$ -	\$ 6,945,348

	Balance Beginning Of Year	Increases	Decreases	Balance End Of Year
<b>Business type activities:</b>				
Furniture and equipment	\$ 24,111	\$ 1,544	\$ -	\$ 25,655
Less accumulated depreciation	14,208	2,138	-	16,346
Business Type Activities Capital Assets, Net	\$ 9,903	\$ -594	\$ -	\$ 9,309

Depreciation expense was charged to the following functions:

Governmental Activities:

Instruction:

Regular	\$ 358,211
Other	30,496
Special	2,981

Support services:

Instructional staff	39,351
Operation and maintenance of plant	10,507
Transportation	65,845
Non-instructional	3,848

Total Depreciation Expense -- Governmental Activities

\$ 511,239

Business Type Activities:

Food service operations	\$ 2,138
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(6) Long-term Liabilities

Changes in long-term liabilities for the year ended June 30, 2015 are summarized as follows:

	Balance Beginning Of Year	Additions	Reductions	Balance End Of Year	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 1,820,000	\$ -	\$ 255,000	\$ 1,565,000	\$ 255,000
Revenue bonds	240,000	-	75,000	165,000	80,000
Bank loan	-	250,000	250,000	-	-
Early retirement	118,599	118,958	63,393	174,164	31,243
Net OPEB liability	109,240	30,282	-	139,522	-
Capital lease	-	656,904	84,300	572,604	76,927
Net pension liability	2,981,339	-	479,303	2,502,036	-
<b>Total</b>	<b>\$ 5,269,178</b>	<b>\$ 1,056,144</b>	<b>\$ 1,206,996</b>	<b>\$ 5,118,326</b>	<b>\$ 443,170</b>

	Balance Beginning Of Year	Additions	Reductions	Balance End Of Year	Due Within One Year
Business type activities:					
Net pension liability	\$ 109,515	\$ -	\$ 51,860	\$ 57,655	\$ -

Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five and must have completed fifteen years of continuous service to the District. Employees must complete an application, which is required to be approved by the Board of Education. The early retirement incentive for each eligible employee approved by the Board will be 45% of the salary for their last year of employment with the District. The payment will be made either in a lump sum at the time of qualification or over a period of time that will be not less than three years. Early retirement expenditures for the year ended June 30, 2015 totaled \$63,393.

Line of Credit Loan

The District entered into a line of credit loan agreement with Lincoln Savings Bank for \$450,000 at 3.50%. At June 30, 2015, the District had no loan balance.

Capital Lease

The District entered into a capital lease to purchase eight busses at a cost of \$656,904. Details of the capital lease are as follows:

Year Ending June 30,	Principal	Interest	Total
2016	\$ 76,927	\$ 13,869	\$ 90,796
2017	78,790	12,006	90,796
2018	416,887	10,098	426,985
	<b>\$ 572,604</b>	<b>\$ 35,973</b>	<b>\$ 608,577</b>

General Obligation Bonds

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

Year Ending June 30,	Bond Issue of March 1, 2012			
	Interest Rates	Principal	Interest	Total
2016	.9%	\$ 255,000	\$ 20,328	\$ 275,328
2017	1.00%	255,000	18,033	273,033
2018	1.20%	255,000	15,483	270,483
2019	1.40%	260,000	12,423	272,423
2020	1.55%	265,000	8,783	273,783
2021	1.70%	275,000	4,675	279,675
		<u>\$ 1,565,000</u>	<u>\$ 79,725</u>	<u>\$ 1,644,725</u>

Revenue Bonds

Details of the District's June 30, 2015 statewide sales, services and use tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Issued June 28, 2007			
	Interest Rates	Principal	Interest	Total
2016	4.35%	\$ 80,000	\$ 7,220	\$ 87,220
2017	4.40%	85,000	3,740	88,740
		<u>\$ 165,000</u>	<u>\$ 10,960</u>	<u>\$ 175,960</u>

The District has pledged future statewide sales, services and use tax revenues to repay the \$690,000 of bonds issued in June, 2007. The bonds were issued for the purpose of financing a portion of the costs of a new school. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2017. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require approximately 50 percent of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the notes is \$175,960. For the current year, \$75,000 of principal and \$10,445 of interest was paid on the bonds and total statewide sales, services and use tax revenues were \$590,998.

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

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

The District complied with all of the revenue bond provisions during the year ended June 30, 2015.

(7) **Pension Plan**

Plan Description – IPERS membership is mandatory for employees of the District, except for those covered by another retirement system. Employees of the District are provided with pensions through a cost-sharing, multiple-employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive P.O. Box 9117, Des Moines, Iowa, 50306-9117 or at [www.ipers.org](http://www.ipers.org).

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits – A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, any time after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. (These qualifications must be met on the member's first month of entitlement to benefits.) Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier (based on years of service).
- The member's highest five-year average salary. (For members with service before June 30, 2012, the highest three-year average salary as of that date will be used if it is greater than the highest five-year average salary.)

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25 percent for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50 percent for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits – A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions – Effective July 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2015, pursuant to the required rate, Regular members contributed 5.95 percent of pay and the District contributed 8.93 percent for a total rate of 14.88 percent.

The District's contributions to IPERS for the year ended June 30, 2015 were \$384,451.

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2015, the District reported a liability of \$2,609,415 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2014, the District's collective proportion was 0.064476 percent, which was an increase of 0.003311 from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015 the District recognized pension expense of \$230,730. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 28,359	\$ -
Changes of assumptions	115,159	-
Net difference between projected and actual earnings on pension plan investments	-	995,156
Changes in proportion and differences between District contributions and proportionate share of contributions	151,606	-
District contributions subsequent to the measurement date	640,608	-
<b>Total</b>	<b>\$ 935,732</b>	<b>\$ 995,156</b>

\$384,451 reported as deferred outflows of resources related to pensions resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	
2016	\$ 317,743
2017	317,743
2018	317,743
2019	317,743
2020	19,307
Total	<u>\$ 1,290,279</u>

There were no non-employer contributing entities at IPERS.

Actuarial Assumptions – The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of inflation (effective June 30, 2014)	3.00 percent per annum
Rates of salary increase (effective June 30, 2010)	4.00 to 17.00 percent, average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 1996)	7.50 percent, compounded annually, net of investment expense, including inflation

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
US Equity	23%	6.31
Non US Equity	15%	6.76
Private Equity	13%	11.34
Real Estate	8%	3.52
Core Plus Fixed Income	28%	2.06
Credit Opportunities	5%	3.67
TIPS	5%	1.92
Other Real Assets	2%	6.27
Cash	1%	-0.69
Total	100%	

**Discount Rate** – The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the District will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Sensitivity of the District’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** – The following presents the District’s proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate.

	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
District’s proportionate share of the net pension liability	\$4,930,417	\$2,609,415	\$650,249

**Pension Plan Fiduciary Net Position** – Detailed information about the pension plan’s fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS’ website at [www.ipers.org](http://www.ipers.org).

**Payables to the Pension Plan** – At June 30, 2015, the District reported no payables to the defined benefit pension plan for legally required employer contributions and for legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

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

**Plan Description** – The District operates a single-employer health benefit plan which provides medical and prescription drug benefits for employees, retirees and their spouses. The District had 65 active and 8 retired members in the plan. Retired participants must be age 55 or older at retirement.

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

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

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

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

Annual required contribution	\$	45,925
Interest on net OPEB obligation		2,731
Adjustment to annual required contribution		-8,779
Annual OPEB cost	\$	39,877
Contributions made		-9,595
Increase in net OPEB obligation	\$	30,282
Net OPEB obligation beginning of year		109,240
Net OPEB obligation end of year	\$	139,522

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2014. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2015.

For the year ended June 30, 2015, the District contributed \$378,580 to the medical plan. Plan members eligible for benefits contributed \$17,165 or 4.3% of the premium costs.

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

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2012	\$44,246	19.4%	\$35,683
June 30, 2013	\$47,747	22.3%	\$71,313
June 30, 2014	\$48,623	20.0%	\$109,240
June 30, 2015	\$45,925	20.9%	\$139,522

Funded Status and Funding Progress -- As of July 1, 2014, the most recent actuarial valuation date for the period July 1, 2014 through June 30, 2015, the actuarial accrued liability was \$323,516, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$323,516. The covered payroll (annual payroll of active employees covered by the plan) was \$3,544,130, and the ratio of the UAAL to covered payroll was 11.0%. As of June 30, 2015, there were no trust fund assets.

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

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

As of July 1, 2014 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate. The projected annual medical trend rate is 6%. The ultimate medical trend rate is 6%. An inflation rate of 0% is assumed for the purpose of this calculation.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2011 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2011.

Projected claim costs of the medical plan are \$501.83 per month for retirees less than age 65 and \$501.83 per month for retirees who have attained age 65. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

**(9) Risk Management**

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

**(10) Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the Area Education Agency. The District's actual amount for this purpose totaled \$272,546 for the year ended June 30, 2015 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**(11) Categorical Funding**

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

Program	Amount
Dropout Prevention	\$ 262,592
Teacher Salary Supplement	78,476
Market Factor	2,106
Professional Development	2,554
Early Literacy	31,360
Core Curriculum	20,846
Teacher Leadership	6,609
Limited English Proficiency	2,839
Preschool	10,962
Gifted and Talented	20,762
Total	<u>\$ 439,106</u>

**(12) Prior Period Adjustment**

The District had a General Fund adjustment of -\$19,473.

**(13) Subsequent Events**

The District has evaluated subsequent events through January 28, 2016 which is the date that the financial statements were available to be issued.

**(14) Deficit Balances**

The District had the following deficit balances at June 30, 2015:

Enterprise, School Nutrition Fund	-\$63,583
Enterprise, Preschool Fund	-\$6,429

(15) **Related Party Transactions**

The District had business transactions between the District and District officials or employees totaling \$2,498.

(16) **Accounting Change/Restatement**

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions – An Amendment of GASB No. 27 was implemented during fiscal year 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, GASB No. 68 requires a state or local government employer to recognize a net pension liability and changes in the net pension liability, deferred outflows of resources and deferred inflows of resources which arise from other types of events related to pensions. During the transition year, as permitted, beginning balances for deferred outflows of resources and deferred inflows of resources will not be reported, except for deferred outflows of resources related to contributions made after the measurement date of the beginning net pension liability which is required to be reported by Governmental Accounting Standards Board Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. Beginning net position for governmental and business type activities were restated to retroactively report the beginning net pension liability and deferred outflows of resources related to contributions made after the measurement date, as follows:

	Governmental Activities	Business Type Activities
Net position June 30, 2014, as previously reported	\$ 6,308,825	-14,142
Net pension liability at June 30, 2014	-3,353,655	-109,515
Deferred outflows of resources related to contributions made after the June 30, 2013 measurement date	372,316	12,158
Net position July 1, 2014, as restated	\$ 3,327,486	-111,499

**Required Supplementary Information**

**North Butler Community School District**

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

**Required Supplementary Information**

**Year Ended June 30, 2015**

	Governmental Funds Actual	Proprietary Fund Actual
Receipts:		
Local sources	\$ 4,040,610	\$ 230,805
Intermediate sources	-	-
State sources	4,399,200	3,312
Federal sources	195,288	198,334
Total Receipts	<u>\$ 8,635,098</u>	<u>\$ 432,451</u>
Disbursements:		
Instruction	\$ 4,981,076	\$ 26,872
Support services	3,001,186	-
Non-instructional programs	9,915	364,092
Other expenditures	854,888	-
Total Disbursements	<u>\$ 8,847,065</u>	<u>\$ 390,964</u>
Excess (deficiency) of receipts over (under) disbursements	\$ -211,967	\$ 41,487
Other financing sources, net	<u>660,441</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	\$ 448,474	\$ 41,487
Balances beginning of year	\$ 1,965,430	\$ -14,142
Prior period adjustment	<u>-19,473</u>	<u>-97,357</u>
Adjusted balances beginning of year	<u>\$ 1,945,957</u>	<u>\$ -111,499</u>
Balances end of year	<u>\$ 2,394,431</u>	<u>\$ -70,012</u>

See accompanying independent auditor's report.

	Total Actual	Budgeted Amounts		Final to Actual Variance
		Original	Final	
\$	4,271,415	\$ 4,747,564	\$ 4,747,564	\$ -476,149
	-	-	-	-
	4,402,512	3,927,700	3,927,700	474,812
	393,622	475,000	475,000	-81,378
\$	9,067,549	\$ 9,150,264	\$ 9,150,264	\$ -82,715
\$	5,007,948	\$ 5,499,000	\$ 5,499,000	\$ 491,052
	3,001,186	2,411,161	2,496,879	-504,307
	374,007	431,700	431,700	57,693
	854,888	857,963	857,963	3,075
\$	9,238,029	\$ 9,199,824	\$ 9,285,542	\$ 47,513
\$	-170,480	\$ -49,560	\$ -135,278	\$ -35,202
	660,441	-	-	660,441
\$	489,961	\$ -49,560	\$ -135,278	\$ 625,239
\$	1,951,288	\$ 1,497,016	\$ 1,497,016	\$ 454,272
	-116,830	-	-	-116,830
\$	1,834,458	\$ 1,497,016	\$ 1,497,016	\$ 337,442
\$	2,324,419	\$ 1,447,456	\$ 1,361,738	\$ 962,681

**North Butler Community School District**

**Notes to Required Supplementary Information – Budgetary Reporting**

**Year Ended June 30, 2015**

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment, increasing budgeted expenditures by \$85,918.

During the year ended June 30, 2015, expenditures in the support services function exceeded the amended amount budgeted.

**North Butler Community School District**  
**Schedule of the District's Proportionate Share of the Net Pension Liability**

**Iowa Public Employees' Retirement System**  
**Last Fiscal Year\***

**Required Supplementary Information**

		2015
District's proportion of the net pension liability		.064476
District's proportionate share of the net pension liability	\$	2,609,415
District's covered-employee payroll	\$	4,305,164
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll		60.61%
Plan fiduciary net position as a percentage of the total pension liability		87.61%

\*The amounts presented for each fiscal year were determined as of June 30.

See accompanying independent auditor's report.

**Note:** GASB Statement No 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

**North Butler Community School District**

**Schedule of District Contributions**

**Iowa Public Employees' Retirement System**

**Last 10 Fiscal Years**

**Required Supplementary Information**

	2015	2014	2013	2012	2011
Statutorily required contribution	\$ 384,451	\$ 382,596	\$ 342,982	\$ 340,664	\$ 252,670
Contributions in relation to the statutorily required contribution	-384,451	-382,596	-342,982	-340,664	-252,670
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 4,305,164	\$ 4,284,390	\$ 3,955,963	\$ 4,221,363	\$ 3,635,540
Contributions as a percentage of covered-employee payroll	8.93%	8.93%	8.67%	8.06%	6.95%

See accompanying independent auditor's report.

2010	2009	2008	2007	2006
\$ 287,588	\$ 236,865	\$ 213,660	\$ 189,138	\$ 185,040
-287,588	-236,865	-213,660	-189,138	-185,040
\$ -	\$ -	\$ -	\$ -	\$ -
\$ 4,324,632	\$ 3,730,157	\$ 3,531,570	\$ 3,289,357	\$ 3,218,087
6.65%	6.35%	6.05%	5.75%	5.75%

**North Butler Community School District**

**Notes to Required Supplementary Information – Pension Liability**

**Year ended June 30, 2015**

Changes of benefit terms:

Legislation passed in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3 percent per year measured from the member's first unreduced retirement age to a 6 percent reduction for each year of retirement before age 65.

In 2008, legislative action transferred four groups – emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers – from Regular membership to the protection occupation group for future service only.

Benefit provisions for sheriffs and deputies were changed in the 2004 legislative session. The eligibility for unreduced retirement benefits was lowered from age 55 by one year each July 1 (beginning in 2004) until it reached age 50 on July 1, 2008. The years of service requirement remained at 22 or more. Their contribution rates were also changed to be shared 50-50 by the employee and employer, instead of the previous 40-60 split.

Changes of assumptions:

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25 percent to 3.00 percent.
- Decreased the assumed rate of interest on member accounts from 4.00 percent to 3.75 percent per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates.
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included in the calculation of the UAL amortization payments the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate.

The 2006 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted salary increase assumptions to service based assumptions.
- Decreased the assumed interest rate credited on employee contributions from 4.25 percent to 4.00 percent.
- Lowered the inflation assumption from 3.50 percent to 3.25 percent.
- Lowered disability rates for sheriffs and deputies and protection occupation members.

**North Butler Community School District**

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

**Required Supplementary Information**

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll ©	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2012	July 1, 2011	-	\$311,714	\$311,714	0.0%	\$3,209,614	9.7%
2013	July 1, 2011	-	\$300,632	\$300,632	0.0%	\$2,844,482	10.5%
2014	July 1, 2011	-	\$300,692	\$300,692	0.0%	\$3,962,644	13.2%
2015	July 1, 2014	-	\$323,516	\$323,516	0.0%	\$3,544,130	11.0%

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

## Supplementary Information

## North Butler Community School District

Combining Balance Sheet  
Non-Major Governmental Funds

June 30, 2015

	Debt Service	Special Revenue		Total
		Management Levy	Student Activity	
<b>Assets</b>				
Cash, cash equivalents and pooled investments	\$ 6,028	\$ 178,747	\$ 318,996	\$ 503,771
Receivables:				
Property Tax:				
Delinquent	2,421	4,865	-	7,286
Succeeding year	76,628	200,000	-	276,628
Accounts	-	-	1,329	1,329
<b>Total Assets</b>	<b>\$ 85,077</b>	<b>\$ 383,612</b>	<b>\$ 320,325</b>	<b>\$ 789,014</b>
<b>Liabilities, Deferred Inflows of Resources &amp; Fund Balances</b>				
Liabilities:				
Accounts payable	\$ -	\$ 818	\$ 1,054	\$ 1,872
Total Liabilities	\$ -	\$ 818	\$ 1,054	\$ 1,872
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	\$ 76,628	\$ 200,000	\$ -	\$ 276,628
Total deferred inflows of resources	\$ 76,628	\$ 200,000	\$ -	\$ 276,628
Fund Balances:				
Restricted for:				
Debt service	\$ 8,449	\$ -	\$ -	\$ 8,449
Management levy purposes	-	182,794	-	182,794
Student activities	-	-	319,271	319,271
Total fund balances	\$ 8,449	\$ 182,794	\$ 319,271	\$ 510,514
<b>Total Liabilities, Deferred Inflows of Resources &amp; Fund Balances</b>	<b>\$ 85,077</b>	<b>\$ 383,612</b>	<b>\$ 320,325</b>	<b>\$ 789,014</b>

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

**Year Ended June 30, 2015**

	Debt Service	Special Revenue		Total
		Management Levy	Student Activity	
Revenues:				
Local Sources:				
Local tax	\$ 78,319	\$ 199,819	\$ -	\$ 278,138
Other	-	10,128	230,875	241,003
State sources	390	1,204	-	1,594
Total Revenues	<u>\$ 78,709</u>	<u>\$ 211,151</u>	<u>\$ 230,875</u>	<u>\$ 520,735</u>
Expenditures:				
Current:				
Instruction:				
Regular instruction	\$ -	\$ 81,658	\$ -	\$ 81,658
Other instruction	-	-	184,036	184,036
Support Services:				
Administration services	-	52,536	-	52,536
Operation and maintenance of plant services	-	76,055	-	76,055
Transportation services	-	27,952	-	27,952
Non-instructional programs	-	9,915	-	9,915
Other Expenditures:				
Long-Term Debt:				
Principal	414,300	-	-	414,300
Interest and fiscal charges	40,052	-	-	40,052
Total Expenditures	<u>\$ 454,352</u>	<u>\$ 248,116</u>	<u>\$ 184,036</u>	<u>\$ 886,504</u>
Excess (deficiency) of revenues over (under) expenditures	\$ -375,643	\$ -36,965	\$ 46,839	\$ -365,769
Other Financing Sources (Uses):				
Operating transfers in	376,241	-	-	376,241
Change in fund balances	\$ 598	\$ -36,965	\$ 46,839	\$ 10,472
Fund balances beginning of year	7,851	219,759	272,432	500,042
Fund Balances End of Year	<u>\$ 8,449</u>	<u>\$ 182,794</u>	<u>\$ 319,271</u>	<u>\$ 510,514</u>

See accompanying independent auditor's report.

## North Butler Community School District

Combining Balance Sheet  
Capital Project Accounts

June 30, 2015

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
<b>Assets</b>			
Cash, cash equivalents and pooled investments	\$ 868,648	\$ 559,453	\$ 1,428,101
Receivables:			
Property Tax:			
Delinquent	-	5,506	5,506
Succeeding year	-	238,085	238,085
Accounts	93,272	-	93,272
Due from other funds	-	119	119
<b>Total Assets</b>	<b>\$ 961,920</b>	<b>\$ 803,163</b>	<b>\$ 1,765,083</b>
<b>Liabilities, Deferred Inflows of Resources &amp; Fund Balances</b>			
Liabilities:			
Accounts payable	\$ -	\$ 3,651	\$ 3,651
Total Liabilities	\$ -	\$ 3,651	\$ 3,651
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	\$ -	\$ 238,085	\$ 238,085
Total deferred inflows of resources	\$ -	\$ 238,085	\$ 238,085
Fund Balances:			
Restricted for:			
School infrastructure	\$ 961,920	\$ -	\$ 961,920
Physical plant and equipment	-	561,427	561,427
Total fund balances	\$ 961,920	\$ 561,427	\$ 1,523,347
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 961,920</b>	<b>\$ 803,163</b>	<b>\$ 1,765,083</b>

See accompanying independent auditor's report.

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

**Year Ended June 30, 2015**

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local Sources:			
Local tax	\$ -	\$ 232,280	\$ 232,280
Other	2,481	7,895	10,376
State sources	590,998	1,364	592,362
Total Revenues	<u>\$ 593,479</u>	<u>\$ 241,539</u>	<u>\$ 835,018</u>
Expenditures:			
Instruction:			
Regular Instruction	\$ 701	\$ 10,004	\$ 10,705
Support Services:			
Instructional staff services	103,829	90,498	194,327
Operation and maintenance of plant services	22,107	8,920	31,027
Transportation service	656,904	-	656,904
Other Expenditures:			
Facilities acquisition	122,681	5,309	127,990
Total Expenditures	<u>\$ 906,222</u>	<u>\$ 114,731</u>	<u>\$ 1,020,953</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ -312,743</u>	<u>\$ 126,808</u>	<u>\$ -185,935</u>
Other Financing Sources (Uses):			
Capital lease proceeds	\$ 656,904	\$ -	\$ 656,904
Sale of assets	-	2,669	2,669
Operating transfers in (out)	-376,241	-	-376,241
Total Other Financing Sources (Uses)	<u>\$ 280,663</u>	<u>\$ 2,669</u>	<u>\$ 283,332</u>
Change in fund balances	\$ -32,080	\$ 129,477	\$ 97,397
Fund balances beginning of year	994,000	431,950	1,425,950
Fund Balances End of Year	<u>\$ 961,920</u>	<u>\$ 561,427</u>	<u>\$ 1,523,347</u>

See accompanying independent auditor's report.

## North Butler Community School District

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

Year Ended June 30, 2015

Account	Balance Beginning Of Year	Revenues and Inter-fund Transfers	Expenditures and Inter-fund Transfers	Intra- Fund Transfers	Balance End of Year
Athletics	\$ 17,893	\$ 86,103	\$ 98,735	\$ -721	\$ 4,540
Science Club	718	1,070	337	137	1,588
Cheerleaders	868	3,073	1,934	-	2,007
Class Funds	2,872	15	1,406	-	1,481
Athletic Concessions	6,374	12,072	18,445	-1	-
Sports Complex (Track)	98,971	68,270	2,000	-	165,241
FFA	4,220	5,505	3,788	-	5,937
FCS Class	1,292	391	865	-	818
National Honor Society	844	1,370	949	-	1,265
Library	939	2,462	2,286	-	1,115
Music	3,651	2,120	3,355	-2,416	-
Industrial Tech	3,447	422	50	-	3,819
Pre-kindergarten	2,693	1,773	1,592	-	2,874
Science	9,172	-	127	-10	9,035
Math	5,790	-	-	-	5,790
Drama/Speech	10,509	1,159	2,223	720	10,165
Annual	8,298	10,897	9,566	1	9,630
Student Council	2,633	1,807	903	-	3,537
MS Student Council	371	1,805	334	-	1,842
HS Activity	7,608	517	3,403	-	4,722
Elementary	6,747	12,073	7,725	-5,213	5,882
HI-FI	19,551	733	204	1	20,081
Jump Rope for Heart	316	-	-	-	316
Ed Flex	1,276	1,771	2,039	-1	1,007
Student Needs	1,722	-	-	-	1,722
Spanish	120	671	216	-	575
MS Music	11,952	2,485	6,009	2,289	10,717
MS Pop	-	3,075	2,869	-	206
MS Funds	36,510	9,236	12,676	1	33,071
NB Elementary	5,075	-	-	5,213	10,288
<b>Total</b>	<b>\$ 272,432</b>	<b>\$ 230,875</b>	<b>\$ 184,036</b>	<b>\$ -</b>	<b>\$ 319,271</b>

See accompanying independent auditor's report.

**North Butler Community School District**

**Combining Balance Sheet  
Private Purpose Trusts  
Scholarships**

**June 30, 2015**

	Harms Scholarship	Boylan Scholarship	North Butler Scholarship	Stuntz Scholarship	Graft Scholarship
<b>Assets</b>					
Cash, cash equivalents and pooled investments	\$ 203	\$ 772	\$ -1,485	\$ -442	\$ 3,000
Investments	5,000	34,324	-	40,206	-
<b>Total Assets</b>	<b>\$ 5,203</b>	<b>\$ 35,096</b>	<b>\$ -1,485</b>	<b>\$ 39,764</b>	<b>\$ 3,000</b>
<b>Liabilities and Fund Balance</b>					
Liabilities	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Fund Balance</b>					
Reserved for Scholarships	\$ 5,203	\$ 35,096	\$ -1,485	\$ 39,764	\$ 3,000
<b>Total Liabilities and Fund Balance</b>	<b>\$ 5,203</b>	<b>\$ 35,096</b>	<b>\$ -1,485</b>	<b>\$ 39,764</b>	<b>\$ 3,000</b>

See accompanying independent auditor's report.

Rottler Scholarship	Beal Scholarship	Bruce Scholarship	Ladwid Scholarship	Ressler Scholarship	Other Scholarship	Total
\$ 859	\$ 194	\$ 335	\$ 335	\$ 2,759	\$ 5,292	\$ 11,822
5,000	9,000	10,000	10,000	-	-	113,530
\$ 5,859	\$ 9,194	\$ 10,335	\$ 10,335	\$ 2,759	\$ 5,292	\$ 125,352
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ 5,859	\$ 9,194	\$ 10,335	\$ 10,335	\$ 2,759	\$ 5,292	\$ 125,352
\$ 5,859	\$ 9,194	\$ 10,335	\$ 10,335	\$ 2,759	\$ 5,292	\$ 125,352

**North Butler Community School District**

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

**Year Ended June 30, 2015**

	Harms Scholarship	Boylan Scholarship	North Butler Scholarship	Stuntz Scholarship	Graft Scholarship
Revenues:					
Local Sources:					
Interest on investments	\$ 82	\$ 772	\$ -	\$ 1,683	\$ -
Contributions/Other	-	-	3,440	-	-
<b>Total Revenues</b>	<b>\$ 82</b>	<b>\$ 772</b>	<b>\$ 3,440</b>	<b>\$ 1,683</b>	<b>\$ -</b>
Expenditures:					
Instruction:					
Regular Instruction:					
Scholarships	\$ -	\$ -	\$ 8,950	\$ 3,000	\$ -
Other	-	-	-	-	-
<b>Total Expenditures</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 8,950</b>	<b>\$ 3,000</b>	<b>\$ -</b>
Excess (deficiency) of revenues over (under) expenditures	\$ 82	\$ 772	\$ -5,510	\$ -1,317	\$ -
Fund Balance Beginning of Year	5,121	34,324	4,025	41,081	3,000
<b>Fund Balance End of Year</b>	<b>\$ 5,203</b>	<b>\$ 35,096</b>	<b>\$ -1,485</b>	<b>\$ 39,764</b>	<b>\$ 3,000</b>

See accompanying independent auditor's report.

Rottler Scholarship	Beal Scholarship	Bruce Scholarship	Ladwid Scholarship	Ressler Scholarship	Other Scholarship	Total
\$ 103	\$ 184	\$ 210	\$ 210	\$ 24	\$ 442	\$ 3,710
1,000	-	-	-	-	6,350	10,790
\$ 1,103	\$ 184	\$ 210	\$ 210	\$ 24	\$ 6,792	\$ 14,500
\$ 2,500	\$ 150	\$ -	\$ -	\$ -	\$ 1,200	\$ 15,800
-	-	-	-	-	300	300
\$ 2,500	\$ 150	\$ -	\$ -	\$ -	\$ 1,500	\$ 16,100
\$ -1,397	\$ 34	\$ 210	\$ 210	\$ 24	\$ 5,292	\$ -1,600
7,256	9,160	10,125	10,125	2,735	-	126,952
\$ 5,859	\$ 9,194	\$ 10,335	\$ 10,335	\$ 2,759	\$ 5,292	\$ 125,352

**North Butler Community School District**

**Schedule of Revenues by Source and Expenditures by Function  
All Governmental Funds**

**For the Last Ten Years**

	Modified Accrual Basis			
	2015	2014	2013	2012
<b>Revenues:</b>				
Local Sources:				
Local tax	\$ 3,170,778	\$ 3,113,450	\$ 3,235,951	\$ 3,248,229
Tuition	474,342	451,692	478,569	558,945
Other	395,490	426,655	264,163	372,893
Intermediate sources	-	-	-	-
State sources	4,399,200	4,026,787	3,637,682	3,543,788
Federal sources	195,288	296,107	430,174	148,679
<b>Total</b>	<b>\$ 8,635,098</b>	<b>\$ 8,314,691</b>	<b>\$ 8,046,539</b>	<b>\$ 7,872,534</b>
<b>Expenditures:</b>				
Instruction:				
Regular instruction	\$ 2,921,325	\$ 3,042,314	\$ 3,531,032	\$ 3,125,715
Special instruction	1,042,393	892,571	851,365	833,051
Other instruction	1,017,358	918,302	723,545	831,673
Support services:				
Student services	103,861	108,037	98,646	58,565
Instructional staff services	328,953	349,108	588,552	185,018
Administrative services	790,284	861,177	936,231	1,044,487
Operation and maintenance of plant services	657,898	792,570	753,269	750,557
Transportation services	1,120,190	532,153	513,224	455,630
Non-instructional programs	9,915	-	-	-
Other expenditures:				
Facilities acquisition	127,990	85,206	42,429	514,421
Long-term debt:				
Principal	414,300	325,000	315,000	2,545,000
Interest and other charges	40,052	38,995	45,972	140,808
AEA flow-through	272,546	250,114	232,260	231,657
<b>Total</b>	<b>\$ 8,847,065</b>	<b>\$ 8,195,547</b>	<b>\$ 8,631,525</b>	<b>\$ 10,716,582</b>

\*Prior years Instruction-Special and Other portion of regular instruction is not known.

\*\*2011 through 2006 are Allison and Greene School Districts combined.

See accompanying independent auditor's report.

		Modified Accrual Basis					
2011	2010	2009	2008	2007	2006		
\$ 3,352,635	\$ 3,252,544	\$ 3,241,882	\$ 3,219,782	\$ 3,311,813	\$ 3,042,527		
1,023,433	849,638	941,818	676,019	692,766	604,978		
338,567	371,709	440,360	433,669	440,666	385,019		
-	-	-	-	-	-		
2,996,711	2,612,839	3,057,836	2,886,298	2,806,168	2,732,363		
368,824	497,638	312,570	192,599	269,313	268,452		
<u>\$ 8,080,170</u>	<u>\$ 7,584,368</u>	<u>\$ 7,994,466</u>	<u>\$ 7,408,367</u>	<u>\$ 7,520,726</u>	<u>\$ 7,033,339</u>		
\$ 4,867,136	\$ 4,891,503	\$ 4,685,302	\$ 4,120,960	\$ 3,977,184	\$ 3,896,529		
*	*	*	*	*	*		
*	*	*	*	*	*		
88,145	70,274	50,185	64,968	108,923	97,276		
197,214	153,952	201,417	160,041	157,584	169,272		
887,788	1,017,008	1,006,732	942,243	920,282	853,846		
735,033	777,244	914,144	718,764	897,033	659,191		
382,729	358,019	366,312	365,658	400,116	368,164		
-	-	5,158	4,540	1,965	20,059		
22,808	2,831	71,400	566,610	173,687	67,939		
260,000	240,000	235,000	220,000	361,038	325,000		
146,594	157,953	169,133	177,331	162,897	192,219		
255,130	238,242	213,266	208,201	204,483	201,214		
<u>\$ 7,842,577</u>	<u>\$ 7,907,026</u>	<u>\$ 7,918,049</u>	<u>\$ 7,549,316</u>	<u>\$ 7,365,192</u>	<u>\$ 6,850,709</u>		

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

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

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

I have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of North Butler Community School District as of and for the year ended June 30, 2015, and the related Notes to Financial Statements, which collectively comprise the District's basic financial statements, and have issued my report thereon dated January 28, 2016.

Internal Control Over Financial Reporting

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

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

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or 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. I consider the deficiencies described in Part I of the accompanying Schedule of Findings as items I-A-15 through I-F-15 to be material weaknesses.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control which is less than a material weakness, yet important enough to merit attention by those charged with governance. I consider the deficiency described in Part I of the accompanying Schedule of Findings as item I-G-15 to be a significant deficiency.

### Compliance and Other Matters

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

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2015 are based exclusively on knowledge obtained from procedures performed during my audit of the financial statements of the District. Since my audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

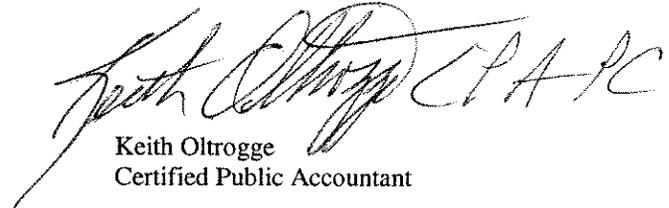
### North Butler Community School District's Responses to the Findings

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

### Purpose of this Report

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

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



Keith Oltrogge  
Certified Public Accountant

January 28, 2016

North Butler Community School District

Schedule of Findings

Year Ended June 30, 2015

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

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**INTERNAL CONTROL DEFICIENCIES:**

I-A-15      Segregation of Duties – The limited number of personnel makes it difficult to achieve adequate internal control through the segregation of duties and responsibilities, such as recording and processing cash receipts, preparing checks and bank reconciliations, preparation of journals and general financial information for ledger posting, and the analysis of financial information. A small staff makes it difficult to establish an ideal system of automatic internal checks on accounting record accuracy and reliability. This is not an unusual condition, but it is important the District officials are aware that the condition exists.

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

Response - The District is aware of the lack of complete segregation of duties and will make changes as the opportunity arises.

Conclusion – Response accepted.

I-B-15      Disbursement Approval – For 22 of 24 general fund, all 22 of the activity fund and all 8 of the nutrition fund disbursements tested there was no evidence to document the date the expenditure was approved.

Recommendation – The District should ensure all expenditures are approved. The District should maintain documentation such as a signature or the initials of the reviewer and the date of review.

Response – We will ensure all expenditures are properly approved and will maintain the documentation.

Conclusion – Response accepted.

I-C-15      Disbursement Support – One credit card purchase tested did not have supporting receipts attached prior to a check being released for payment.

Recommendation – All disbursements should have adequate support by an invoice, receipt or other written documentation prior to the check being released for payment.

Response – We will ensure all expenditures have proper support.

Conclusion – Response accepted.

North Butler Community School District

Schedule of Findings

Year Ended June 30, 2015

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

I-D-15 Disbursements – I noted two instances of checks clearing the bank with different check numbers than what was recorded in the general ledger. The original checks were not voided in the general ledger and the replacement checks were not entered in the general ledger.

Recommendation – The District should void checks and reissue them in the general ledger to accurately record the activity for the year.

Response – We will void checks in the general ledger in the future.

Conclusion – Response accepted.

I-E-15 School Nutrition Fund Accounts – I noted the Enterprise, School Nutrition Fund revenue and expense classifications as required by the Iowa Department of Education were not accurately recorded in the general ledger. The District records student meal deposits as student lunch revenue and then allocates the breakfast, adult meals and ala carte revenues at year end. The District records food costs in one account and then allocates them at year end.

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

Response – We are implementing changes in procedures for fiscal year 2016 which will correct this problem.

Conclusion – Response accepted.

I-F-15 Financial Reporting – During the audit, I identified disbursements recorded in incorrect funds and several disbursements with the wrong object code. Adjustments were made by the District to properly record the disbursements to the proper fund and account before year end.

Recommendation – The District should review the coding of all bills and receipts to ensure they are properly coded in accordance with the Uniform Financial Accounting for Iowa LEAs and AEAs. The purpose of governmental fund accounting is to facilitate the District is demonstrating compliance with the use of designated or restricted revenue by segregating the revenue and related expenditures. In addition, timely and complete recording of all bills and receipts is essential for accurate financial statements. The general ledger is supposed to be an accurate history of the District's financial transactions.

Response – We will review the coding of bills and receipts to ensure they are properly recorded.

Conclusion – Response accepted.

North Butler Community School District

Schedule of Findings

Year Ended June 30, 2015

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

I-G-15 Annual Financial Statements – The ability to apply U.S. generally accepted accounting principles to the financial statements and determine the sufficiency of the footnote disclosures is a necessary aspect of internal control over the District's financial reporting process. The District does not possess an individual with the appropriate expertise to apply U.S. generally accepted accounting principles to the financial statements and to draft and determine the sufficiency of the necessary disclosures. The District has a limited number of employees and it is not cost beneficial to employ an individual with this type of expertise and knowledge. The internal financial statements prepared by the District are not prepared in accordance with U.S. generally accepted accounting principles and do not contain the required footnote disclosures.

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

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

Conclusions – Response accepted.

**North Butler Community School District**

**Schedule of Findings**

**Year Ended June 30, 2015**

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

II-A-15 Certified Budget – Expenditures for the year ended June 30, 2015 exceeded the amended certified budget in the support services functional area.

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

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

Conclusion – Response acknowledged.

II-B-15 Questionable Expenditures – Certain disbursements were noted I believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 since the public benefits to be derived have not been clearly documented.

Vendor	Description	Amount
General Fund:		
Smith’s Etc.	Gift	\$ 32.99
Smith’s Etc.	Open house meal	320.00
Employee	Retirement party supplies	19.40
Marengo Civil War Band	Entry fee	500.00

Recommendation – The District should review Chapter 298A.8 of the Code of Iowa and Iowa Administrative Code 281-12.6(1) for the allowability of expenditures. When the District purchases items such as food for teacher appreciation, these purchases would be more appropriate from the General Fund as long as public purpose is documented and the items are de minimus according to Internal Revenue Service Publication 15-B. Additionally, the Board of Directors should approve the purchase of such items prior to the expenditure and document the public purpose derived.

Response – Beginning in fiscal 2016, the District will not make any purchases for retirement gifts, teacher appreciation supplies or other items that are not appropriate.

Conclusion – Response acknowledged.

II-C-15 Travel Expense – No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

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

Name, Title & Business Connection	Transaction Description	Amount
Bouillion Lawn Care – Employee Owned	Services	\$ 2,201
Bouillion Flower & Garden – Employee Owned	Supplies	297
		<u>\$ 2,498</u>

In accordance with Chapter 279.74 of the Code of Iowa, the transactions do not appear to represent a conflict of interest since the total does not exceed \$2,500.

North Butler Community School District

Schedule of Findings

Year Ended June 30, 2015

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

II-E-15 Bond Coverage – Surety bond coverage of District officials and employees is in accordance with statutory Provisions. The amount of coverage should be reviewed annually to insure the coverage is adequate for current operations.

II-F-15 Board Minutes – Certain minutes were not published as required by Chapter 279.35 of the Code of Iowa.

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

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

Conclusion – Response accepted.

II-G-15 Certified Enrollment – No variances in the basic enrollment data certified to the Iowa Department of Education were noted.

II-H-15 Supplementary Weighting – No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

II-I-15 Deposits and Investments – Except as noted below, 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.

The District adopted a depository resolution naming each depository which may hold funds for the District. However, the resolution did not specify the maximum dollar amount that may be kept on deposit at each depository as required by Chapter 12.C of the Code of Iowa.

Recommendation – The District should approve a depository resolution which includes the maximum dollar amount that may be kept at each depository.

Response – Procedures have been revised to ensure dollar amounts are included in the resolution as required.

Conclusion – Response accepted.

II-J-15 Certified Annual Report – The Certified Annual Report was certified timely to the Iowa Department of Education.

II-K-15 Deficit Balances – The Enterprise, Nutrition Fund and Enterprise, Preschool Fund had deficit balances at June 30, 2015.

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

Response – The District is continuing to investigate alternatives to eliminate these deficits.

Conclusion – Response accepted.

North Butler Community School District

Schedule of Findings

Year Ended June 30, 2015

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

II-L-15 Electronic Check Retention – Chapter 554D.114 of the Code of Iowa allows the District to retain cancelled checks in an electronic format and required retention in this manner to include an image of both the front and back of each cancelled check. The District retains cancelled checks through electronic image but does not obtain an image of the back of each cancelled check as required.

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

Response – We started receiving images of both the front and back of our cancelled checks in November 2014.

Conclusion – Response accepted.

II-M-15 Sales Tax – I noted sales tax was paid on two disbursements tested.

Recommendation – Supporting documentation should be reviewed carefully before disbursements are made.

Response – We will review all invoices before payment is made.

Conclusion – Response accepted.

II-N-15 Physical Plant and Equipment Levy (PPEL) Expenditures – I noted the District made purchases from the PPEL Fund which do not appear to be in compliance with Chapters 423 and 298.3 of the Code of Iowa.

Recommendation – The District should review Chapters 423 and 298.3 of the Code of Iowa for the allowability of expenditures from the PPEL Fund. A corrective transfer from the General Fund to the Capital Projects – Physical Plant and Equipment (PPEL) Fund should be made.

Response – We will review all invoices before payment is made.

Conclusion – Response accepted.

II-O-15 Categorical Funding – Except as noted, no instances of categorical funding were used to supplant rather than supplement other funds.

1. I noted expenditures for general supplies and copier lease payments which may not be allowable uses of special education funds.
2. According to proposed administrative rules, “Categorical funding shall not be comingled with other funding. School districts shall use a project code and program code as defined by Uniform Financial Accounting.” I noted during the year some categorical fund expenditures were comingled with General Fund expenditures and were then reclassified as categorical spending at the end of the year.
3. Excess amounts are being requested for drop-out prevention resulting in an unusually large balance in that categorical fund.

Recommendation – The District should contact the Iowa Department of Education to determine if these expenditures are allowable expenditures for the special education program. Also, all categorical funding expenditures should be

**North Butler Community School District**

**Schedule of Findings**

**Year Ended June 30, 2015**

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

**II-O-15 Categorical Funding (continued)**

**Response** – We have revised our procedures for identifying categorical expenditures so they will be coded correctly as the costs are incurred. We will contact the Iowa Department of Education to determine if the special education expenditures are allowable.

**Conclusion** – Response accepted.

**II-P-15 Statewide Sales, Services and Use Tax** – No instances of non-compliance with the allowable uses of the statewide sales, services and use tax revenue provided in Chapter 4234F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services, and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2015, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$	994,000
Revenues/transfers in:			
Sales tax revenue	\$	590,998	
Capital lease proceeds		656,904	
Other local revenues		2,481	1,250,383
			<u>\$ 2,244,383</u>
Expenditures/transfers out:			
School infrastructure construction	\$	122,681	
Equipment		783,540	
Transfers to other funds:			
Debt service fund		376,241	1,282,462
			<u>\$ 961,921</u>

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

	Per \$1,000 of Taxable Valuation	Property Tax Dollars
Debt service levy	1.2064	\$ 590,998
Physical plant and equipment levy (PPEL)	.3219	157,436
Public educational and recreational levy (PERL)	-	-
Total		<u>\$ 748,434</u>

North Butler Community School District

Schedule of Findings

Year Ended June 30, 2015

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

II-Q-15 Student Activity Fund– The Student Activity Fund includes accounts which should have been reclassified by a residual equity transfer in prior years in order for the fund to conform to U. S. generally accepted accounting principles in accordance with Chapter 257.31(4) of the Code of Iowa. This account is the HI-FI account.

Recommendation –. The District should make a corrective transfer to move this account into another activity fund account.

Response – We will review this account and reallocate where necessary to other proper activities.

Conclusion – Response accepted.

II-R-15 Disposal of Property – The District did not publish a notice of assets for sale in the newspaper as required by Iowa Code.

Recommendation –. Before the District sells assets it must give public notice in the newspaper as required by Iowa Code.

Response – We will publish the appropriate notice in the future as required.

Conclusion – Response accepted.