

BENTON COMMUNITY SCHOOL DISTRICT
VAN HORNE, IOWA

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

JUNE 30, 2015

TABLE OF CONTENTS

	Page
OFFICIALS	4
INDEPENDENT AUDITOR’S REPORT	5-6
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)	7-14
BASIC FINANCIAL STATEMENTS:	
Exhibit	
Government-Wide Financial Statements:	
A Statement of Net Position	16-17
B Statement of Activities	18-21
Governmental Fund Financial Statements:	
C Balance Sheet	22-23
D Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position	24
E Statement of Revenues, Expenditures and Changes in Fund Balances	25-26
F Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to the Statement of Activities	27
Proprietary Fund Financial Statements:	
G Statement of Fund Net Position	28
H Statement of Revenues, Expenses and Changes in Fund Net Position	29
I Statement of Cash Flows	30-31
Notes to Financial Statements	32-52
REQUIRED SUPPLEMENTARY INFORMATION:	
Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances – Budget and Actual – All Governmental Funds and Proprietary Funds	54
Notes to Required Supplementary Information – Budgetary Reporting	55
Schedule of the District’s Proportionate Share of the Net Pension Liability	56
Schedule of District Contributions	58-59
Notes to Required Supplementary Information – Pension Liability	60-61
Schedule of Funding Progress for the Retiree Health Plan	62
SUPPLEMENTARY INFORMATION:	
Schedule	
Nonmajor Governmental Funds:	
1 Combining Balance Sheet	64
2 Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	65
Capital Projects Accounts:	
3 Combining Balance Sheet	66
4 Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	67
5 Schedule of Changes in Special Revenue Fund, Student Activity Accounts	68-69
6 Schedule of Revenues by Source and Expenditures by Function - All Governmental Funds	70-71
7 Schedule of Expenditures of Federal Awards	72

TABLE OF CONTENTS
(continued)

	Page
INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS	73-74
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133	75-76
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	77-82

BENTON COMMUNITY SCHOOL DISTRICT

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<u>Board of Education</u>		
Dan Voss	President	2015
Patrick Stepanek	Vice President	2017
Brian Strellner	Board Member	2015
Bill Boies	Board Member	2015
Roy Becker	Board Member	2015
Wayne Reinhardt	Board Member	2017
Kyle Schmidt	Board Member (Resigned July 23, 2014)	
Theresa Ludeking	Board Member (Appointed August 20, 2014)	2015
<u>School Officials</u>		
Gary Zittergruen	Superintendent	2015
Doug Embray	District Secretary/ Associate Superintendent	2015
Eva Bartelt	District Treasurer	2015
Ray and Associates	Attorney	Indefinite
Lynch, Dallas PC	Attorney	Indefinite

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

HUNT & ASSOCIATES, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

1201 HIGH AVENUE WEST
OSKALOOSA, IA 52577
641/672-2541
FAX 641/672-2461

317 EAST ROBINSON
KNOXVILLE, IA 50138
641/842-3184
FAX 641/828-7404

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of
Benton Community School District:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Benton Community School District, Benton 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

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Benton Community School District as of June 30, 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 12 to the financial statements, Benton 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. Our opinions are not modified with respect to this matter.

Other*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 7 through 14 and 54 through 62 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Benton Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2014 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 7, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated January 5, 2016 on our consideration of Benton Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Benton Community School District's internal control over financial reporting and compliance.

*Hunt & Associates, P.C.*Oskaloosa, Iowa
January 5, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS 2015

This section of the Benton Community School District's annual financial report presents a discussion and analysis of the District's financial performance during the fiscal year ending on June 30, 2015. Our analysis will focus on the District's financial performance as a whole for the fiscal year 2015.

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

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

Fiscal 2015 Financial Highlights

- ◆ General Fund revenue and other financing sources increased from \$15,860,409 in fiscal 2014 to \$16,415,049 in fiscal 2015 while General Fund expenditures and other financing uses increased from \$15,771,372 in fiscal 2014 to \$16,229,149 in fiscal 2015. This resulted in an overall change in the District's General Fund balance from \$2,750,001 in fiscal 2014, to \$2,935,901 in fiscal 2015, an increase from the prior fiscal year.
- ◆ Benton Community's Instructional Support Levy is supported through fiscal 2018, it is funded by a mixture of Income-surtax and local property tax. The levy is scheduled to provide approximately \$773,180 for District identified purchases and supported by board resolution.
- ◆ The increase in expenditures for Fiscal 2015 was due primarily to personnel settlements, and increased vendor services to the school district.
- ◆ The District continues to collect one-cent sales tax revenue from Benton, Iowa and Tama Counties during the 2015 fiscal year. The revenue from this tax has been used to reduce District long-term debt. This funding stream will also continue to fund annual district infrastructure needs.
- ◆ The economy continues to impact earning rates during the fiscal year, resulting in low General Fund interest earnings on investments. In fiscal year 2014, the District earned \$9,304 on investments. In fiscal year 2015, the District earned \$8,867 on investments, a decrease over last year's earnings.
- ◆ The District continues to support the .33 cent portion of annual PPEL revenue through the annual budgeting process and currently has no additional voted PPEL in the annual budget.

Overview of Financial Statements

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

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

District-Wide Statements

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

The two District-wide statements report the District's net position and how it has changed. Net position, the difference between the District's assets and deferred outflows of resources, liabilities, and deferred inflows of resources are ways to measure the District's financial health or position.

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

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

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

Fund Financial Statements

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

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

Benton Community School District has two types of funds:

- ◆ **Governmental funds:** Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets, which can readily be converted to cash, flow in and out, and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the District-wide statements, additional information at the bottom of the governmental fund statements explains the relationship or differences between the two statements.
 - ◆ The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Fund, and Permanent Fund.
- ◆ **Proprietary funds:** Services for which the District charges a fee are generally reported in the proprietary funds. Proprietary funds are reported in the same way as the District-wide statements.
 - ◆ The District's enterprise funds, one type of proprietary fund, are the same as its business-type activities but provides more detail and additional information, such as cash flows. The District currently has two enterprise funds, the school nutrition program and the preschool program.

Financial Analysis of the District as a Whole

Net Position: Figure A-1 provides a summary of the District's net position for fiscal years ended June 30, 2014 and June 30, 2015.

Figure A-1 Statement of Net Position

	Government Activities	Business Activity	School District	Government Activities	Business Activities	School District	Change
	2014	2014	2014	2015	2015	2015	
	Not Restated	Not Restated	Not Restated				
Current /other assets	15,220,904	114,789	15,335,693	16,019,563	58,664	16,078,227	742,534
Capital Assets	22,211,570	140,144	22,351,714	21,683,456	136,580	21,820,036	-531,678
Total Assets	37,432,474	254,933	37,687,407	37,703,019	195,244	37,898,263	210,856
Deferred Outflows	0	0	0	1,365,586	47,683	1,413,269	1,413,269
Long-term obligations	12,019,627	0	12,019,627	17,628,160	209,256	17,837,416	5,817,789
Other liabilities	1,967,249	23,286	1,990,535	1,943,503	24,238	1,967,741	-22,794
Total Liabilities	13,986,876	23,286	14,010,162	19,571,663	233,494	19,805,157	5,794,995
Deferred Inflows	6,668,128	0	6,668,128	9,320,181	79,805	9,399,986	2,731,858
Net Position:							
Net investment in capital assets	10,691,570	140,144	10,831,714	10,713,456	136,580	10,850,036	18,322
Restricted	3,819,048	0	3,819,048	4,171,961	0	4,171,961	352,913
Unrestricted	2,266,852	91,503	2,358,355	-4,708,656	-206,952	-4,915,608	-7,273,963
Total Net Position	16,777,470	231,647	17,009,117	10,176,761	-70,372	10,106,389	-6,902,728

Changes in net position: Figure A-2 shows the changes in net position for the years ending June 30, 2014 and June 30, 2015.

Figure A-2 Changes in Net Position

	Government Activities 2014	Business Activities 2014	School District 2014	Government Activities 2015	Business Activities 2015	School District 2015	Change
	Not Restated	Not Restated	Not Restated				
Revenues:							
Program Revenue:							
Charge for service / sales	1,222,801	568,577	1,791,378	1,449,106	552,837	2,001,943	210,565
Operating grants, restricted interest	2,218,145	274,871	2,493,016	2,691,271	278,651	2,969,922	476,906
Capital grants, and restricted interest	49,163	26,014	75,177	0	0	0	-75,177
General Revenues:							
Property tax	8,486,179	0	8,486,179	8,605,100	0	8,605,100	118,921
Unrestricted state grants	6,126,027	0	6,126,027	6,191,006	0	6,191,006	64,979
Unrestricted investments	14,818	305	15,123	12,334	204	12,538	-2,585
Other	85,758	0	85,758	41,761	0	41,761	-43,997
Total revenues	18,202,891	869,767	19,072,658	18,990,578	831,692	19,822,270	749,612
Program Expenses:							
Governmental activities							
Instruction	11,405,790	0	11,405,790	10,752,786	0	10,752,786	-653,004
Support services	4,985,501	11,812	4,997,313	5,676,248	5,060	5,681,308	683,995
Non-instruction Programs	0	858,533	858,533	0	871,254	871,254	12,721
Other expenses	1,666,608	0	1,666,608	1,713,155	0	1,713,155	46,547
Total expenses	18,057,899	870,345	18,928,244	18,142,189	876,314	19,018,503	90,259
Special items	0	0	0	0	0	0	0
Change in net position	144,992	-578	144,414	848,389	-44,622	803,767	659,353

Property tax and unrestricted state grants account for 75% of the District's total revenue. The District's expenses primarily relate to instruction and support services, which account for 86% of the total expenses.

Governmental Activities

Unrestricted net position – the part of the 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 approximately \$7,273,963, or 308%. This reduction in unrestricted net position was primarily a result of the District's net pension liability 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 \$7,449,098 and \$257,397, 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.

Revenues for governmental activities were \$18,990,578 and expenses were \$18,142,189 in fiscal 2015. The District attempted to balance revenues and expenses for most Governmental Funds, excluding the Capital Projects Fund. Particular attention was given to the District General Fund. The following table presents the total and net cost of the District's major governmental activities; instruction, support services, non-instructional programs and other expenses.

Figure A-3 Total Net Cost of Governmental Activities

Figure A-3 shows the changes in Net costs for the years ending June 30, 2014 and June 30, 2015.

	Cost of Services	Net Cost of Services	Cost of Services	Net Cost of Services	Change
	2014	2014	2015	2015	2015
Instruction	11,405,790	8,747,752	10,752,786	7,902,955	-844,797
Support services	4,985,501	4,784,179	5,676,248	5,002,118	217,939
Non-instructional programs	0	0	0	0	0
Other expenses	1,666,608	1,035,859	1,713,155	1,096,739	60,880
Total	18,057,899	14,567,790	18,142,189	14,001,812	-565,978

- ◆ The cost financed by users of District's programs was \$1,449,106
- ◆ Federal and state government subsidized certain programs with grants and contributions totaling \$2,691,271
- ◆ The net cost of governmental activities was financed with \$8,605,100 in property tax and other taxes, \$6,191,006 in state foundation aid and \$12,334 in interest income.

Business -Type Activities

Revenues for the District's business-type activities were \$831,692 and expenses were \$871,254. The District's business-type activities include the School Nutrition Fund, Latch key and Preschool programs. Revenues of these activities were comprised of charges for services, federal and state reimbursements, and investment income.

During the year ended June 30, 2015, revenues decreased \$38,075 from the prior year, with increased expenditures of \$5,969 from the prior year.

Financial Analysis of the District's Funds

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

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported combined fund balances of \$6,810,548 an increase over last year's ending fund balance of \$6,320,859.

Governmental Fund Highlights

- ◆ The District's General Fund financial position is the product of many factors. The slight increase in revenues was coupled with an increase in General Fund expenditures. These conditions resulted in an increase in the District's General Fund carry over fund balance.
- ◆ The General Fund balance increased from \$2,750,001 to \$2,935,901 for the 2015 fiscal year. In addition the District Instructional Support Levy has helped support expenditures in the General Fund.
- ◆ The District's Capital Project Fund(s) had a balance of \$1,647,627 on June 30, 2015. This balance is a combination of One-cent sales tax money collections, Physical Plant and Equipment (.33) Levy.

Proprietary Fund Highlights

The School Nutrition Fund had a net position of -\$48,052 on June 30, 2015. This major change in net position was created by GASB 68. The District will monitor future GASB guidance and adjust according to the direction of future bulletins.

Budgetary Highlights

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

Legal Budgetary Highlights

The District's total actual revenues in 2015 were \$19,841,212; \$657,169 more than the total actual revenues amount of \$19,184,043 in 2014. District expenditures for 2015 were \$19,396,145; \$239,722 more than total expenses of \$19,156,423 in 2014. The non-instructional programs budget area was exceeded by \$58,254 at year end. No other budget areas were exceeded.

Capital Assets and Debt Administration

Capital Assets

On June 30, 2015, the District had invested \$21,820,036 net of accumulated depreciation, in a broad range of capital assets; including land, buildings, athletic facilities, transportation equipment, computers, and audio-visual equipment. (See Figure A-4) This amount represents a net decrease from the last fiscal year. More detailed information about capital assets is available in the financial statements. Depreciation expense for the year was \$890,847.

Excluding depreciation, the District has \$33,337,643 in capital assets on June 30, 2015. Governmental Funds account for the majority of the District's capital assets with the remainder in the Proprietary, School Nutrition Fund.

Figure A-4
Capital Assets, Net of Depreciation

Figure A-4 shows the changes in Capital Assets for the years ending June 30, 2014 and June 30, 2015.

	Governmental	Business-type	School	Government	Business-Type	School
	Activities	Activities	District	Activities	Activities	District
	2014	2014	2014	2015	2015	2015
Land	63,056	0	63,056	63,056	0	63,056
Land Improvements	315,060	0	315,060	363,951	0	363,951
Buildings	20,888,164	0	20,888,164	20,278,251	0	20,278,251
Construction	0	0	0	0	0	0
Furniture/Equip	945,290	140,144	1,085,434	978,198	136,580	1,114,778
Totals	22,211,570	140,144	22,351,714	21,683,456	136,580	21,820,036

Long-Term Debt

On June 30, 2015, the District had \$10,970,000 in sales revenue bonds outstanding. These bonds are being used to finance the Middle School/High School Facility Roof, MS/HS Site Drainage Improvements, Atkins Elementary Renovation, MS/HS Stadium, and MS/HS Auditorium Renovation.

Factors Bearing on the District's Future

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

- ◆ The District continues to experience declining enrollment. The District has annually monitored this decline and has been able to react through aggressive cash levy options. The District has been able to reduce expenditures annually through district personnel attrition, district grade level realignment, and early retirement incentives. Current projections suggest a continued enrollment decline for the next five fiscal years.
- ◆ The District has continued to support the .33 PPEL Levy through the annual budgeting process.
- ◆ Future obligations impacting the Sales Revenue Fund (33) include: current annual payments to be approximately \$925,000 annually through 2029, identified district infrastructure projects, and potential HVAC replacement or repair needs, electrical upgrades, and 1950s era infrastructure maintenance. The Sales Revenue Fund (33) will generate annually, with the assumption of 2% State Sales Revenue Growth and declining district enrollment of 25 students annually, approximately \$1,100,000 per year.
- ◆ The District has annually supported the board approved Instructional Support Levy, (ISL) for the district improvements in technology, staff development, core curricular program, classroom supplies, concurrent course enrollment, and textbook/workbook needs. This levy is a combination of property tax and district income surtax and generates approximately \$745,000 annually for the General Fund (10) in a combination of property and income surtax. If this levy is not supported on an annual basis the district general fund would be impacted by these expenses.
- ◆ The District will negotiate a new labor contract in 2016 with its employee groups for fiscal 2017. Settlements in excess of "new money" or supplemental state aid will have an adverse effect on the District's General Fund budget and Reserve Fund Balances. The district expects to be budgeting district resources and expense within the state budget guarantee of 101% if necessary and budget accordingly for negative enrollment impacts for the 2017 budget.

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Douglas D. Embray, Associate Superintendent, Benton Community School District, 304 First Street, PO Box 70, Van Horne, Iowa 52346-0070.

Basic Financial Statements

BENTON COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET POSITION

June 30, 2015

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and pooled investments	\$ 8,005,477	\$ 41,776	\$ 8,047,253
Receivables:			
Property tax:			
Current year	89,635	-	89,635
Succeeding year	7,010,633	-	7,010,633
Income surtax	447,686	-	447,686
Accounts	3,174	663	3,837
Due from other governments	440,037	200	440,237
Inventories	8,802	16,025	24,827
Prepaid expenses	14,119	-	14,119
Capital assets, net of accumulated depreciation (note 4)	21,683,456	136,580	21,820,036
Total assets	37,703,019	195,244	37,898,263
Deferred Outflows of Resources			
Pension related deferred outflows	1,365,586	47,683	1,413,269
Liabilities			
Accounts payable	64,744	-	64,744
Due to other governments	302,346	-	302,346
Salaries and benefits payable	1,372,375	6,542	1,378,917
Advances from grantors	11,231	-	11,231
Unearned revenue	-	17,696	17,696
Accrued interest payable	192,807	-	192,807
Long-term liabilities (note 5):			
Portion due within one year:			
Early retirement	126,777	-	126,777
Bonds payable	580,000	-	580,000
Portion due after one year:			
Early retirement	86,475	-	86,475
Bonds payable	10,390,000	-	10,390,000
Net pension liability	6,055,908	209,256	6,265,164
Net OPEB liability	389,000	-	389,000
Total liabilities	19,571,663	233,494	19,805,157

BENTON COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET POSITION

June 30, 2015

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
Deferred Inflows of Resources			
Unavailable property tax revenue	\$ 7,010,633	\$ -	\$ 7,010,633
Pension related deferred inflows	2,309,548	79,805	2,389,353
Total deferred inflows of resources	<u>9,320,181</u>	<u>79,805</u>	<u>9,399,986</u>
Net Position			
Net investment in capital assets	10,713,456	136,580	10,850,036
Restricted for:			
Categorical funding	625,651	-	625,651
Debt service	1,569,200	-	1,569,200
Capital projects	1,368,515	-	1,368,515
Physical plant and equipment levy purposes	279,112	-	279,112
Student activities	319,483	-	319,483
Baseball program	10,000	-	10,000
Unrestricted	<u>(4,708,656)</u>	<u>(206,952)</u>	<u>(4,915,608)</u>
Total net position	<u>\$ 10,176,761</u>	<u>\$ (70,372)</u>	<u>\$ 10,106,389</u>

See notes to financial statements.

BENTON COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
Year Ended June 30, 2015

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Governmental Activities:			
Instruction	\$ 10,752,786	\$ 1,284,873	\$ 1,564,958
Support services:			
Student	319,807	164,233	7,185
Instructional staff	863,676	-	461,995
Administration	1,679,403	-	-
Operation and maintenance of plant	1,603,239	-	-
Transportation	1,210,123	-	40,717
	<u>5,676,248</u>	<u>164,233</u>	<u>509,897</u>
Other expenditures:			
Facilities acquisition	43,144	-	-
Long-term debt interest and fiscal charges	389,868	-	-
AEA flowthrough	616,416	-	616,416
Depreciation (unallocated) *	663,727	-	-
	<u>1,713,155</u>	<u>-</u>	<u>616,416</u>
Total governmental activities	<u>18,142,189</u>	<u>1,449,106</u>	<u>2,691,271</u>

Net (Expense) Revenue
and Changes in Net Position

Governmental Activities	Business-Type Activities	Total
\$ (7,902,955)	\$ -	\$ (7,902,955)
(148,389)	-	(148,389)
(401,681)	-	(401,681)
(1,679,403)	-	(1,679,403)
(1,603,239)	-	(1,603,239)
(1,169,406)	-	(1,169,406)
(5,002,118)	-	(5,002,118)
(43,144)	-	(43,144)
(389,868)	-	(389,868)
-	-	-
(663,727)	-	(663,727)
(1,096,739)	-	(1,096,739)
(14,001,812)	-	(14,001,812)

BENTON COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

Year Ended June 30, 2015

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Business-Type Activities:			
Support services:			
Operation and maintenance of plant	\$ 5,060	\$ -	\$ -
Non-instructional programs:			
Food service operations	827,616	512,742	278,651
Preschool operations	43,638	40,095	-
	<u>871,254</u>	<u>552,837</u>	<u>278,651</u>
Total business-type activities	<u>876,314</u>	<u>552,837</u>	<u>278,651</u>
Total	<u>\$ 19,018,503</u>	<u>\$ 2,001,943</u>	<u>\$ 2,969,922</u>

General revenues:

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

Total general revenues

Change in net position

Net position beginning of year, as restated

Net position end of year

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

See notes to financial statements.

Net (Expense) Revenue
and Changes in Net Position

<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Total</u>
\$ -	\$ (5,060)	\$ (5,060)
-	(36,223)	(36,223)
-	(3,543)	(3,543)
-	(39,766)	(39,766)
-	(44,826)	(44,826)
<u>(14,001,812)</u>	<u>(44,826)</u>	<u>(14,046,638)</u>
\$ 6,514,475	\$ -	\$ 6,514,475
189,155	-	189,155
505,297	-	505,297
1,396,173	-	1,396,173
6,191,006	-	6,191,006
12,334	204	12,538
41,761	-	41,761
<u>14,850,201</u>	<u>204</u>	<u>14,850,405</u>
848,389	(44,622)	803,767
<u>9,328,372</u>	<u>(25,750)</u>	<u>9,302,622</u>
<u>\$ 10,176,761</u>	<u>\$ (70,372)</u>	<u>\$ 10,106,389</u>

BENTON COMMUNITY SCHOOL DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2015

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Total</u>
Assets					
Cash and pooled investments	\$ 4,330,596	\$ 1,762,007	\$ 1,425,135	\$ 487,739	\$ 8,005,477
Receivables:					
Property tax:					
Current year	82,005	-	2,440	5,190	89,635
Succeeding year	6,167,510	-	193,123	650,000	7,010,633
Income surtax	447,686	-	-	-	447,686
Accounts	3,174	-	-	-	3,174
Due from other governments	219,985	-	220,052	-	440,037
Inventories	8,802	-	-	-	8,802
Prepaid expenses	14,119	-	-	-	14,119
	<hr/>				
Total assets	<u>\$ 11,273,877</u>	<u>\$ 1,762,007</u>	<u>\$ 1,840,750</u>	<u>\$ 1,142,929</u>	<u>\$ 16,019,563</u>

BENTON COMMUNITY SCHOOL DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2015

	General	Debt Service	Capital Projects	Nonmajor	Total
Liabilities, Deferred Inflows of Resources and Fund Balances					
Liabilities:					
Accounts payable	\$ 36,828	\$ -	\$ -	\$ 27,916	\$ 64,744
Due to other governments	302,346	-	-	-	302,346
Salaries and benefits payable	1,372,375	-	-	-	1,372,375
Advances from grantors	11,231	-	-	-	11,231
Total liabilities	<u>1,722,780</u>	-	-	27,916	<u>1,750,696</u>
Deferred inflows of resources:					
Unavailable revenues:					
Succeeding year property tax	6,167,510	-	193,123	650,000	7,010,633
Other	447,686	-	-	-	447,686
Total deferred inflows of resources	<u>6,615,196</u>	-	193,123	650,000	<u>7,458,319</u>
Fund balances:					
Nonspendable:					
Inventories	8,802	-	-	-	8,802
Prepaid expenses	14,119	-	-	-	14,119
Restricted for:					
Categorical funding (note 11)	625,651	-	-	-	625,651
Revenue bonds	-	988,703	-	-	988,703
Revenue bonds sinking fund	-	772,810	-	-	772,810
Debt service	-	494	-	-	494
School infrastructure	-	-	1,368,515	-	1,368,515
Physical plant and equipment	-	-	279,112	-	279,112
Management levy purposes	-	-	-	135,530	135,530
Student activities	-	-	-	319,483	319,483
Baseball program	-	-	-	10,000	10,000
Unassigned	2,287,329	-	-	-	2,287,329
Total fund balances	<u>2,935,901</u>	<u>1,762,007</u>	<u>1,647,627</u>	<u>465,013</u>	<u>6,810,548</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 11,273,877</u>	<u>\$ 1,762,007</u>	<u>\$ 1,840,750</u>	<u>\$ 1,142,929</u>	<u>\$ 16,019,563</u>

BENTON COMMUNITY SCHOOL DISTRICT

RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
June 30, 2015

Total fund balances of governmental funds	\$	6,810,548
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.		21,683,456
Other long-term assets, including income surtax receivable, are not available to pay current year expenditures and, therefore, are recognized as deferred inflows of resources in the governmental funds.		447,686
Accrued interest payable on long-term liabilities is not due and payable in the current year and, therefore, is not reported as a liability in the governmental funds.		(192,807)
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	\$ 1,365,586	
Deferred inflows of resources	<u>(2,309,548)</u>	(943,962)
Long-term liabilities, including early retirement, bonds payable, net pension liability and net OPEB liability, are not due and payable in the current year and, therefore, are not reported in the governmental funds.		<u>(17,628,160)</u>
Net position of governmental activities	\$	<u><u>10,176,761</u></u>
See notes to financial statements.		

BENTON COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2015

	General	Debt Service	Capital Projects	Nonmajor	Total
Revenues:					
Local sources:					
Local tax	\$ 6,637,153	\$ -	\$ 188,712	\$ 386,117	\$ 7,211,982
Tuition	481,328	-	-	-	481,328
Other	235,543	68	2,564	619,465	857,640
State sources	8,660,252	-	1,396,616	929	10,057,797
Federal sources	400,773	-	-	-	400,773
Total revenues	<u>16,415,049</u>	<u>68</u>	<u>1,587,892</u>	<u>1,006,511</u>	<u>19,009,520</u>
Expenditures:					
Current:					
Instruction	<u>10,315,880</u>	-	-	632,718	10,948,598
Support services:					
Student	331,769	-	-	-	331,769
Instructional staff	882,705	-	-	50	882,755
Administration	1,717,696	-	-	6,033	1,723,729
Operation and maintenance of plant	1,248,573	-	28,705	363,658	1,640,936
Transportation	1,015,681	-	180,376	-	1,196,057
	<u>5,196,424</u>	<u>-</u>	<u>209,081</u>	<u>369,741</u>	<u>5,775,246</u>
Other expenditures:					
Facilities acquisition	-	-	132,527	-	132,527
Long term debt:					
Principal	-	648,023	-	-	648,023
Interest and fiscal charges	-	399,021	-	-	399,021
AEA flowthrough	616,416	-	-	-	616,416
	<u>616,416</u>	<u>1,047,044</u>	<u>132,527</u>	<u>-</u>	<u>1,795,987</u>
Total expenditures	<u>16,128,720</u>	<u>1,047,044</u>	<u>341,608</u>	<u>1,002,459</u>	<u>18,519,831</u>
Excess (deficiency) of revenues over (under) expenditures	<u>286,329</u>	<u>(1,046,976)</u>	<u>1,246,284</u>	<u>4,052</u>	<u>489,689</u>

BENTON COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2015

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Total</u>
Other financing sources (uses):					
Interfund transfers in (note 3)	\$ -	\$ 1,068,973	\$ 7,955	\$ -	\$ 1,076,928
Interfund transfers out (note 3)	(100,429)	-	(968,544)	(7,955)	(1,076,928)
Total other financing sources (uses)	<u>(100,429)</u>	<u>1,068,973</u>	<u>(960,589)</u>	<u>(7,955)</u>	<u>-</u>
Net change in fund balances	185,900	21,997	285,695	(3,903)	489,689
Fund balances beginning of year	<u>2,750,001</u>	<u>1,740,010</u>	<u>1,361,932</u>	<u>468,916</u>	<u>6,320,859</u>
Fund balances end of year	<u>\$ 2,935,901</u>	<u>\$ 1,762,007</u>	<u>\$ 1,647,627</u>	<u>\$ 465,013</u>	<u>\$ 6,810,548</u>

See notes to financial statements.

BENTON COMMUNITY SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2015

Net change in fund balances - total governmental funds \$ 489,689

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

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

	Capital outlays	\$ 342,034	
	Depreciation expense	<u>(870,148)</u>	(528,114)

Income surtax revenue not received until several months after the District's
fiscal year end is not considered available revenue and is recognized as
deferred inflows of resources in the governmental funds. (18,942)

Repayment of long-term liabilities is an expenditure in the governmental
funds, but it reduces long-term liabilities in the Statement of Net Position. 648,023

Interest on long-term debt in the Statement of Activities differs from the
amount reported in the governmental funds because interest is recorded as
an expenditure in the governmental funds when due. In the Statement of
Activities, however, interest expense is recognized as the interest accrues,
regardless of when it is due. 9,153

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. 34,837

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	(132,648)	
	Pension expense	414,391	
	Net OPEB liability	<u>(68,000)</u>	<u>213,743</u>

Change in net position of governmental activities \$ 848,389

See notes to financial statements.

BENTON COMMUNITY SCHOOL DISTRICT

STATEMENT OF FUND NET POSITION
PROPRIETARY FUNDS

June 30, 2015

	<u>School Nutrition</u>	<u>Nonmajor - Preschool</u>	<u>Total</u>
Assets			
Cash and cash equivalents	\$ 33,294	\$ 8,482	\$ 41,776
Accounts receivable	548	115	663
Due from other governments	-	200	200
Inventories	16,025	-	16,025
Capital assets, net of accumulated depreciation (note 4)	136,580	-	136,580
Total assets	<u>186,447</u>	<u>8,797</u>	<u>195,244</u>
Deferred Outflows of Resources			
Pension related deferred outflows	<u>42,595</u>	<u>5,088</u>	<u>47,683</u>
Liabilities			
Salaries and benefits payable	1,494	5,048	6,542
Unearned revenue	17,696	-	17,696
Net pension liability	186,701	22,555	209,256
Total liabilities	<u>205,891</u>	<u>27,603</u>	<u>233,494</u>
Deferred Inflows of Resources			
Pension related deferred inflows	<u>71,203</u>	<u>8,602</u>	<u>79,805</u>
Fund Net Position			
Net investment in capital assets	136,580	-	136,580
Unrestricted	<u>(184,632)</u>	<u>(22,320)</u>	<u>(206,952)</u>
Total fund net position	<u>\$ (48,052)</u>	<u>\$ (22,320)</u>	<u>\$ (70,372)</u>

See notes to financial statements.

BENTON COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
Year Ended June 30, 2015

	<u>School Nutrition</u>	<u>Nonmajor - Preschool</u>	<u>Total</u>
Operating revenues:			
Local sources:			
Charges for services	\$ 512,742	\$ 40,095	\$ 552,837
Operating expenses:			
Support services:			
Operation and maintenance of plant	5,060	-	5,060
Non-instructional programs	827,616	43,638	871,254
Total operating expenses	<u>832,676</u>	<u>43,638</u>	<u>876,314</u>
Operating loss	(319,934)	(3,543)	(323,477)
Non-operating revenues:			
Interest on investments	204	-	204
State sources	5,952	-	5,952
Federal sources	272,699	-	272,699
Total non-operating revenues	<u>278,855</u>	<u>-</u>	<u>278,855</u>
Change in fund net position	(41,079)	(3,543)	(44,622)
Fund net position beginning of year, as restated	<u>(6,973)</u>	<u>(18,777)</u>	<u>(25,750)</u>
Fund net position end of year	<u>\$ (48,052)</u>	<u>\$ (22,320)</u>	<u>\$ (70,372)</u>

See notes to financial statements.

BENTON COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2015

	School Nutrition	Nonmajor - Preschool	Total
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	\$ 492,180	\$ -	\$ 492,180
Cash received from miscellaneous operating activities	21,444	39,780	61,224
Cash paid to employees for services	(404,593)	(45,079)	(449,672)
Cash paid to suppliers for goods or services	(369,892)	-	(369,892)
Net cash used by operating activities	<u>(260,861)</u>	<u>(5,299)</u>	<u>(266,160)</u>
Cash flows from non-capital financing activities:			
State grants received	5,952	-	5,952
Federal grants received	221,172	-	221,172
Net cash provided by non-capital financing activities	<u>227,124</u>	<u>-</u>	<u>227,124</u>
Cash flows from capital and related financing activities:			
Acquisition of capital assets	(17,135)	-	(17,135)
Cash flows from investing activities:			
Interest on investments	204	-	204
Net decrease in cash and cash equivalents	(50,668)	(5,299)	(55,967)
Cash and cash equivalents beginning of year	<u>83,962</u>	<u>13,781</u>	<u>97,743</u>
Cash and cash equivalents end of year	<u>\$ 33,294</u>	<u>\$ 8,482</u>	<u>\$ 41,776</u>

BENTON COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2015

	<u>School Nutrition</u>	<u>Nonmajor - Preschool</u>	<u>Total</u>
Reconciliation of operating loss to net cash used by operating activities:			
Operating loss	\$ (319,934)	\$ (3,543)	\$ (323,477)
Adjustments to reconcile operating loss to net cash used by operating activities:			
Depreciation	20,699	-	20,699
Commodities used	51,527	-	51,527
(Increase) decrease in accounts receivable	4	(115)	(111)
(Increase) in due from other governments	-	(200)	(200)
Decrease in inventories	469	-	469
(Decrease) in accounts payable	(922)	-	(922)
Increase in salaries and benefits payable	762	234	996
Increase in unearned revenue	878	-	878
(Decrease) in net pension liability	(70,461)	(8,512)	(78,973)
(Increase) in deferred outflows of resources	(15,086)	(1,765)	(16,851)
Increase in deferred inflows of resources	71,203	8,602	79,805
Net cash used by operating activities	<u>\$ (260,861)</u>	<u>\$ (5,299)</u>	<u>\$ (266,160)</u>

Non-cash financing activities:

During the year ended June 30, 2015, the District received \$51,527 of federal commodities.

See notes to financial statements.

BENTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 1. Summary of Significant Accounting Policies

Benton Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The geographic area served includes the Cities of Van Horne, Atkins, Blairstown, Elberon, Keystone, Newhall, Norway and Watkins, Iowa, and agricultural territory in Benton, Tama, and Iowa Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

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

A. Reporting Entity

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

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

B. Basis of Presentation

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

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

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

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

BENTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

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

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

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

The District reports the following major governmental funds:

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

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

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

The District reports the following major proprietary fund:

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

C. Measurement Focus and Basis of Accounting

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

BENTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting (continued)

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

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

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

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

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

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

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

BENTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 1. Summary of Significant Accounting Policies (continued)

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

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

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

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

Income Surtax Receivable – Income surtax budgeted for the fiscal year ended June 30, 2015 will not be received by the District until several months after the fiscal year end. Accordingly, income surtax is recorded as a receivable and included in deferred inflows of resources on the modified accrual basis for the governmental funds. For the government-wide statements, on the Statement of Activities the income surtax revenue is recognized.

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

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

BENTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 1. Summary of Significant Accounting Policies (continued)

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

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

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

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

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

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 have been accrued as liabilities.

BENTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 1. Summary of Significant Accounting Policies (continued)

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

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

Compensated Absences – District employees accumulate a limited amount of earned but unused vacation and sick leave. The District's policy is not to reimburse for sick leave or vacation. Vacation can only be used by the employee in the year it is earned. The District has no compensated absences liability at June 30, 2015.

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:

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

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

Unassigned – All amounts not included in the preceding classifications.

BENTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 1. Summary of Significant Accounting Policies (continued)

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/expenses exceeded the amount budgeted in the non-instructional programs function.

Note 2. Cash 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 ensure there will be no loss of public funds.

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

At June 30, 2015, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	Amortized Cost
Diversified Portfolio	\$ <u>988,742</u>

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

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

BENTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 3. Interfund Transfers

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

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	General	\$ 100,429
	Capital Projects	<u>968,544</u>
		<u>1,068,973</u>
Capital Projects	Permanent - Marjorie Smith Trust	<u>7,955</u>
		<u>\$ 1,076,928</u>

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

BENTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 4. Capital Assets

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 63,056	\$ -	\$ -	\$ 63,056
Capital assets being depreciated:				
Buildings	29,344,507	23,128	-	29,367,635
Improvements other than buildings	623,954	73,187	-	697,141
Furniture and equipment	2,718,943	245,719	89,999	2,874,663
Total capital assets being depreciated	<u>32,687,404</u>	<u>342,034</u>	<u>89,999</u>	<u>32,939,439</u>
Less accumulated depreciation for:				
Buildings	8,456,343	633,041	-	9,089,384
Improvements other than buildings	308,894	24,296	-	333,190
Furniture and equipment	1,773,653	212,811	89,999	1,896,465
Total accumulated depreciation	<u>10,538,890</u>	<u>870,148</u>	<u>89,999</u>	<u>11,319,039</u>
Total capital assets being depreciated, net	<u>22,148,514</u>	<u>(528,114)</u>	<u>-</u>	<u>21,620,400</u>
Governmental activities capital assets, net	<u>\$ 22,211,570</u>	<u>\$ (528,114)</u>	<u>\$ -</u>	<u>\$ 21,683,456</u>
	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business-type activities:				
Furniture and equipment	\$ 318,013	\$ 17,135	\$ -	\$ 335,148
Less accumulated depreciation	<u>177,869</u>	<u>20,699</u>	<u>-</u>	<u>198,568</u>
Business-type activities capital assets, net	<u>\$ 140,144</u>	<u>\$ (3,564)</u>	<u>\$ -</u>	<u>\$ 136,580</u>

BENTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 4. Capital Assets (continued)

Depreciation expense was charged to the following functions:

Governmental activities:

Instruction	\$ 32,943
Support services:	
Administration	3,296
Operation and maintenance of plant	7,508
Transportation	<u>162,674</u>
	206,421
Unallocated depreciation	<u>663,727</u>

Total depreciation expense - governmental activities \$ 870,148

Business-type activities:

Food service operations \$ 20,699

BENTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 5. Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2015 is as follows:

	Balance Beginning of Year, as Restated	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
Early retirement	\$ 80,604	\$ 172,950	\$ 40,302	\$ 213,252	\$ 126,777
Revenue bonds	11,520,000	-	550,000	10,970,000	580,000
Capital lease purchase agreements	98,023	-	98,023	-	-
Net pension liability	8,341,382	-	2,285,474	6,055,908	-
Net OPEB liability	321,000	68,000	-	389,000	-
Total	\$ 20,361,009	\$ 240,950	\$ 2,973,799	\$ 17,628,160	\$ 706,777
Business-type activities:					
Net pension liability	\$ 288,229	\$ -	\$ 78,973	\$ 209,256	\$ -

Early Retirement

The District offered a voluntary early retirement plan to its employees for the year ended June 30, 2015 only. Eligible employees must be at least age fifty-five on or before June 30, 2015 and had to have completed fifteen years of continuous contracted service to the District. Employees had to complete an application which was required to be approved by the Board of Education.

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

At June 30, 2015, the District has obligations to eleven participants with a total liability of \$213,252. Actual early retirement expenditures for the year ended June 30, 2015 totaled \$40,302. Early retirement is recorded as a long-term liability of the Governmental Activities in the government-wide financial statements.

BENTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 5. Long-Term Liabilities (continued)

Revenue Bonds

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

Year Ending June 30,	Issue dated July 1, 2009			
	Interest Rates	Principal	Interest	Total
2016	4.00 %	\$ 275,000	\$ 250,313	\$ 525,313
2017	4.00	275,000	239,312	514,312
2018	4.00	275,000	228,313	503,313
2019	4.00	300,000	216,812	516,812
2020	4.00	320,000	204,413	524,413
2021-2025	4.10-5.00	1,820,000	802,257	2,622,257
2026-2030	5.00	2,335,000	302,375	2,637,375
		<u>\$ 5,600,000</u>	<u>\$ 2,243,795</u>	<u>\$ 7,843,795</u>

Year Ending June 30,	Issue dated May 1, 2012			
	Interest Rates	Principal	Interest	Total
2016	2.00 %	\$ 305,000	\$ 126,753	\$ 431,753
2017	2.00	315,000	120,552	435,552
2018	2.00	320,000	114,202	434,202
2019	2.00	325,000	107,752	432,752
2020	2.00	330,000	101,203	431,203
2021-2025	2.00-2.50	1,770,000	394,955	2,164,955
2026-2030	2.70-3.00	2,005,000	150,434	2,155,434
		<u>\$ 5,370,000</u>	<u>\$ 1,115,851</u>	<u>\$ 6,485,851</u>

BENTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 5. Long-Term Liabilities (continued)

Revenue Bonds (continued)

Year Ending June 30,	Total		
	Principal	Interest	Total
2016	\$ 580,000	\$ 377,066	\$ 957,066
2017	590,000	359,864	949,864
2018	595,000	342,515	937,515
2019	625,000	324,564	949,564
2020	650,000	305,616	955,616
2021-2025	3,590,000	1,197,212	4,787,212
2026-2030	4,340,000	452,809	4,792,809
	<u>\$ 10,970,000</u>	<u>\$ 3,359,646</u>	<u>\$ 14,329,646</u>

The District pledged future statewide sales, services and use tax revenues to repay the \$6,575,000 and \$5,820,000 bonds issued in July 2009 and May 2012, respectively. The bonds were issued for the purpose of financing a portion of the costs of an elementary school addition and to fund renovations to the track and football fields, middle/high school auditorium, and gymnasium bleachers and other miscellaneous infrastructure projects. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2029. The bonds are not a general obligation of the District and the debt is not subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require approximately 70 percent of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the bonds is \$14,329,646. For the current year, principal of \$550,000 and interest of \$393,614 was paid on the bonds and total statewide sales, services and use tax revenues were \$1,396,173.

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

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

BENTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 6. 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.

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, anytime 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.

BENTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 6. Pension Plan (continued)

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 \$959,653.

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 \$6,265,164 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 proportion was 0.157976 percent, which was an increase of 0.007678 from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the District recognized pension expense of \$494,406. 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
Difference between expected and actual experience	\$ 68,090	\$ -
Changes of assumptions	276,496	-
Net difference between projected and actual earnings on pension plan investments	-	2,389,353
Changes in proportion and differences between District contributions and proportionate share of contributions	109,030	-
District contributions subsequent to the measurement date	<u>959,653</u>	<u>-</u>
Total	<u>\$ 1,413,269</u>	<u>\$ 2,389,353</u>

BENTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 6. Pension Plan (continued)

\$959,653 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 ending 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 Ending June 30,		
<u> </u>		
2016	\$	(491,353)
2017		(491,353)
2018		(491,353)
2019		(491,353)
2020		<u>29,675</u>
Total	\$	<u><u>(1,935,737)</u></u>

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
Salary increases (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:

BENTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 6. Pension Plan (continued)

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	<u>100%</u>	

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, 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	\$ 11,837,851	\$ 6,265,164	\$ 1,561,239

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.

BENTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 7. Other Postemployment Benefits (OPEB)

Plan Description – The District operates a single-employer health benefit plan which provides medical and prescription drug benefits for employees, retirees and their spouses. There are 31 active and 5 retired members in the plan. Retired participants must be age 55 or older at retirement.

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

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

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

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

Annual required contribution	\$ 126,000
Interest on net OPEB obligation	14,000
Adjustment to annual required contribution	<u>(13,000)</u>
Annual OPEB cost	127,000
Contributions made	<u>(59,000)</u>
Increase in net OPEB obligation	68,000
Net OPEB obligation beginning of year	<u>321,000</u>
Net OPEB obligation end of year	<u><u>\$ 389,000</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2015.

For the year ended June 30, 2015, the District contributed \$59,000 to the medical plan.

BENTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 7. Other Postemployment Benefits (OPEB) (continued)

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 June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2013	\$ 77,000	74.0%	\$ 252,000
2014	127,000	45.7%	321,000
2015	127,000	46.5%	389,000

Funded Status and Funding Progress – As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2014 through June 30, 2015, the actuarial accrued liability was \$1,210,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,210,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$2,081,000, and the ratio of the UAAL to covered payroll was 58.1%. 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, presented as required supplementary information in the section following the Notes to Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

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

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

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

BENTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 8. Short-Term Debt Activity

During the year ended June 30, 2015, the District entered into a short-term interfund loan from the General Fund to the Special Revenue, Management Levy Fund. The loan was necessary to provide temporary financing during periods of low cash flows due to timing differences between expenditures and expected property tax revenues. The loan included interest at 0.10%.

A summary of the short-term debt activity for the year ended June 30, 2015 is as follows:

	<u>Balance Beginning of Year</u>	<u>Interfund Loan Received</u>	<u>Interfund Loan Repaid</u>	<u>Balance End Of Year</u>
Management Levy Fund	\$ -	\$ 60,000	\$ 60,000	\$ -

Note 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.

Note 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 \$616,416 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.

Note 11. Categorical Funding

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

<u>Program</u>	<u>Amount</u>
Limited English proficient	\$ 15,308
Home school assistance program	46,146
Gifted and talented programs	31,701
Four year old preschool state aid	309,832
Teacher salary supplement	112,123
Successful progression for early readers	40,130
Professional development	9,500
Teacher leadership grants	<u>60,911</u>
Total	<u>\$ 625,651</u>

BENTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 12. Accounting Change/Restatement

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 revised requirements establish new financial reporting requirements for state and local government 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	Enterprise, School Nutrition Fund	Nonmajor Enterprise, Preschool Fund
Net position June 30, 2014, as previously reported	\$ 16,777,470	\$ 231,647	\$ 222,680	\$ 8,967
Net pension liability at June 30, 2014	(8,341,382)	(288,229)	(257,162)	(31,067)
Deferred outflows of resources related to contributions made after the June 30, 2013 measurement date	<u>892,284</u>	<u>30,832</u>	<u>27,509</u>	<u>3,323</u>
Net position July 1, 2014, as restated	<u>\$ 9,328,372</u>	<u>\$ (25,750)</u>	<u>\$ (6,973)</u>	<u>\$ (18,777)</u>

Note 13. Subsequent Event

In October 2015, the District approved an interfund loan from the General Fund to the Special Revenue, Management Fund in the amount of \$280,000 at .1 percent interest.

Required Supplementary Information

BENTON COMMUNITY SCHOOL DISTRICT

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

Required Supplementary Information

Year Ended June 30, 2015

	Governmental Funds - Actual	Proprietary Funds - Actual	Total Actual	Budgeted Amounts Original and Final	Final to Actual Variance
REVENUES:					
Local sources	\$ 8,550,950	\$ 553,041	\$ 9,103,991	\$ 10,020,771	\$ (916,780)
State sources	10,057,797	5,952	10,063,749	8,270,593	1,793,156
Federal sources	400,773	272,699	673,472	760,000	(86,528)
Total revenues	19,009,520	831,692	19,841,212	19,051,364	789,848
EXPENDITURES/EXPENSES:					
Instruction	10,948,598	-	10,948,598	11,750,000	801,402
Support services	5,775,246	5,060	5,780,306	6,488,634	708,328
Non-instructional programs	-	871,254	871,254	813,000	(58,254)
Other expenditures	1,795,987	-	1,795,987	1,887,787	91,800
Total expenditures/expenses	18,519,831	876,314	19,396,145	20,939,421	1,543,276
Excess (deficiency) of revenues over (under) expenditures/expenses	489,689	(44,622)	445,067	(1,888,057)	2,333,124
Balance beginning of year, as restated	6,320,859	(25,750)	6,295,109	4,680,688	1,614,421
Balance end of year	\$ <u>6,810,548</u>	\$ <u>(70,372)</u>	\$ <u>6,740,176</u>	\$ <u>2,792,631</u>	\$ <u>3,947,545</u>

See accompanying independent auditor's report.

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

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

During the year ended June 30, 2015, expenditures/expenses in the non-instructional programs function exceeded the amount budgeted.

BENTON COMMUNITY SCHOOL DISTRICT

Schedule of the District's Proportionate Share of the Net Pension Liability

Iowa Public Employees' Retirement System
Last Fiscal Year*
(In Thousands)

Required Supplementary Information

	<u>2015</u>
District's proportion of the net pension liability	0.157976
District's proportionate share of the net pension liability	\$ 6,265
District's covered-employee payroll	\$ 10,746
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	58.30%
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.

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BENTON COMMUNITY SCHOOL DISTRICT

Schedule of the District's Contributions

Iowa Public Employees' Retirement System
Last Ten Fiscal Years
(In Thousands)

Required Supplementary Information

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Statutorily required contributions	\$ 960	\$ 923	\$ 855	\$ 795
Contributions in relation to the statutorily required contribution	<u>(960)</u>	<u>(923)</u>	<u>(855)</u>	<u>(795)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 10,746	\$ 10,337	\$ 9,857	\$ 9,848
Contributions as a percentage of covered-employee payroll	8.93%	8.93%	8.67%	8.07%

See accompanying independent auditor's report.

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$ 667	\$ 657	\$ 631	\$ 569	\$ 501	488
<u>(667)</u>	<u>(657)</u>	<u>(631)</u>	<u>(569)</u>	<u>(501)</u>	<u>(488)</u>
<u>\$ -</u>	<u>-</u>				
\$ 9,598	\$ 9,881	\$ 9,937	\$ 9,401	\$ 8,713	8,492
6.95%	6.65%	6.35%	6.05%	5.75%	5.75%

BENTON 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.

BENTON COMMUNITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – PENSION LIABILITY
Year Ended June 30, 2015

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.

BENTON COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN

(In Thousands)

Required Supplementary Information

Year Ended June 30, 2015

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2009	July 1, 2008	\$ -	\$ 1,011	\$ 1,011	0.0%	\$ 2,524	40.1%
2010	July 1, 2008	-	1,011	1,011	0.0%	2,497	40.5%
2011	July 1, 2010	-	758	758	0.0%	2,139	35.4%
2012	July 1, 2010	-	758	758	0.0%	1,911	39.7%
2013	July 1, 2010	-	758	758	0.0%	1,742	43.5%
2014	July 1, 2012	-	1,210	1,210	0.0%	1,829	66.2%
2015	July 1, 2012	-	1,210	1,210	0.0%	2,081	58.1%

See note 7 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost and net OPEB obligation, funded status and funding progress.

See accompanying independent auditor's report.

Supplementary Information

BENTON COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2015

	Special Revenue		Permanent	
	Management	Student	Marjorie	
	Levy	Activity	Smith	Total
			Trust	
Assets				
Cash and pooled investments	\$ 132,371	\$ 345,368	\$ 10,000	\$ 487,739
Receivables:				
Property tax:				
Current year	5,190	-	-	5,190
Succeeding year	650,000	-	-	650,000
Total assets	\$ 787,561	\$ 345,368	\$ 10,000	\$ 1,142,929
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts payable	\$ 2,031	\$ 25,885	\$ -	\$ 27,916
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	650,000	-	-	650,000
Fund balances:				
Restricted for:				
Management levy purposes	135,530	-	-	135,530
Student activities	-	319,483	-	319,483
Baseball program	-	-	10,000	10,000
Total fund balances	135,530	319,483	10,000	465,013
Total liabilities, deferred inflows of resources and fund balances	\$ 787,561	\$ 345,368	\$ 10,000	\$ 1,142,929

See accompanying independent auditor's report.

BENTON COMMUNITY SCHOOL DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2015

	<u>Special Revenue</u>		<u>Permanent</u>	<u>Total</u>
	<u>Management</u>	<u>Student</u>	<u>Marjorie</u>	
	<u>Levy</u>	<u>Activity</u>	<u>Smith</u>	
			<u>Trust</u>	
Revenues:				
Local sources:				
Local tax	\$ 386,117	\$ -	\$ -	\$ 386,117
Other	18,593	600,780	92	619,465
State sources	929	-	-	929
Total revenues	<u>405,639</u>	<u>600,780</u>	<u>92</u>	<u>1,006,511</u>
Expenditures:				
Current:				
Instruction	40,302	592,416	-	632,718
Support services:				
Instructional staff	-	50	-	50
Administration	6,033	-	-	6,033
Operation and maintenance of plant	363,658	-	-	363,658
Total expenditures	<u>409,993</u>	<u>592,466</u>	<u>-</u>	<u>1,002,459</u>
Excess (deficiency) of revenues over (under) expenditures	(4,354)	8,314	92	4,052
Other financing uses:				
Interfund transfers out	-	-	(7,955)	(7,955)
Net change in fund balances	(4,354)	8,314	(7,863)	(3,903)
Fund balances beginning of year	<u>139,884</u>	<u>311,169</u>	<u>17,863</u>	<u>468,916</u>
Fund balances end of year	<u>\$ 135,530</u>	<u>\$ 319,483</u>	<u>\$ 10,000</u>	<u>\$ 465,013</u>

See accompanying independent auditor's report.

BENTON COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET
CAPITAL PROJECTS ACCOUNTS
June 30, 2015

	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Assets			
Cash and pooled investments	\$ 1,148,463	\$ 276,672	\$ 1,425,135
Receivables:			
Property tax:			
Current year	-	2,440	2,440
Succeeding year	-	193,123	193,123
Due from other governments	220,052	-	220,052
 Total assets	 \$ 1,368,515	 \$ 472,235	 \$ 1,840,750
 Deferred Inflows of Resources and Fund Balances			
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	\$ -	\$ 193,123	\$ 193,123
 Fund balances:			
Restricted for:			
School infrastructure	1,368,515	-	1,368,515
Physical plant and equipment	-	279,112	279,112
Total fund balances	1,368,515	279,112	1,647,627
 Total deferred inflows of resources and fund balances	 \$ 1,368,515	 \$ 472,235	 \$ 1,840,750

See accompanying independent auditor's report.

BENTON COMMUNITY SCHOOL DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 CAPITAL PROJECTS ACCOUNTS
 Year Ended June 30, 2015

	<u>Statewide Sales, Services and Use Tax</u>	<u>Physical Plant and Equipment Levy</u>	<u>Total</u>
Revenues:			
Local sources:			
Local tax	\$ -	\$ 188,712	\$ 188,712
Other	1,955	609	2,564
State sources	1,396,173	443	1,396,616
Total revenues	<u>1,398,128</u>	<u>189,764</u>	<u>1,587,892</u>
Expenditures:			
Current:			
Support services:			
Operation and maintenance of plant	-	28,705	28,705
Transportation	180,376	-	180,376
Other expenditures:			
Facilities acquisition	-	132,527	132,527
Total expenditures	<u>180,376</u>	<u>161,232</u>	<u>341,608</u>
Excess (deficiency) of revenues over (under) expenditures	1,217,752	28,532	1,246,284
Other financing sources (uses):			
Interfund transfers in	-	7,955	7,955
Interfund transfers out	(968,544)	-	(968,544)
Total other financing sources (uses)	<u>(968,544)</u>	<u>7,955</u>	<u>(960,589)</u>
Net change in fund balances	249,208	36,487	285,695
Fund balances beginning of year	<u>1,119,307</u>	<u>242,625</u>	<u>1,361,932</u>
Fund balances end of year	<u>\$ 1,368,515</u>	<u>\$ 279,112</u>	<u>\$ 1,647,627</u>

See accompanying independent auditor's report.

BENTON COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
Year Ended June 30, 2015

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
High School:				
Cocurricular	\$ 50	\$ 601	\$ -	\$ 651
Drama	13,452	13,225	9,124	17,553
Vocal	4,415	172,444	177,265	(406)
Instrumental	10,429	27,665	27,110	10,984
Industrial Tech. Resale	4,178	-	-	4,178
Student Council	5,500	965	2,301	4,164
Media Club	3,668	2,054	2,903	2,819
Concessions	255	-	-	255
Yearbook	22,229	12,297	10,207	24,319
Art Club	1,662	1,991	949	2,704
Pom Pom	2,000	5,073	7,003	70
SADD	205	-	-	205
FFA	58,106	66,978	80,968	44,116
Spanish Club	5,688	4,185	3,068	6,805
National Honor Society	1,243	1,346	749	1,840
FCCLA	3,410	1,388	1,275	3,523
Wrestlerettes	45	-	-	45
Thespians	1,155	1,205	2,117	243
Class of 2014	3,164	-	754	2,410
Class of 2015	3,119	3,434	1,377	5,176
Class of 2016	2,661	1,343	3,479	525
Class of 2017	1,532	1,389	-	2,921
Class of 2018	-	1,487	9	1,478
Robotics	2,585	10,458	8,277	4,766
HOSA	3,962	-	-	3,962
B/G Cocurricular	28,085	16,438	16,507	28,016
Athletics	79,189	200,791	186,319	93,661
	<u>261,987</u>	<u>546,757</u>	<u>541,761</u>	<u>266,983</u>
Middle School:				
Student Council	4,473	2,262	604	6,131

BENTON COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
Year Ended June 30, 2015

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Atkins:				
Cocurricular	\$ 207	\$ 6	\$ -	\$ 213
Student Council	5,863	18,498	10,829	13,532
Media Club	12,355	4,759	6,533	10,581
	<u>18,425</u>	<u>23,263</u>	<u>17,362</u>	<u>24,326</u>
Norway:				
Cocurricular	215	19	-	234
Student Council	5,889	16,740	16,955	5,674
Media Club	1,579	3,989	3,989	1,579
Yearbook	65	-	-	65
	<u>7,748</u>	<u>20,748</u>	<u>20,944</u>	<u>7,552</u>
Keystone:				
Cocurricular	3,901	29	-	3,930
Student Council	7,694	5,759	11,091	2,362
Media Club	6,263	1,962	704	7,521
Art Club	678	-	-	678
	<u>18,536</u>	<u>7,750</u>	<u>11,795</u>	<u>14,491</u>
 Total	 <u>\$ 311,169</u>	 <u>\$ 600,780</u>	 <u>\$ 592,466</u>	 <u>\$ 319,483</u>

See accompanying independent auditor's report.

BENTON COMMUNITY SCHOOL DISTRICT

SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION

ALL GOVERNMENTAL FUNDS
FOR THE LAST TEN YEARS

	Modified Accrual Basis Years Ended June 30,			
	2015	2014	2013	2012
Revenues:				
Local sources:				
Local tax	\$ 7,211,982	\$ 7,320,287	\$ 8,414,787	\$ 8,208,003
Tuition	481,328	446,653	497,833	489,773
Other	857,640	792,880	864,844	893,535
Intermediate sources	-	-	3,001	-
State sources	10,057,797	9,409,654	7,930,297	8,005,793
Federal sources	400,773	344,802	328,860	762,073
Total revenues	\$ 19,009,520	\$ 18,314,276	\$ 18,039,622	\$ 18,359,177
Expenditures:				
Instruction	\$ 10,948,598	\$ 11,301,518	\$ 10,798,222	\$ 10,933,905
Support services:				
Student	331,769	230,563	386,660	195,028
Instructional staff	882,755	392,016	590,428	467,275
Administration	1,723,729	1,552,718	1,535,929	1,573,967
Operation and maintenance of plant	1,640,936	1,841,383	1,789,555	1,605,600
Transportation	1,196,057	1,045,526	1,070,038	927,684
Non-instructional programs	-	-	-	-
Other expenditures:				
Facilities acquisition	132,527	336,893	3,434,832	3,357,230
Long-term debt:				
Principal	648,023	561,210	263,502	2,760,000
Interest and fiscal charges	399,021	416,715	375,227	510,162
AEA flowthrough	616,416	607,536	590,339	593,338
Total expenditures	\$ 18,519,831	\$ 18,286,078	\$ 20,834,732	\$ 22,924,189

See accompanying independent auditor's report.

	2011	2010	2009	2008	2007	2006
\$	7,714,179	\$ 7,022,605	\$ 7,365,681	\$ 6,316,008	\$ 6,200,534	\$ 5,749,200
	507,759	457,447	432,324	331,666	411,950	435,003
	839,750	796,097	154,779	922,268	779,811	660,751
	-	2,636	24,335	5,020	27,250	-
	7,919,389	7,149,682	8,235,992	8,294,627	7,570,220	7,222,771
	1,080,946	902,990	407,638	326,764	408,774	416,949
\$	<u>18,062,023</u>	<u>16,331,457</u>	<u>16,620,749</u>	<u>16,196,353</u>	<u>15,398,539</u>	<u>14,484,674</u>
\$	10,332,746	\$ 10,026,119	\$ 10,279,703	\$ 9,806,078	\$ 8,915,773	\$ 8,477,351
	167,276	202,173	240,429	247,792	218,385	282,904
	428,220	453,745	439,262	420,346	399,005	415,950
	1,480,256	1,518,009	1,612,113	1,535,295	1,329,890	1,264,891
	1,533,123	1,600,129	1,550,534	1,618,579	1,659,135	1,416,325
	914,728	749,367	949,790	794,070	857,489	785,013
	-	-	-	27,055	-	-
	1,993,276	4,879,773	1,112,840	1,184,905	1,040,783	672,640
	260,000	155,000	145,000	140,000	135,000	125,000
	400,620	337,962	153,888	134,045	140,015	145,453
	656,501	645,657	578,193	563,196	531,883	500,773
\$	<u>18,166,746</u>	<u>20,567,934</u>	<u>17,061,752</u>	<u>16,471,361</u>	<u>15,227,358</u>	<u>14,086,300</u>

BENTON COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 Year Ended June 30, 2015

Grantor / Program	CFDA Number	Pass-through Grantor Number	Expenditures
Indirect:			
U. S. Department of Agriculture:			
Iowa Department of Education:			
Child Nutrition Cluster Programs:			
School Breakfast Program	10.553	0609-15	\$ 26,607
National School Lunch Program	10.555	0609-15	246,092 *
			<u>272,699</u>
U. S. Department of Education:			
Iowa Department of Education:			
Title I Grants to Local Educational Agencies	84.010	0609-GC-15	8,069
Title I Grants to Local Educational Agencies	84.010	0609-G-15	106,943
			<u>115,012</u>
Improving Teacher Quality State Grants	84.367	0609-15	<u>37,482</u>
Grants for State Assessments and Related Activities	84.369	0609-15	<u>7,185</u>
Grant Wood Area Education Agency:			
Special Education - Grants to States	84.027	0609-15	<u>72,002</u>
Career and Technical Education - Basic Grants to States	84.048	0609-15	<u>4,858</u>
Total			<u>\$ 509,238</u>

* = Includes \$51,527 of non-cash awards.

Basis of Presentation –

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

See accompanying independent auditor's report.

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

HUNT & ASSOCIATES, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

1201 HIGH AVENUE WEST
OSKALOOSA, IA 52577
641/672-2541
FAX 641/672-2461
317 EAST ROBINSON
KNOXVILLE, IA 50138
641/842-3184
FAX 641/828-7404

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

To the Board of Education of
Benton Community School District:

We have audited in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and Chapter 11 of the Code of Iowa, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Benton Community School District as of and for the year ended June 30, 2015, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 5, 2016.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be 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 and Questioned Costs, we identified deficiencies in internal control over financial reporting we 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. We consider the deficiency described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-A-15 to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-B-15 and II-C-15 to be significant deficiencies.

Compliance

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

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

Benton Community School District's Responses to the Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the 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 report is not suitable for any other purpose.

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

Hunt & Associates, P.C.

Oskaloosa, Iowa
January 5, 2016

DOUGLAS T. HUNT, CPA
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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR THE MAJOR FEDERAL PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

To the Board of Education of
Benton Community School District:

Report on Compliance for Each Major Federal Program

We have audited Benton Community School District's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on its major federal program for the year ended June 30, 2015. Benton Community School District's major federal program is identified in Part I of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on the Major Federal Program

In our opinion, Benton Community School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2015.

Report on Internal Control Over Compliance

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

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

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

Purpose of this Report

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

Hunt + Associates, P.C.

Oskaloosa, Iowa
January 5, 2016

BENTON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2015

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

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

BENTON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2015

Part II: Findings Related to the Basic Financial Statements:

Instances of Non-Compliance:

No matters were reported.

Internal Control Deficiencies:

II-A-15 Bank Reconciliation – We noted that bank reconciliations were prepared for each bank account but not for the Bankers Trust revenue bond accounts. This led to unrecorded transactions that were undetected. We noted unrecorded revenue bond payments of \$192,808. Adjusting journal entries have been made to the general ledger to record and correct this item.

Recommendation – All accounts, including the Bankers Trust revenue bond accounts, should be reconciled and tied to the general ledger each month. Any differences should be investigated and corrected. This would allow the District to timely detect and correct errors or omissions and would provide accurate and reliable financial information of the District throughout the year for the Board of Education’s management decisions.

Response – Bank reconciliations for all accounts will be tied to the general ledger in the future. Any differences will be investigated and corrected timely.

Conclusion – Response accepted.

II-B-15 Nontimely Deposits – We noted several receipts in the Special Revenue, Student Activity Fund that were not deposited to the bank on a timely basis. Some receipts were held at the school building until up to four months after the event.

Recommendation – All receipts should be deposited as soon as possible to safeguard the asset and avoid any possible irregularities and to earn the interest revenue on the public funds. Deposits should be made weekly at a minimum.

Response – We will try to ensure that all receipts are deposited on a timely basis.

Conclusion – Response accepted.

II-C-15 Netting of Revenues to Expenditures – We noted revenues that were posted against expenditure accounts in the General and Management Levy Funds totaling \$88,988. Adjustments were subsequently made by the District to correct most of these amounts in the financial statements.

Recommendation – This practice understates both revenues and expenditures and bypasses the budget. The District should avoid netting revenues against expenditure accounts.

Response – We will properly record all revenues in the future.

Conclusion – Response accepted.

BENTON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2015

Part III: Findings and Questioned Costs for Federal Awards

Instances of Non-Compliance:

No matters were reported.

Internal Control Deficiencies:

No matters were reported.

BENTON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2015

Part IV: Other Findings Related to Statutory Reporting:

IV-A-15 Certified Budget – Expenditures/expenses for the year ended June 30, 2015, exceeded the amount budgeted in the non-instructional programs function.

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

Response – We will amend our budget in sufficient amounts before expenditures/expenses exceed the budget in the future.

Conclusion – Response accepted.

IV-B-15 Questionable Expenditures – No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.

IV-C-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.

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

Name, Title and Business Connection	Transaction Description	Amount
Sharon Stepanek, Spouse of Board Vice President	Secretary wages	\$31,510
Colleen Reinhardt, Spouse of Board Member	Associate wages	\$15,771

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

IV-E-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 ensure that the coverage is adequate for current operations.

IV-F-15 Board Minutes – No transactions requiring Board approval which had not been approved by the Board were noted.

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

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

BENTON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2015

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

- IV-I-15 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District’s investment policy were noted.
- IV-J-15 Certified Annual Report – The Certified Annual Report was certified to the Iowa Department of Education timely and we noted no significant deficiencies in the amounts reported.
- IV-K-15 Categorical Funding – No instances of categorical funding being used to supplant rather than supplement other funds were noted.
- IV-L-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 423F.3 of the Code of Iowa were noted.

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

Beginning balance		\$	1,119,307
Revenues:			
Interest	\$	1,955	
Statewide sales, services and use tax		1,396,173	1,398,128
Expenditures/transfers out:			
Equipment		180,376	
Transfers to other funds:			
Debt Service Fund		968,544	1,148,920
Ending balance		\$	1,368,515

For the year ended June 30, 2015, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.

BENTON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2015

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

IV-M-15 Financial Condition – At June 30, 2015, the governmental activities, business-type activities, the Enterprise, School Nutrition Fund, and the Enterprise, Preschool Fund had deficit unrestricted net positions of \$4,708,656, \$206,952, \$184,632, and \$22,320, respectively. These deficit balances were caused by the implementation of GASB Statement No. 68, Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27, which requires the inclusion of the District’s proportionate share of the IPERS pension liability and the related deferred outflows of resources and deferred inflows of resources in the District’s financial statements.

Recommendation – Even though the deficits arose due to the net pension liability and deferred outflows and inflows of resources, the District should investigate ways to return the governmental activities, business-type activities, School Nutrition Fund, and Preschool Fund to sound financial conditions.

Response – We are unsure of what steps can be taken at this time to alleviate the strain of the District’s proportionate share of the IPERS pension liability and the related deferred outflows and inflows of resources since actions related to this area are controlled by the Iowa Legislature. However, we will look into this situation and investigate ways to return the governmental activities, business-type activities, School Nutrition Fund, and Preschool Fund to sound financial conditions.

Conclusion – Response accepted.