

BATTLE CREEK-IDA GROVE COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2004

## Contents

		<u>Page</u>
Officials		1
Independent Auditor's Report		2-3
Management's Discussion and Analysis (MD&A)		4-13
Basic Financial Statements:	<u>Exhibit</u>	
District-Wide Financial Statements:		
Statement of Net Assets	A	14
Statement of Activities	B	15-16
Governmental Fund Financial Statements:		
Balance Sheet	C	17
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets	D	18
Statement of Revenues, Expenditures and Changes in Fund Balances	E	19
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	F	20
Proprietary Fund Financial Statements:		
Statement of Net Assets	G	21
Statement of Revenues, Expenses and Changes in Net Assets	H	22
Statement of Cash Flows	I	23
Notes to Financial Statements		24-34
Required Supplementary Information:		
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances - Budget and Actual (GAAP Basis) - All Governmental Funds and Proprietary Fund		35-36
Notes to Required Supplementary Information - Budgetary Reporting		37
Other Supplementary Information:	<u>Schedule</u>	
Nonmajor Governmental Funds:		
Combining Balance Sheet	1	38
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	2	39
Schedule of Changes in Student Activity Accounts	3	40
Schedule of Revenues by Source and Expenditures by Function - All Governmental Fund Types	4	41
Independent Auditor's Report on Compliance and on Internal Control over Financial Reporting		42-43
Schedule of Findings		44-46

Battle Creek-Ida Grove Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education (Before September 2003 election)</b>		
Lenee Sinnott	President	2004
Allen Hilker	Vice President	2003
Pat Wellendorf	Board Member	2003
Duane Hummelgard	Board Member	2004
Kathy Leonard	Board Member	2004
Carol Bresnahan	Board Member	2005
Mark Bruns	Board Member	2005
<b>Board of Education (After September 2003 election)</b>		
Lenee Sinnott	President	2004
Kathy Leonard	Vice President	2004
Duane Hummelgard	Board Member	2004
Carol Bresnahan	Board Member	2005
Mark Bruns	Board Member	2005
Ann Homan	Board Member	2006
Pat Wellendorf	Board Member	2006
<b>School Officials</b>		
Russ Freeman	Superintendent	2004
Laurel Boerner	District Secretary	2004
Peggy Wunschel	District Treasurer	2004
Rick Franck	Attorney	2004

**NOLTE, CORNMAN & JOHNSON P.C.**  
**Certified Public Accountants**  
**(a professional corporation)**  
117 West 3rd Street North, Newton, Iowa 50208-3040  
Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the  
Battle Creek-Ida Grove Community School District:

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Battle Creek-Ida Grove Community School District as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. 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, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Battle Creek-Ida Grove Community School District at June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year ended in conformity with U.S. generally accepted accounting principles.

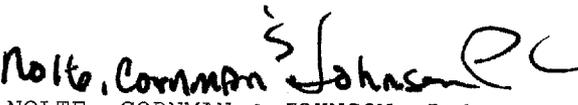
As described in Note 10 to the financial statements, during the year ended June 30, 2004, Battle Creek-Ida Grove Community School District adopted Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments; Statement No. 37, Basic Financial Statements - and Management's Discussion and Analysis - State and Local Governments: Omnibus; and Statement No. 38, Certain Financial Statement Note Disclosures; Statement No. 41, Budgetary Comparison Schedule - Perspective Differences; and Interpretation Number 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements.

In accordance with Government Auditing Standards, we have also issued our report dated August 24, 2004 on our consideration of the Battle Creek-Ida Grove Community School District's internal control over

financial reporting and our tests of its compliance with certain provisions of laws, regulations, and contracts. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 13 and 35 through 37 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Auditing Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Battle Creek-Ida Grove Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the year ended June 30, 2003 (none of which are presented herein) and expressed an unqualified opinion on those financial statements. Another auditor previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the two years ended June 30, 2002 (none of which are presented herein) and expressed an unqualified opinion on those financial statements. The supplemental information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

  
NOLTE, CORNMAN & JOHNSON, P.C.

August 24, 2004

---

---

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

---

---

Battle Creek-Ida Grove Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2004. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

Because the District is implementing new reporting standards for this fiscal year with significant changes in content and structure, much of the information is not easily comparable to prior years. However, in future years, comparisons will be more meaningful and will go further in explaining the District's financial position and results of operations.

### **2004 FINANCIAL HIGHLIGHTS**

- General Fund revenues decreased from \$5,639,953 in fiscal 2003 to \$5,526,188 in fiscal 2004, while General Fund expenditures increased from \$5,494,523 in fiscal 2003 to \$5,562,199 in fiscal 2004. This resulted in a decrease in the District's General Fund balance from \$1,386,517 in fiscal 2003 to a balance of \$1,350,506 in fiscal 2004, a 2.6% decrease from the prior year.
- The decrease in General Fund revenues was attributable to a decrease in property tax and state and federal grant revenue in fiscal 2004. The increase in expenditures was due primarily to an increase in the negotiated salary and benefits and restricted grant expenditures. General Fund salaries and benefits make up 82% of the expenditures in the fiscal year 2004.
- A decline in interest rates during the past fiscal year, combined with less cash available to be invested, resulted in interest earnings in the General Fund alone to decrease from \$23,773 in fiscal year 2003 to \$17,231 in fiscal year 2004.
- During the 2004 fiscal year many ongoing projects were able to completed, such as the 5<sup>th</sup> grade remodeling, softball field renovation, Battle Creek Elementary demolition, retrofitting the middle school boilers, and the new soccer concession building. Other projects that were continued but not completed were the paving of the high school parking lot and district wide exterior door replacement.
- Many of the District's goals were implemented, continued or explored during the 2004 fiscal year with the emphasis on what is educationally best for our students. Technology and staff development expenditures were made to enhance student achievement and to monitor progress in the areas of reading, mathematics and science which are all part of the requirements for the No Child Left Behind Act (NCLB).

### **USING THIS ANNUAL REPORT**

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

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

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

Grove Community School District as a whole and present an overall view of the District's finances.

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

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

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor funds.

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

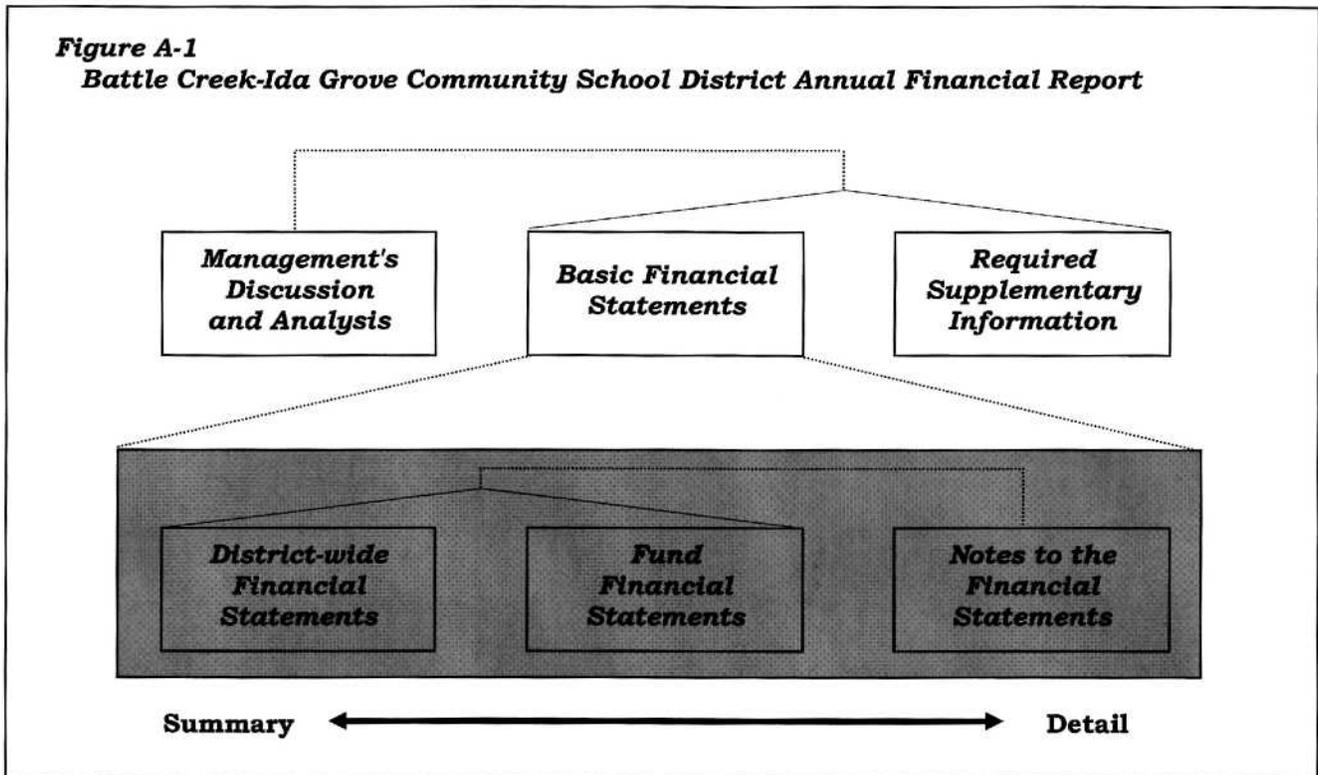


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

<b>Figure A-2</b>			
<b>Major Features of the Government-wide and Fund Financial Statements</b>			
	Government-wide Statements	Fund Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: food services and adult education
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of Net Assets</li> <li>• Statement of revenues, expenses and changes in net assets</li> <li>• Statement of cash flows</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

---

## REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

### Government-wide Financial Statements

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

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

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

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

### Fund Financial Statements

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

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

The District has two kinds of funds:

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

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

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

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide

financial statements. The District's enterprise funds, one type of proprietary fund, are the same as its business-type activities, but provide more detail and additional information, such as cash flows. The District currently has one enterprise fund, the School Nutrition Fund.

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

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets for the year ended June 30, 2004.

Figure A-3  
Condensed Statement of Net Assets

	Governmental Activities 2004	Business-type Activities 2004	Total School District 2004
Current and other assets	\$ 4,367,115	82,256	4,449,371
Capital assets	1,778,517	8,068	1,786,585
Total assets	6,145,632	90,324	6,235,956
Long-term obligations	18,930	0	18,930
Other liabilities	2,681,694	30,649	2,712,343
Total liabilities	2,700,624	30,649	2,731,273
Net assets:			
Invested in capital assets, net of related debt	1,778,517	8,068	1,786,585
Restricted	324,722	0	324,722
Unrestricted	1,341,769	51,607	1,393,376
Total net assets	\$ 3,445,008	59,675	3,504,683

Figure A-4 shows the changes in net assets for the year ended June 30, 2004.

Figure A-4  
Changes of Net Assets

	Governmental	Business-type	Total
	Activities	Activities	School District
	2004	2004	2004
<b>Revenues:</b>			
<b>Program revenues:</b>			
Charges for services	\$ 584,419	119,272	703,691
Operating grants and contributions and restricted interest	687,545	122,264	809,809
<b>General revenues:</b>			
Local tax	2,168,519	0	2,168,519
Unrestricted state grants	2,586,311	0	2,586,311
Other	19,861	301	20,162
<b>Total revenues</b>	<b>6,046,655</b>	<b>241,837</b>	<b>6,288,492</b>
<b>Program expenses:</b>			
<b>Governmental activities:</b>			
Instructional	3,890,699	0	3,890,699
Support services	1,730,659	0	1,730,659
Non-instructional programs	0	222,717	222,717
Other expenses	314,392	0	314,392
<b>Total expenses</b>	<b>5,935,750</b>	<b>222,717</b>	<b>6,158,467</b>
<b>Changes in net assets</b>	<b>\$ 110,905</b>	<b>19,120</b>	<b>130,025</b>

Property tax and unrestricted state grants account for 79% of the total revenue. The District's expenses primarily relate to instruction and support services which account for 95% of the total expenses.

### Governmental Activities

Revenues for governmental activities were \$6,046,655 and expenses were \$5,935,750. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses.

Figure A-5  
Total and Net Cost of Governmental Activities

	Total Cost of Services	Net Cost of Services
Instruction	\$ 3,890,699	2,885,074
Support services	1,730,659	1,696,046
Other expenses	314,392	82,666
<b>Totals</b>	<b>\$ 5,935,750</b>	<b>4,663,786</b>

- The cost financed by users of the District's programs was \$584,419.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$687,545.

- 
- The net cost of governmental activities was financed with \$2,168,519 in local tax, \$2,586,311 in state foundation aid, \$18,891 in interest income and \$970 in gain on sale of equipment.

### **Business-Type Activities**

Revenues of the District's business-type activities were \$241,837 and expenses were \$222,717. The District's business-type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

### **INDIVIDUAL FUND ANALYSIS**

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$1,634,879, above last year's ending fund balances of a \$1,568,673. However, the primary reason for the increase in combined fund balances in fiscal 2004 is due to controlled spending in the Physical Plant and Equipment Levy (PPEL) Fund, recovering the deficit to a positive ending fund balance.

### **Governmental Fund Highlights**

- The District's deteriorating General Fund financial position from \$1,386,517 to \$1,350,506 is the product of many factors:
  - Reduction in state aid, grants and decrease in tax levy during the year resulted in a decrease in revenues.
  - The increase in negotiated salary and benefits settlement, as well as existing expenditure commitments of the District, resulted in an increase in expenditures.
- The Physical Plant and Equipment Levy (PPEL) Fund balance increased from a deficit \$77,436 in fiscal 2003 to \$14,191 in fiscal 2004. While revenues remained approximately the same, the District controlled spending to ensure a positive financial position.

---

### Proprietary Fund Highlights

The School Nutrition Fund net assets increased from \$40,555 at June 30, 2003 to \$59,675 at June 30, 2004, representing an increase of approximately 47%. For fiscal 2004, the District increased meal prices, resulting in increased revenues.

### BUDGETARY HIGHLIGHTS

Over the course of the year, Battle Creek-Ida Grove Community School District amended its annual budget one time to reflect additional expenditures associated with the other expenditures.

The District's revenues were \$603,553 less than budgeted revenues, a variance of 9%. The most significant variance resulted from the District receiving less in local sources than originally anticipated.

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

### CAPITAL ASSET AND DEBT ADMINISTRATION

#### Capital Assets

At June 30, 2004, the District had invested \$1.8 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net increase of .78% from last year. More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$169,408.

The original cost of the District's capital assets was \$5.6 million. Governmental funds account for \$5.5 million with the remainder of \$0.1 million in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the building category. The District's buildings totaled \$1,129,977 at June 30, 2004, compared to \$1,165,932 reported at June 30, 2003. This decrease resulted from the current year depreciation expense.

Figure A-6  
Capital Assets, Net of Depreciation

	Governmental Activities	Business-type Activities	Total School District
	2004	2004	2004
Land	\$ 101,179	0	101,179
Buildings	1,129,977	0	1,129,977
Improvements other than buildings	148,144	0	148,144
Machinery and equipment	399,217	8,068	407,285
Total	\$ 1,778,517	8,068	1,786,585

---

## Long-Term Debt

At June 30, 2004, the District had \$18,930 in other long-term debt outstanding. This represents an increase of approximately 105% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 6 to the financial statements.

The District had total outstanding Early Retirement payable from the General and Special Revenue - Management Funds of \$18,930 at June 30, 2004.

Figure A-7  
Outstanding Long-Term Obligations

	Total School District		Total Change
	2004	2003	
Early Retirement	\$ 18,930	9,246	104.7%
Totals	\$ 18,930	9,246	104.7%

## ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- The District has experienced declining enrollment for several years (219 students since fiscal year 1995) and the District projections show a continued decrease for the next 5 years.
- The budget guarantee (whereby Districts are guaranteed 100% of their current budget for the upcoming year) is being phased out over a ten year period beginning in fiscal year 2005.
- Low allowable growth over several years and enrollment decreases is negatively impacting the District's spending authority. Contractual increases and program changes cannot be made without thorough consideration of our unspent authorized budget.
- Continued budget concerns at state level will affect future projections. The District has been forced to shift funding to property taxes.
- The voters of Ida County passed by 86% the Local Option Sales and Services Tax for School Infrastructure (SILO). This 1 cent tax on sales and services will greatly benefit the District in maintaining their buildings and purchasing equipment. The funding will begin in September 2004.
- The District and the Odebolt-Arthur School District voted to share our superintendent and curriculum director for the 2005 fiscal year, which will reduce our expenditures, freeing up General Fund money that will help to cover increases in the negotiated salaries and benefits.

---

## **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 Peggy Wunschel, District Treasurer, Battle Creek-Ida Grove Community School District, 301 Moorehead Street, Ida Grove, Iowa, 51445.

BASIC FINANCIAL STATEMENTS

BATTLE CREEK-IDA GROVE COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
JUNE 30, 2004

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and pooled investments	\$ 2,296,348	60,714	2,357,062
Receivables:			
Property tax:			
Delinquent	29,931	0	29,931
Succeeding year	1,908,717	0	1,908,717
Income surtax	44,542	0	44,542
Interfund	27,076	17,886	44,962
Accounts	4,230	0	4,230
Accrued interest	3,047	0	3,047
Due from other governments	47,224	0	47,224
Inventories	0	3,656	3,656
Contract sale on land(Note 4)	6,000	0	6,000
Capital assets, net of accumulated depreciation(Note 5)	1,778,517	8,068	1,786,585
<b>TOTAL ASSETS</b>	<b>6,145,632</b>	<b>90,324</b>	<b>6,235,956</b>
<b>LIABILITIES</b>			
Interfund payable	17,886	27,076	44,962
Accounts payable	104,358	177	104,535
Salaries and benefits payable	650,733	0	650,733
Deferred revenue:			
Succeeding year property tax	1,908,717	0	1,908,717
Other	0	3,396	3,396
Long-term liabilities(Note 6):			
Portion due within one year:			
Early retirement payable	13,962	0	13,962
Portion due after one year:			
Early retirement payable	4,968	0	4,968
<b>TOTAL LIABILITIES</b>	<b>2,700,624</b>	<b>30,649</b>	<b>2,731,273</b>
<b>NET ASSETS</b>			
Investment in capital assets, net of related debt	1,778,517	8,068	1,786,585
Restricted for:			
Teacher Compensation	95	0	95
Phase III	8,018	0	8,018
Capital projects	4,986	0	4,986
Management levy	178,982	0	178,982
Physical plant and equipment levy	58,733	0	58,733
Other special revenue purposes	73,908	0	73,908
Unrestricted	1,341,769	51,607	1,393,376
<b>TOTAL NET ASSETS</b>	<b>\$ 3,445,008</b>	<b>59,675</b>	<b>3,504,683</b>

SEE NOTES TO FINANCIAL STATEMENTS.

BATTLE CREEK-IDA GROVE COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2004

Functions/Programs	Program Revenues		
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest
<b>Governmental activities:</b>			
<b>Instruction:</b>			
Regular instruction	\$ 2,533,160	249,500	424,398
Special instruction	886,933	122,676	31,421
Other instruction	470,606	177,630	0
	<u>3,890,699</u>	<u>549,806</u>	<u>455,819</u>
<b>Support services:</b>			
Student services	137,103	0	0
Instructional staff services	216,970	0	0
Administration services	615,342	0	0
Operation and maintenance of plant services	509,933	0	0
Transportation services	251,311	34,613	0
	<u>1,730,659</u>	<u>34,613</u>	<u>0</u>
<b>Other expenditures:</b>			
AEA flowthrough	231,726	0	231,726
Depreciation(unallocated)*	82,666	0	0
	<u>314,392</u>	<u>0</u>	<u>231,726</u>
<b>Total governmental activities</b>	<b>5,935,750</b>	<b>584,419</b>	<b>687,545</b>
<b>Business-Type activities:</b>			
<b>Non-instructional programs:</b>			
Nutrition services	222,717	119,272	122,264
<b>Total business-type activities</b>	<u>222,717</u>	<u>119,272</u>	<u>122,264</u>
<b>Total</b>	<u>\$ 6,158,467</u>	<u>703,691</u>	<u>809,809</u>

**General Revenues:**

Local tax for:  
  General purposes  
  Capital projects  
  Unrestricted state grants  
  Gain on sale of equipment  
  Unrestricted investment earnings

Total general revenues

Changes in net assets

Net assets beginning of year, as restated(Note 10)

Net assets end of year

\* This amount excludes the depreciation that is included in the direct expense of various programs

SEE NOTES TO FINANCIAL STATEMENTS.

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
(1,859,262)	0	(1,859,262)
(732,836)	0	(732,836)
(292,976)	0	(292,976)
<u>(2,885,074)</u>	<u>0</u>	<u>(2,885,074)</u>
(137,103)	0	(137,103)
(216,970)	0	(216,970)
(615,342)	0	(615,342)
(509,933)	0	(509,933)
(216,698)	0	(216,698)
<u>(1,696,046)</u>	<u>0</u>	<u>(1,696,046)</u>
0	0	0
(82,666)	0	(82,666)
<u>(82,666)</u>	<u>0</u>	<u>(82,666)</u>
(4,663,786)	0	(4,663,786)
0	18,819	18,819
0	18,819	18,819
<u>(4,663,786)</u>	<u>18,819</u>	<u>(4,644,967)</u>
\$ 2,160,063	0	2,160,063
8,456	0	8,456
2,586,311	0	2,586,311
970	0	970
18,891	301	19,192
<u>4,774,691</u>	<u>301</u>	<u>4,774,992</u>
110,905	19,120	130,025
<u>3,334,103</u>	<u>40,555</u>	<u>3,374,658</u>
\$ <u>3,445,008</u>	<u>59,675</u>	<u>3,504,683</u>

BATTLE CREEK-IDA GROVE COMMUNITY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2004

	General	Other Nonmajor Governmental Funds	Total
<b>ASSETS</b>			
Cash and pooled investments	\$ 1,998,495	297,853	2,296,348
Receivables:			
Property tax:			
Delinquent	26,478	3,453	29,931
Succeeding year	1,706,243	202,474	1,908,717
Income surtax	0	44,542	44,542
Interfund	27,076	0	27,076
Accounts	949	3,281	4,230
Accrued interest	3,047	0	3,047
Due from other governments	47,224	0	47,224
<b>TOTAL ASSETS</b>	<b>\$ 3,809,512</b>	<b>551,603</b>	<b>4,361,115</b>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Interfund payable	\$ 17,886	0	17,886
Accounts payable	84,144	20,214	104,358
Salaries and benefits payable	650,733	0	650,733
Deferred revenue:			
Succeeding year property tax	1,706,243	202,474	1,908,717
Income surtax	0	44,542	44,542
Total liabilities	<u>2,459,006</u>	<u>267,230</u>	<u>2,726,236</u>
Fund balances:			
Reserved for:			
Teacher Compensation	95	0	95
Phase III	8,018	0	8,018
Unreserved:			
Designated for Special Purpose	6,558	0	6,558
Undesignated	1,335,835	284,373	1,620,208
Total fund balances	<u>1,350,506</u>	<u>284,373</u>	<u>1,634,879</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 3,809,512</b>	<b>551,603</b>	<b>4,361,115</b>

SEE NOTES TO FINANCIAL STATEMENTS.

BATTLE CREEK-IDA GROVE COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF NET ASSETS  
 JUNE 30, 2004

<b>Total fund balances of governmental funds (page 17)</b>	\$	1,634,879
 <i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and, therefore, are not report as assets in in the governmental funds.		1,778,517
Accounts receivable income surtax, are not yet available to finance expenditures of the current period.		44,542
Contract sale on land, is not yet available to finance expenditures of the current period.		6,000
Long-term liabilities, including early retirement, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		<u>(18,930)</u>
<b>Net assets of governmental activites (page 14)</b>	<b>\$</b>	<b><u><u>3,445,008</u></u></b>

SEE NOTES TO FINANCIAL STATEMENTS.

BATTLE CREEK-IDA GROVE COMMUNITY SCHOOL DISTRICT  
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 GOVERNMENTAL FUNDS  
 YEAR ENDED JUNE 30, 2004

	General	Other Nonmajor Governmental Funds	Total
<b>REVENUES:</b>			
Local sources:			
Local tax	\$ 1,825,821	298,156	2,123,977
Tuition	316,081	0	316,081
Other	130,040	177,537	307,577
State sources	3,046,324	232	3,046,556
Federal sources	206,952	0	206,952
Total revenues	<u>5,525,218</u>	<u>475,925</u>	<u>6,001,143</u>
<b>EXPENDITURES:</b>			
Current:			
Instruction:			
Regular instruction	2,498,660	17,388	2,516,048
Special instruction	892,439	0	892,439
Other instruction	329,838	137,396	467,234
	<u>3,720,937</u>	<u>154,784</u>	<u>3,875,721</u>
Support services:			
Student services	137,103	0	137,103
Instructional staff services	214,155	0	214,155
Administration services	563,937	55,883	619,820
Operation and maintenance of plant services	477,268	70,274	547,542
Transportation services	217,073	67,229	284,302
	<u>1,609,536</u>	<u>193,386</u>	<u>1,802,922</u>
Other expenditures:			
Facilities acquisitions	0	29,538	29,538
AEA flowthrough	231,726	0	231,726
	<u>231,726</u>	<u>29,538</u>	<u>261,264</u>
Total expenditures	<u>5,562,199</u>	<u>377,708</u>	<u>5,939,907</u>
Excess(deficiency) of revenues over(under) expenditures	(36,981)	98,217	61,236
Other financing sources:			
Sale of equipment	970	0	970
Sale of property	0	4,000	4,000
Total other financing sources	<u>970</u>	<u>4,000</u>	<u>4,970</u>
Net change in fund balances	(36,011)	102,217	66,206
Fund balance beginning of year, as restated(Note 10)	1,386,517	182,156	1,568,673
Fund balance end of year	<u>\$ 1,350,506</u>	<u>284,373</u>	<u>1,634,879</u>

SEE NOTES TO FINANCIAL STATEMENTS.

BATTLE CREEK-IDA GROVE COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF ACTIVITIES  
 JUNE 30, 2004

<b>Net change in fund balances - total governmental funds (page 19)</b>	\$	66,206
 <i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
 Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets 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 year are as follows:		
Capital outlays	\$ 180,714	
Depreciation expense	<u>(166,873)</u>	13,841
 Some revenues reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as revenues in the governmental funds.		
Contract sale on land		(4,000)
 Income surtax accounts receivable is not available to finance expenditures of the current year period in the governmental funds.		
		44,542
 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.		
Early Retirement		<u>(9,684)</u>
<b>Changes in net assets of governmental activities (page 16)</b>	<b>\$</b>	<b><u>110,905</u></b>

SEE NOTES TO FINANCIAL STATEMENTS.

BATTLE CREEK-IDA GROVE COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
PROPRIETARY FUND  
JUNE 30, 2004

	School Nutrition
<b>ASSETS</b>	
Cash and pooled investments	\$ 60,714
Receivables:	
Interfund	17,886
Inventories	3,656
Capital assets, net of accumulated depreciation (Note 5)	8,068
<b>TOTAL ASSETS</b>	<b>90,324</b>
 <b>LIABILITIES</b>	
Interfund payable	27,076
Accounts payable	177
Deferred revenue:	
Other	3,396
<b>TOTAL LIABILITIES</b>	<b>30,649</b>
 <b>NET ASSETS</b>	
Investment in capital assets, net of related debt	8,068
Unrestricted	51,607
<b>TOTAL NET ASSETS</b>	<b>\$ 59,675</b>

SEE NOTES TO FINANCIAL STATEMENTS.

BATTLE CREEK-IDA GROVE COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2004

	School Nutrition
OPERATING REVENUE:	
Local sources:	
Charges for services	\$ 119,272
TOTAL OPERATING REVENUES	119,272
OPERATING EXPENSES:	
Non-instructional programs:	
Food service operations:	
Salaries	81,914
Benefits	10,889
Services	3,114
Supplies	124,265
Depreciation	2,535
TOTAL OPERATING EXPENSES	222,717
OPERATING LOSS	(103,445)
NON-OPERATING REVENUES:	
State sources	3,813
Federal sources	118,451
Interest on investments	301
TOTAL NON-OPERATING REVENUES	122,565
Change in net assets	19,120
Net assets beginning of year	40,555
Net assets end of year	\$ 59,675

SEE NOTES TO FINANCIAL STATEMENTS.

BATTLE CREEK-IDA GROVE COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2004

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 119,115
Cash payments to employees for services	(93,047)
Cash payments to suppliers for goods or services	(105,785)
Net cash used in operating activities	(79,717)
Cash flows from non-capital financing activities:	
State grants received	3,813
Federal grants received	100,868
Net cash provided by non-capital financing activities	104,681
Cash flows from capital and related financing activities:	
Purchase of capital assets	(435)
Net cash used in capital and related financing activities	(435)
Cash flows from investing activities:	
Interest on investments	301
Net cash provided by investing activities	301
Net increase in cash and cash equivalents	24,830
Cash and cash equivalents at beginning of year	35,884
Cash and cash equivalents at end of year	\$ 60,714
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (103,445)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	18,166
Depreciation	2,535
Decrease in inventories	3,436
Decrease in accounts payable	(8)
Decrease in salaries and benefits payable	(244)
Decrease in deferred revenue	(157)
Net cash used in operating activities	\$ (79,717)
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:	
Current assets:	
Cash and pooled investments	\$ 60,714
NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:	

During the year ended June 30, 2004, the District received Federal commodities valued at \$18,166.

SEE NOTES TO FINANCIAL STATEMENTS.

BATTLE CREEK-IDA GROVE COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

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

The Battle Creek-Ida Grove Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the Cities of Battle Creek and Ida Grove, Iowa, and the predominate agricultural territory in Woodbury, Crawford and Ida 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, Battle Creek-Ida Grove Community School District has included all funds, organizations, account groups, 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. The Battle Creek-Ida Grove 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 do 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 Woodbury, Crawford and Ida Counties Assessors' Conference Board.

B. Basis of Presentation

District-wide financial statements - The statement of net assets 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 support.

The statement of net assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

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

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

*Unrestricted net asset* consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but 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 that 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 that are 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 District-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 other nonmajor governmental funds.

The District reports the following major governmental funds:

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

The District reports the following proprietary fund:

The District's proprietary funds are the Enterprise, School Nutrition Fund. The School Nutrition Fund is used to account for the food service operations of the District.

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

The District-wide financial statements and the proprietary and fiduciary fund financial statements are reported using the "economic resources measurement focus". The District-wide

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

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

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

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

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating 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 fund is 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 nonoperating revenues and expenses.

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

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the balance sheet:

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 cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2002 assessed property valuations; is for the tax accrual period July 1, 2003 through June 30, 2004 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2003.

Interfund Receivables and Payables - During the course of its operations, the District has numerous transactions between funds. To the extent that certain transactions between funds had not been paid or received as of June 30, 2004 balances of interfund accounts receivable or payable have been recorded.

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

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

Capital Assets - Capital assets, which include property, furniture, and equipment, are reported in the applicable governmental or business-type activities columns in the District-wide statement of net assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and 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 two years.

Asset Class	Amount
Land	\$ 1,500
Buildings	1,500
Improvements other than buildings	1,500
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	1,500

Property, furniture and equipment are depreciated using the straight line method of depreciation over the following estimated useful lives:

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

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

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements 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 period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax

receivables and other receivables not collected within sixty days after year end.

Deferred revenue on the statement of net assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Long-term obligations - In the District-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the statement of net assets.

Fund Balances - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the District-wide statement of net assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

**(2) Cash and Pooled Investments**

The District's deposits at June 30, 2004 were entirely covered by Federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education and the Treasurer of the State of Iowa; 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.

The District had investments in the Iowa Schools Joint Investment Trust which are valued at an amortized cost of \$149,915 pursuant to Rule 2a-7 under the Investment Company Act of 1940. Governmental Accounting Standards Board Number 3 requires investments to be categorized to give an indication of the level of risk assumed by the District at year end. The District's investment in the Iowa Schools Joint Investment trust is not subject to risk categorization.

**(3) Interfund Receivables and Payables**

Individual interfund receivable and payable balances at June 30, 2004 are as follows:

Receivable Fund	Payable Fund	Amount
General	Enterprise, School Nutrition	\$ 27,076
Enterprise, School Nutrition	General	17,886
Total		<u>\$ 44,962</u>

The Enterprise, School Nutrition Fund is repaying the General fund for salaries and benefits. The General Fund is repaying the Enterprise, School Nutrition Fund for revenues deposited in the General Fund bank account and the overpayment of salaries and benefits from prior year. The balance will be repaid by June 30, 2005.

**(4) Note Receivable**

During the year ended June 30, 2003, the District entered into a contract sale with the City of Ida Grove for land. Detail of the contract sale of land is as follows:

Year Ending June 30,	Contract Sale on Land Agreement
2005	\$ 2,000
2006	2,000
2007	2,000
Total	<u>\$ 6,000</u>

**(5) Capital Assets**

Capital assets activity for the year ended June 30, 2004 is as follows:

	Balance Beginning of Year, as restated (Note 10)	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 101,179	0	0	101,179
Total capital assets not being depreciated	101,179	0	0	101,179
Capital assets being depreciated:				
Buildings	3,749,327	35,502	0	3,784,829
Improvements other than buildings	257,169	27,584	0	284,753
Furniture and equipment	1,365,616	117,628	71,914	1,411,330
Total capital assets being depreciated	5,372,112	180,714	71,914	5,480,912
Less accumulated depreciation for:				
Buildings	2,583,395	71,457	0	2,654,852
Improvements other than buildings	125,400	11,209	0	136,609
Furniture and equipment	999,820	84,207	71,914	1,012,113
Total accumulated depreciation	3,708,615	166,873	71,914	3,803,574
Total capital assets being depreciated, net	1,663,497	13,841	0	1,677,338
Governmental activities capital assets, net	\$ 1,764,676	13,841	0	1,778,517

	Balance Year	Increases	Decreases	Balance of Year
Business-type activities:				
Furniture and equipment	\$ 61,385	435	0	61,820
Less accumulated depreciation	51,217	2,535	0	53,752
Business-type activities capital assets, net	\$ 10,168	(2,100)	0	8,068

Depreciation expense was charged by the District as follows:

Governmental activities:				
Instruction:				
Regular				\$ 23,269
Special				597
Other				5,367
Support services:				
Instructional staff				8,696
Operation and maintenance of plant				1,432
Transportation				44,846
				<u>84,207</u>
Unallocated depreciation				82,666
				<u>166,873</u>
Total governmental activities depreciation expense				\$ 166,873
Business-type activities:				
Food services				\$ 2,535
Total business-type activities depreciation expense				<u>2,535</u>

#### (6) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2004 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Early Retirement	\$ 9,246	12,306	2,622	18,930	13,962
Total	\$ 9,246	12,306	2,622	18,930	13,962

#### Early Retirement

The District offers a voluntary early retirement plan to its employees. Eligible employees must be at least age fifty-five and employees must have completed fifteen years of continuous service to the District. Employees must complete an application which is required to be approved by the Board of Education. The early retirement incentive for each eligible employee is equal to a percent of salary per the number of years of service. The District paid \$2,622 in early retirement benefits during the year ended June 30, 2004. A liability has been recorded in the Statement of Net Assets representing the District's commitment to fund non-current early retirement.

#### (7) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report

may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual salary and the District is required to contribute 5.75% of annual payroll. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2004, 2003, and 2002 were \$228,722, \$223,226, and \$222,688 respectively, equal to the required contributions for each year.

**(8) Risk Management**

Battle Creek-Ida Grove Community School District is a member in the Iowa School Employees Benefits Association, and Iowa Code Chapter 28E organization. The Iowa School Employees Benefits Association (ISEBA) is a local government risk-sharing pool whose members include various schools throughout the State of Iowa. ISEBA was formed July 1999 for the purpose of managing and funding employee benefits. ISEBA provides coverage and protection in the following categories: medical, dental, vision and prescription drugs.

Each member's contributions to ISEBA funds current operations and provides capital. Annual operating contributions are those amounts necessary to fund, on a GAAP basis, ISEBA's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital.

The District's contributions to the risk pool are recorded as expenditures from its General Fund at the time of payment to the risk pool. District contributions to ISEBA for the year ended June 30, 2004 were \$280,824.

Payments from participating members are the sole source for paying claims and establishing reserves for the ISEBA self-funded programs. Stop loss insurance is purchased by ISEBA to protect against large claims but the potential exists for claims to exceed the premium payments made by members into the program. In the event that claims exceed premiums and reserves, an assessment may be necessary to pay claims and replenish reserves in the program.

The District does not report a liability for losses in excess of stop loss insurance unless it is deemed probable that such losses have occurred and the amount of such a loss can be reasonably estimated. Accordingly, at June 30, 2004, no liability has been recorded in the District's financial statements. As of June 30, 2004, settled claims have not exceeded the risk pool or reinsurance company coverage.

Members agree to continue membership in the pool for a period of not less than one full year. After such period, a member who has given 30 days prior written notice may withdraw. ISEBA will pay claims incurred before the termination date.

Battle Creek-Ida Grove Community School 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.

**(9) Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$231,726 for the year ended June 30, 2004 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**(10) Accounting Change and Restatements**

Governmental Accounting Standards Board(GASB) Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements was implemented during the year ended June 30, 2004. The interpretation modifies when compensated absences and early retirement liabilities are recorded under the modified accrual basis of accounting.

Governmental Accounting Standards Board(GASB) Statement Number 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments, Statement Number 37, Basic Financial Statements and Management's Discussion and Analysis - for State and Local Governments; Omnibus, Statement Number 38, Certain Financial Statement Note Disclosures, and Statement Number 41, Budgetary Comparison Schedule - Perspective Differences; were implemented during the year ended June 30, 2004. The statements create new basic financial statements for reporting the District's financial activities. The financial statements now include District-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

The government-wide financial statements split the District's programs between business-type and governmental activities. The beginning net asset amount for governmental activities has been restated to include capital assets, long-term liabilities and the changes in assets and liabilities at July 1, 2003 caused by the conversion to the accrual basis of accounting.

Beginning capital assets for governmental activities of \$7,142,612 were restated to \$5,473,291. The restatement primarily removed assets below the District's capitalization threshold.

The effects of the accounting change and other restatements in the governmental activities are summarized as follows:

	Fund		Total
	General	Other Nonmajor Governmental Funds	
Net assets, June 30, 2003, as previously reported	\$ 1,386,517	182,156	1,568,673
GASB Interpretation 6 adjustments	0	0	0
Net assets, July 1, 2003, as restated for governmental funds	<u>\$ 1,386,517</u>	<u>182,156</u>	<u>1,568,673</u>
GASB 34 adjustments:			
Capital assets, net of accumulated depreciation of \$3,708,615			1,764,676
Contract sale on land			10,000
Long-term liabilities:			
Early retirement payable			<u>(9,246)</u>
Net assets, July 1, 2003, as restated			<u>\$ 3,334,103</u>

REQUIRED SUPPLEMENTAL INFORMATION

BATTLE CREEK-IDA GROVE COMMUNITY SCHOOL DISTRICT  
 BUDGETARY COMPARISON OF REVENUES, EXPENDITURES AND  
 CHANGES IN BALANCES -  
 BUDGET AND ACTUAL (GAAP BASIS) - ALL GOVERNMENTAL FUNDS  
 AND PROPRIETARY FUNDS  
 REQUIRED SUPPLEMENTARY INFORMATION  
 YEAR ENDED JUNE 30, 2004

	Governmental Fund Types Actual	Proprietary Fund Type Actual
Revenues:		
Local sources	\$ 2,747,635	119,573
State sources	3,046,556	3,813
Federal sources	206,952	118,451
Total revenues	<u>6,001,143</u>	<u>241,837</u>
Expenditures:		
Instruction	3,875,721	0
Support services	1,802,922	0
Non-instructional programs	0	222,717
Other expenditures	261,264	0
Total expenditures	<u>5,939,907</u>	<u>222,717</u>
Excess(deficiency) of revenues over(under) expenditures	61,236	19,120
Other financing sources, net	<u>4,970</u>	<u>0</u>
Excess(deficiency) of revenues and other financing sources over(under) expenditures	66,206	19,120
Balance beginning of year	<u>1,568,673</u>	<u>40,555</u>
Balance end of year	<u>\$ 1,634,879</u>	<u>59,675</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
	Original	Final	
2,867,208	3,227,292	3,227,292	(360,084)
3,050,369	3,299,241	3,299,241	(248,872)
325,403	320,000	320,000	5,403
<u>6,242,980</u>	<u>6,846,533</u>	<u>6,846,533</u>	<u>(603,553)</u>
3,875,721	4,478,524	4,478,524	602,803
1,802,922	2,312,500	2,312,500	509,578
222,717	447,000	447,000	224,283
261,264	248,375	348,375	87,111
<u>6,162,624</u>	<u>7,486,399</u>	<u>7,586,399</u>	<u>1,423,775</u>
80,356	(639,866)	(739,866)	(820,222)
<u>4,970</u>	<u>0</u>	<u>0</u>	<u>(4,970)</u>
85,326	(639,866)	(739,866)	(825,192)
<u>1,609,228</u>	<u>1,691,619</u>	<u>1,691,619</u>	<u>(82,391)</u>
<u>1,694,554</u>	<u>1,051,753</u>	<u>951,753</u>	<u>742,801</u>

BATTLE CREEK-IDA GROVE COMMUNITY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING  
YEAR ENDED JUNE 30, 2004

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except private-purpose trust and agency funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis. Encumbrances are not recognized on the GAAP basis budget and appropriations lapse at year end.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functional areas, not by fund or fund type. These four functional areas are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. 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 the District adopted one budget amendment increasing budgeted expenditures by \$100,000.

OTHER SUPPLEMENTAL INFORMATION

BATTLE CREEK-IDA GROVE COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2004

	Manage- ment	Student Activity	Physical Plant and Equipment Levy	Capital Projects	Total
<b>ASSETS</b>					
Cash and pooled investments	\$ 190,129	78,483	22,226	7,015	297,853
Receivables:					
Property tax:					
Current year delinquent	1,159	0	2,294	0	3,453
Succeeding year	100,000	0	102,474	0	202,474
Income surtax	0	0	44,542	0	44,542
Accounts	0	1,904	0	1,377	3,281
<b>TOTAL ASSETS</b>	<b>\$ 291,288</b>	<b>80,387</b>	<b>171,536</b>	<b>8,392</b>	<b>551,603</b>
<b>LIABILITIES AND FUND EQUITY</b>					
Liabilities:					
Accounts payable	\$ 0	6,479	10,329	3,406	20,214
Deferred revenue:					
Succeeding year property tax	100,000	0	102,474	0	202,474
Income surtax	0	0	44,542	0	44,542
	100,000	6,479	157,345	3,406	267,230
Fund equity:					
Fund balances:					
Unreserved:					
Undesignated	191,288	73,908	14,191	4,986	284,373
Total fund balances	191,288	73,908	14,191	4,986	284,373
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<b>\$ 291,288</b>	<b>80,387</b>	<b>171,536</b>	<b>8,392</b>	<b>551,603</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

BATTLE CREEK-IDA GROVE COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 YEAR ENDED JUNE 30, 2004

	Manage- ment	Student Activity	Physical Plant and Equipment Levy	Capital Projects	Expendable Trust	Total
<b>REVENUES:</b>						
Local sources:						
Local tax	\$ 79,930	0	209,770	8,456	0	298,156
Other	16,002	159,449	2,022	64	0	177,537
State sources	78	0	154	0	0	232
<b>TOTAL REVENUES</b>	<b>96,010</b>	<b>159,449</b>	<b>211,946</b>	<b>8,520</b>	<b>0</b>	<b>475,925</b>
<b>EXPENDITURES:</b>						
Current:						
Instruction:						
Regular instruction	552	0	16,836	0	0	17,388
Other instruction	0	136,464	0	0	932	137,396
Support services:						
Administration services	55,883	0	0	0	0	55,883
Operation and maintenance of plant services	25,403	0	44,871	0	0	70,274
Student transportation	12,617	0	54,612	0	0	67,229
Other expenditures:						
Facilities acquisitions	0	0	8,000	21,538	0	29,538
<b>TOTAL EXPENDITURES</b>	<b>94,455</b>	<b>136,464</b>	<b>124,319</b>	<b>21,538</b>	<b>932</b>	<b>377,708</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>1,555</b>	<b>22,985</b>	<b>87,627</b>	<b>(13,018)</b>	<b>(932)</b>	<b>98,217</b>
<b>OTHER FINANCING SOURCES:</b>						
Sale of property	0	0	4,000	0	0	4,000
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES</b>	<b>1,555</b>	<b>22,985</b>	<b>91,627</b>	<b>(13,018)</b>	<b>(932)</b>	<b>102,217</b>
<b>FUND BALANCE BEGINNING OF YEAR</b>	<b>189,733</b>	<b>50,923</b>	<b>(77,436)</b>	<b>18,004</b>	<b>932</b>	<b>182,156</b>
<b>FUND BALANCE END OF YEAR</b>	<b>\$ 191,288</b>	<b>73,908</b>	<b>14,191</b>	<b>4,986</b>	<b>0</b>	<b>284,373</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

BATTLE CREEK-IDA GROVE COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
 YEAR ENDED JUNE 30, 2004

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Coed athletics	\$ 2,861	57,106	40,957	19,010
Future falcons	454	3,897	1,929	2,422
Football camp	153	0	30	123
Falcon wrestling club	38	3,927	3,353	612
HS Falcon baseball	1	0	0	1
Class of 2008	0	185	0	185
Class of 2007	0	145	0	145
Class of 2006	120	95	83	132
Class of 2005	0	11,808	11,391	417
Class of 2004	1,952	297	2,249	0
Class of 2003	388	0	388	0
Concessions	71	16,060	15,559	572
Outdoor classroom	1,844	0	0	1,844
Interest	649	0	173	476
TAG	91	0	0	91
TAG video fair	0	27	0	27
IGE fundraising	4,323	908	3,790	1,441
IG elementary book fair	800	3,447	3,244	1,003
BC book fair club	474	3,673	3,200	947
ECC pop machine	1,107	1,921	2,200	828
MS sports	4,637	3,110	2,900	4,847
MS cheerleaders	19	0	0	19
MS girls basketball	800	1,296	1,237	859
MS special pop	1,546	4,104	2,993	2,657
MS art club	106	0	76	30
MS student council	2,951	4,497	3,218	4,230
MS carnival	2,711	879	213	3,377
Softball field renovation	2,322	5,017	3,611	3,728
Supporting players	2,761	525	2,747	539
HS drama	2,519	1,750	986	3,283
HS vocal	1,172	2,806	2,520	1,458
HS band	30	2,495	1,581	944
Chearleaders	848	3,185	2,610	1,423
Drill team	1,735	4,012	3,335	2,412
Senior memories	516	441	278	679
Quiz bowl fund	0	112	112	0
HS vending	486	1,422	936	972
Art club	359	1,274	744	889
FHA	165	389	554	0
Spanish club	2,133	0	55	2,078
National Honor Society	1,667	6,042	5,718	1,991
HS student council	4,183	11,210	10,943	4,450
Calculus fund	1,895	650	20	2,525
Falcon girls golf	36	0	0	36
HS book fair	0	737	531	206
<b>Total</b>	<b>\$ 50,923</b>	<b>159,449</b>	<b>136,464</b>	<b>73,908</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

BATTLE CREEK-IDA GROVE COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION  
 ALL GOVERNMENTAL FUND TYPES  
 FOR THE LAST FOUR YEARS

	Modified Accrual Basis			
	Years Ended June 30,			
	2004	2003	2002	2001
<b>Revenues:</b>				
Local sources:				
Local tax	\$ 2,123,977	2,064,759	1,924,020	1,871,436
Tuition	316,081	262,880	259,537	191,475
Other	307,577	271,447	375,327	352,258
Intermediate sources	0	450	0	0
State sources	3,046,556	3,251,799	3,171,103	3,222,070
Federal sources	206,952	211,701	172,859	177,963
<b>Total</b>	<b>\$ 6,001,143</b>	<b>6,063,036</b>	<b>5,902,846</b>	<b>5,815,202</b>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular instruction	\$ 2,516,048	2,563,880	2,676,327	2,711,282
Special instruction	892,439	865,140	703,298	598,582
Other instruction	467,234	481,312	473,956	442,697
Support services:				
Student services	137,103	139,395	124,450	122,881
Instructional staff services	214,155	207,648	230,998	133,793
Administration services	619,820	598,273	562,148	548,959
Operation and maintenance of plant services	547,542	688,484	533,425	505,531
Transportation services	284,302	279,351	246,796	224,156
Other expenditures:				
Facilities acquisitions	29,538	14,453	0	237,950
AEA flow-through	231,726	249,542	246,252	253,570
<b>Total</b>	<b>\$ 5,939,907</b>	<b>6,087,478</b>	<b>5,797,650</b>	<b>5,779,401</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

# **NOLTE, CORNMAN & JOHNSON P.C.**

## **Certified Public Accountants**

(a professional corporation)

117 West 3rd Street North, Newton, Iowa 50208-3040

Telephone (641) 792-1910

### Independent Auditor's Report on Compliance and on Internal Control over Financial Reporting

To the Board of Education of the  
Battle Creek-Ida Grove Community School District:

We have audited the financial statements of Battle Creek-Ida Grove Community School District as of and for the year ended June 30, 2004, and have issued our report thereon dated August 24, 2004. We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

#### Compliance

As part of obtaining reasonable assurance about whether Battle Creek-Ida Grove Community School District's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, 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 an opinion. The results of our tests disclosed no instances of non-compliance that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance that are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2004 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. Prior year statutory comments have all been resolved except for item II-E-04.

#### Internal Control Over Financial Reporting

In planning and performing our audit, we considered Battle Creek-Ida Grove Community School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and accordingly, would not necessarily disclose all

reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item I-A-04 is a material weakness. Prior year reportable conditions have all been resolved except for item I-A-04.

This report, a public record by law, is intended solely for the information and use of the officials, employees, and citizens of Battle Creek-Ida Grove Community School District and other parties to whom Battle Creek-Ida Grove Community School District may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Battle Creek-Ida Grove 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.

*Nolte, Cornman & Johnson PC*  
NOLTE, CORNMAN & JOHNSON, P.C.

August 24, 2004

BATTLE CREEK-IDA GROVE COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2004

Part I: Findings Related to the General Purpose Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

I-A-04 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal were all done by the same person.

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

Response - We will investigate available alternatives and implement as soon as possible.

Conclusion - Response accepted.

BATTLE CREEK-IDA GROVE COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2004

Part II: Other Findings Related to Statutory Reporting

- II-A-04 Official Depositories - A resolution naming official depositories have been approved by the Board. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2004.
- II-B-04 Certified Budget - District disbursements for the year ended June 30, 2004, did not exceed the amount budgeted.
- II-C-04 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- II-D-04 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- II-E-04 Business Transactions - Business transactions between the District and District officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Peggy Wunschel, Treasurer Spouse owns Don's Chevrolet	Repairs	\$1,712
Peggy Wunschel, Treasurer Father-in-law owns Wunschel Oil Co.	Fuel	\$35,560
Pat Wellendorf, Board Member Vice President of United Bank of Iowa		

In accordance with the Attorney General's opinion dated November 9, 1976, the above transactions with the employees spouse and father-in-law do not appear to represent a conflict of interest.

The Board Member is an officer at the bank that handles bank transactions for the District. The Board should be mindful of the potential for a conflict when the member may indirectly benefit from Board action.

Recommendation - The District should be aware of any transactions which may be a potential conflict of interest.

Response - We are aware of these relationships and will constantly monitor them for potential conflicts of interest.

Conclusion - Response accepted.

- II-F-04 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

IV-G-04 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board. However, we noted that the minutes were not always published in a timely manner.

Recommendation - The District should publish the minutes within two weeks of the Board meeting, as required by 279.35 of the Code of Iowa.

Response - We will provide the minutes within the time period required, however, we are unable to control the publishing dates.

Conclusion - Response accepted.

II-H-04 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.

II-I-04 Deposits and Investments - We noted 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.

II-J-04 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely, and we noted no significant deficiencies in the amounts reported.