

BATTLE CREEK-IDA GROVE COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2005

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Battle Creek-Ida Grove Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September 2004 election)		
Lenee Sinnott	President	2004
Kathy Leonard	Vice President	2004
Duane Hummelgard	Board Member	2004
Carol Bresnahan	Board Member	2005
Mark Burns	Board Member	2005
Ann Homan	Board Member	2006
Pat Wellendorf	Board Member	2006
Board of Education (After September 2004 election)		
Lenee Sinnott	President	2007
Kathy Leonard	Vice President	2007
Duane Hummelgard	Board Member	2007
Carol Bresnahan	Board Member	2005
Mark Burns	Board Member	2005
Ann Homan	Board Member	2006
Pat Wellendorf	Board Member	2006
School Officials		
Russ Freeman	Superintendent	2005
Laurel Boerner	District Secretary	2005
Peggy Wunschel	District Treasurer	2005
Rick Franck	Attorney	2005

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(a professional corporation)
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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, Ida Grove, Iowa as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements 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 and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that 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 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, 2005, and the respective changes in financial position and cash flows, where applicable, for the year ended in conformity with U.S. generally accepted accounting principles.

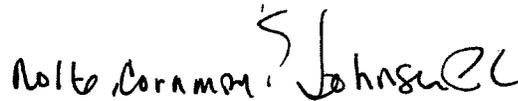
In accordance with Government Auditing Standards, we have also issued our report dated August 31, 2005 on our consideration of the Battle Creek-Ida Grove Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. 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 and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 13 and 34 through 36 are not required parts of the basic financial statements, but are supplementary

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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 required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions 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 two years ended June 30, 2004 (which are not 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 year ended June 30, 2002 (which are not presented herein) and expressed an unqualified opinion on those financial statements. Other supplementary 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 31, 2005

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, 2005. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2005 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$5,526,188 in fiscal 2004 to \$5,526,616 in fiscal 2005, while General Fund expenditures increased from \$5,562,199 in fiscal 2004 to \$5,653,244 in fiscal 2005. This resulted in a decrease in the District's General Fund balance from \$1,350,506 in fiscal 2004 to a balance of \$1,223,878 in fiscal 2005, a 9.38% decrease from the prior year.
- The increase in General Fund revenues was attributable to an increase in state grant revenue in fiscal 2005. 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 2005.

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 District 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.

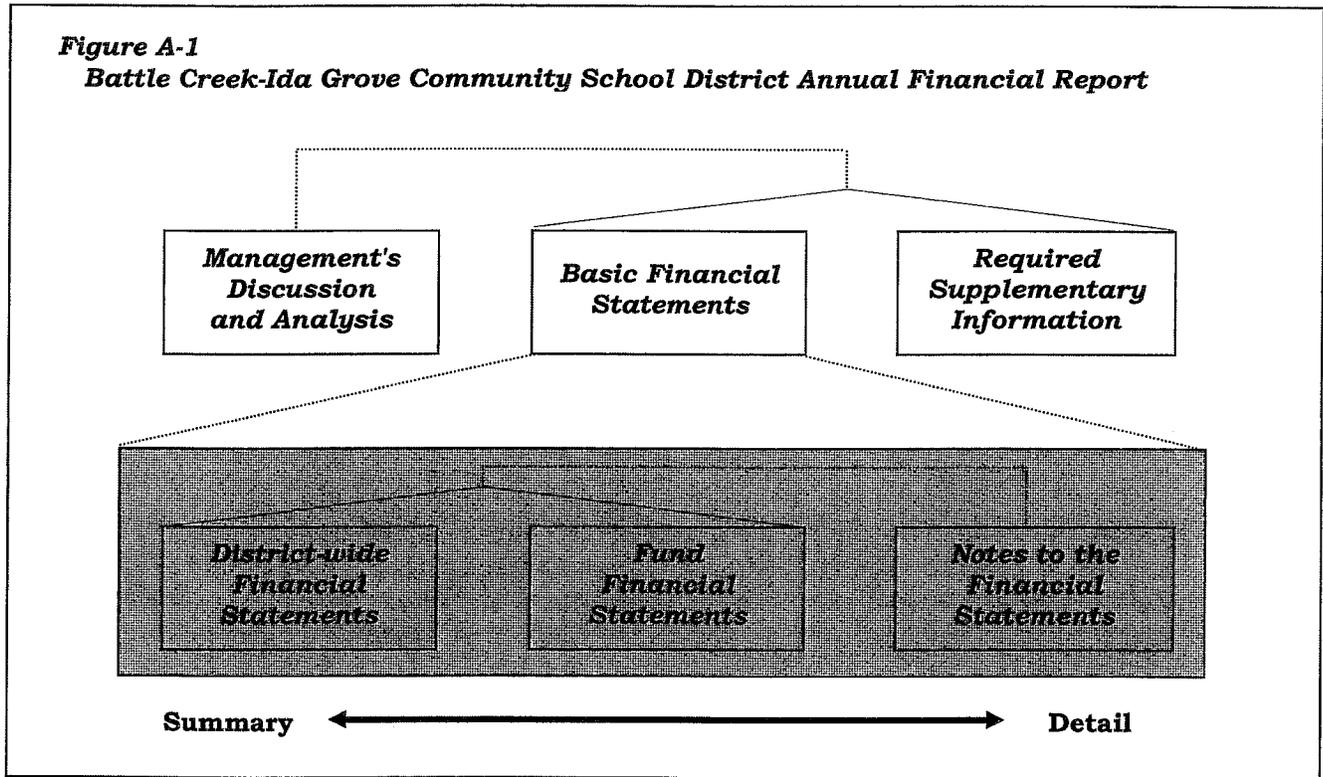


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

Figure A-2 Major Features of the Government-wide and Fund Financial Statements			
	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"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of Net Assets • Statement of revenues, expenses and changes in net assets • Statement of cash flows
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, 2005 compared to June 30, 2004.

Figure A-3
Condensed Statement of Net Assets

	Governmental Activities		Business-type Activities		Total School District		Total Change
	2005	2004	2005	2004	2005	2004	2004-05
Current and other assets	\$ 4,619,420	4,367,115	91,464	82,256	4,710,884	4,449,371	5.88%
Capital assets	1,853,031	1,778,517	12,732	8,068	1,865,763	1,786,585	4.43%
Total assets	6,472,451	6,145,632	104,196	90,324	6,576,647	6,235,956	5.46%
Long-term obligations	27,854	18,930	0	0	27,854	18,930	47.14%
Other liabilities	2,789,828	2,681,694	32,763	30,649	2,822,591	2,712,343	4.06%
Total liabilities	2,817,682	2,700,624	32,763	30,649	2,850,445	2,731,273	4.36%
Net assets:							
Invested in capital assets, net of related debt	1,853,031	1,778,517	12,732	8,068	1,865,763	1,786,585	4.43%
Restricted	419,128	324,722	0	0	419,128	324,722	29.07%
Unrestricted	1,382,610	1,341,769	58,701	51,607	1,441,311	1,393,376	3.44%
Total net assets	\$ 3,654,769	3,445,008	71,433	59,675	3,726,202	3,504,683	6.32%

The District's combined net assets increased by 6.32%, or \$221,519, over the prior year. The largest portion of the District's net assets is the invested in capital assets, net of related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased \$94,406, or 29.07% over the prior year. The increase was primarily a result of the District increase in the local option sales and services tax fund.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased \$47,935, or 3.44%. This increase in unrestricted net assets was a result of the District's increase in the General Fund balance which occurred due to the anticipation of revenue from the instructional support levy.

Figure A-4 shows the changes in net assets for the year ended June 30, 2005 compared to June 30, 2004.

Figure A-4
Changes of Net Assets

	Governmental Activities		Business-type Activities		Total School District		Total Change
	2005	2004	2005	2004	2005	2004	2004-05
Revenues:							
Program revenues:							
Charges for services	\$ 687,471	584,419	119,190	119,272	806,661	703,691	14.63%
Operating grants and contributions and restricted interest	636,511	687,545	134,751	122,264	771,262	809,809	-4.76%
General revenues:							
Property tax	2,107,671	2,160,063	0	0	2,107,671	2,160,063	-2.43%
Local option sales and services tax	340,180	8,456	0	0	340,180	8,456	3922.94%
Unrestricted state grants	2,645,687	2,586,311	0	0	2,645,687	2,586,311	2.30%
Other	38,778	19,861	1,230	301	40,008	20,162	98.43%
Total revenues	6,456,298	6,046,655	255,171	241,837	6,711,469	6,288,492	6.73%
Program expenses:							
Governmental activities:							
Instructional	3,975,608	3,890,699	0	0	3,975,608	3,890,699	2.18%
Support services	1,890,203	1,730,659	0	0	1,890,203	1,730,659	9.22%
Non-instructional programs	0	0	243,413	222,717	243,413	222,717	9.29%
Other expenses	380,726	314,392	0	0	380,726	314,392	21.10%
Total expenses	6,246,537	5,935,750	243,413	222,717	6,489,950	6,158,467	5.38%
Changes in net assets	209,761	110,905	11,758	19,120	221,519	130,025	70.37%
Beginning net assets	3,455,008	3,334,103	59,675	40,555	3,514,683	3,374,658	4.15%
Ending net assets	\$ 3,664,769	3,445,008	71,433	59,675	3,736,202	3,504,683	6.61%

Property tax and unrestricted state grants account for 74% of the total revenue. The District's expenses primarily relate to instruction and support services which account for 94% of the total expenses.

Changes in revenues will be as a result of changes in student participation, whether in the regular, special or extracurricular programs. The most significant change in revenues was due to the increase in Local Option Sales and Services Tax monies, due to the first complete year of funding. Fluctuations in basic enrollment will significantly impact the state revenues, as well as property tax revenues, keeping in mind that neither source of funding will be ever fully realized with current law and funding structure as set by the legislature, and the mid-year reduction of funding on the part of the state.

The most significant fluctuation in expenditure levels will be caused by increased salary and benefit obligations, in large part resulting from collective bargaining agreements. With a declining enrollment comes lesser ability to fund various programs required by the state and constant evaluation of staffing needs becomes a priority. Even with certain staff reductions there may still be an increase in expenditures due to the salary and benefit requirements.

Governmental Activities

Revenues for governmental activities were \$6,456,298 and expenses were \$6,246,537. 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	\$ 3,975,608	2,892,024
Support services	1,890,203	1,875,915
Other expenses	380,726	154,616
Totals	<u>\$ 6,246,537</u>	<u>4,922,555</u>

- The cost financed by users of the District's programs was \$687,471.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$636,511.
- The net cost of governmental activities was financed with \$2,107,671 in property tax, \$340,180 in local option sales and services tax, \$2,645,687 in state foundation aid, \$38,108 in interest income and \$670 in gain on sale of equipment.

Business-Type Activities

Revenues of the District's business-type activities were \$255,171 and expenses were \$243,413. 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 \$1,670,765, above last year's ending fund balances of a \$1,634,879. However, the primary reason for the increase in combined fund balances in fiscal 2005 is due to the increase in the Capital Projects Fund due to the first complete year of receiving local option sales and services tax monies.

Governmental Fund Highlights

- The District's deteriorating General Fund financial position from \$1,350,506 to \$1,223,878 is the product of many factors:
 - Increase in state aid grants and other local sources during the year resulted in an increase 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 Capital Projects Fund balance increased from \$4,986 in fiscal 2004 to \$147,776 in fiscal 2005. This was the first complete year of the District receiving local option sales and services tax monies during the year.

Proprietary Fund Highlights

The School Nutrition Fund net assets increased from \$59,675 at June 30, 2004 to \$71,433 at June 30, 2005, representing an increase of 19.70%. For fiscal 2005, the District received an increase in state and federal revenues.

BUDGETARY HIGHLIGHTS

The District's revenues were \$559,842 less than budgeted revenues, a variance of 8%. The most significant variance resulted from the District receiving less in local, state and federal sources than originally anticipated.

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

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2005, 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 4.24% from last year. More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$184,768.

The original cost of the District's capital assets was \$5.8 million. Governmental funds account for \$5.7 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 land improvement category. The District's land improvements totaled \$201,089 at June 30, 2005, compared to \$148,144 reported at June 30, 2004. This increase resulted from the current year capital acquisitions less depreciation expense.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental		Business-type		Total		Total Change 2003-04
	Activities		Activities		School District		
	2005	2004	2005	2004	2005	2004	
Land	\$ 101,179	101,179	0	0	101,179	101,179	0.00%
Buildings	1,129,504	1,129,977	0	0	1,129,504	1,129,977	-0.04%
Land improvements	201,089	148,144	0	0	201,089	148,144	26.33%
Machinery and equipment	421,259	399,217	12,732	8,068	433,991	407,285	6.15%
Total	\$ 1,853,031	1,778,517	12,732	8,068	1,865,763	1,786,585	4.24%

Long-Term Debt

At June 30, 2005, the District had \$27,854 in other long-term debt outstanding. This represents an increase of 47.1% 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 \$27,854 at June 30, 2005.

Figure A-7
Outstanding Long-Term Obligations

	Total School District		Total Change
	2005	2004	
Early Retirement	\$ 27,854	18,930	47.1%
Totals	\$ 27,854	18,930	47.1%

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 (66.5 students in the last 2 school years) 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 Service Tax for school infrastructure (SILO). This 1 cent tax on sales and services will greatly benefit the District in maintaining their buildings and grounds, and purchasing equipment. The funding began in September 2004, allowing the District the funds to do several projects that wouldn't have been possible without the 1 cent tax. The District is very grateful to our community for rallying behind the school in passing this very important tax.
- The District and the Odebolt-Arthur School District are sharing a superintendent. This frees up general fund money that can then be spent on educational programs.
- The District changed health insurance companies on July 1, 2004, dropping the health insurance with ISEBA and going with Midwest Security. As a result of the change, ISEBA assessed the District \$80,529.77 for overage and run-ons. The District joined several other districts, found legal counsel and brought suit against ISEBA. The current status is that the District will have to pay for 50% of the assessment prior to 12-1-05. This will have to come from the general fund, which will take away from educational programs.

-
- District sharing talks continue with Odebolt-Arthur and more sharing is being done between the districts educationally, with a target date to whole-grade share beginning with 2007-08.

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, 2005

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and pooled investments	\$ 2,150,991	87,399	2,238,390
Receivables:			
Property tax:			
Delinquent	29,200	0	29,200
Succeeding year	1,950,531	0	1,950,531
Income surtax	193,092	0	193,092
Interfund	21,521	0	21,521
Accounts	2,873	0	2,873
Accrued interest	12,756	0	12,756
Due from other governments	252,456	0	252,456
Inventories	0	4,065	4,065
Contract sale on land(Note 4)	6,000	0	6,000
Capital assets, net of accumulated depreciation(Note 5)	1,853,031	12,732	1,865,763
TOTAL ASSETS	6,472,451	104,196	6,576,647
LIABILITIES			
Interfund payable	0	21,521	21,521
Accounts payable	157,739	7,833	165,572
Salaries and benefits payable	641,293	0	641,293
ISEBA assessment payable(Note 8)	40,265	0	40,265
Deferred revenue:			
Succeeding year property tax	1,950,531	0	1,950,531
Other	0	3,409	3,409
Long-term liabilities(Note 6):			
Portion due within one year:			
Early retirement payable	24,542	0	24,542
Portion due after one year:			
Early retirement payable	3,312	0	3,312
TOTAL LIABILITIES	2,817,682	32,763	2,850,445
NET ASSETS			
Investment in capital assets, net of related debt	1,853,031	12,732	1,865,763
Restricted for:			
Salary improvement program	95	0	95
Capital projects	147,776	0	147,776
Management levy	151,567	0	151,567
Physical plant and equipment levy	24,033	0	24,033
Other special revenue purposes	95,657	0	95,657
Unrestricted	1,382,610	58,701	1,441,311
TOTAL NET ASSETS	\$ 3,654,769	71,433	3,726,202

SEE NOTES TO FINANCIAL STATEMENTS.

BATTLE CREEK-IDA GROVE COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2005

	Program Revenues		
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest
Functions/Programs			
Governmental activities:			
Instruction:			
Regular instruction	\$ 2,605,189	231,553	372,566
Special instruction	901,217	91,595	37,835
Other instruction	469,202	350,035	0
	<u>3,975,608</u>	<u>673,183</u>	<u>410,401</u>
Support services:			
Student services	137,394	0	0
Instructional staff services	257,821	0	0
Administration services	625,510	0	0
Operation and maintenance of plant services	579,407	0	0
Transportation services	290,071	14,288	0
	<u>1,890,203</u>	<u>14,288</u>	<u>0</u>
Other expenditures:			
Facilities acquisitions	65,685	0	0
AEA flowthrough	226,110	0	226,110
Depreciation (unallocated) *	88,931	0	0
	<u>380,726</u>	<u>0</u>	<u>226,110</u>
Total governmental activities	6,246,537	687,471	636,511
Business-Type activities:			
Non-instructional programs:			
Nutrition services	243,413	119,190	134,751
Total business-type activities	<u>243,413</u>	<u>119,190</u>	<u>134,751</u>
Total	<u>\$ 6,489,950</u>	<u>806,661</u>	<u>771,262</u>

General Revenues:

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

Total general revenues

Changes in net assets

Net assets beginning of year

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
(2,001,070)	0	(2,001,070)
(771,787)	0	(771,787)
(119,167)	0	(119,167)
(2,892,024)	0	(2,892,024)
(137,394)	0	(137,394)
(257,821)	0	(257,821)
(625,510)	0	(625,510)
(579,407)	0	(579,407)
(275,783)	0	(275,783)
(1,875,915)	0	(1,875,915)
(65,685)	0	(65,685)
0	0	0
(88,931)	0	(88,931)
(154,616)	0	(154,616)
(4,922,555)	0	(4,922,555)
0	10,528	10,528
0	10,528	10,528
(4,922,555)	10,528	(4,912,027)
\$ 1,951,741	0	1,951,741
155,930	0	155,930
340,180	0	340,180
2,645,687	0	2,645,687
670	0	670
38,108	1,230	39,338
5,132,316	1,230	5,133,546
209,761	11,758	221,519
3,445,008	59,675	3,504,683
\$ 3,654,769	71,433	3,726,202

BATTLE CREEK-IDA GROVE COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2005

	General	Other Nonmajor Governmental Funds	Total
ASSETS			
Cash and pooled investments	\$ 1,820,255	330,736	2,150,991
Receivables:			
Property tax:			
Delinquent	26,115	3,085	29,200
Succeeding year	1,668,101	282,430	1,950,531
Income surtax	144,819	48,273	193,092
Interfund	21,521	0	21,521
Accounts	1,505	1,368	2,873
Accrued interest	12,756	0	12,756
Due from other governments	110,592	141,864	252,456
TOTAL ASSETS	\$ 3,805,664	807,756	4,613,420
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 127,573	30,166	157,739
Salaries and benefits payable	641,293	0	641,293
Deferred revenue:			
Succeeding year property tax	1,668,101	282,430	1,950,531
Income surtax	144,819	48,273	193,092
Total liabilities	<u>2,581,786</u>	<u>360,869</u>	<u>2,942,655</u>
Fund balances:			
Reserved for:			
Salary improvement program	95	0	95
Unreserved:			
Designated for Special Purpose	8,681	0	8,681
Undesignated	1,215,102	446,887	1,661,989
Total fund balances	<u>1,223,878</u>	<u>446,887</u>	<u>1,670,765</u>
TOTAL LIABILITIES AND FUND BALANCES	\$ 3,805,664	807,756	4,613,420

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, 2005

Total fund balances of governmental funds (page 17)	\$ 1,670,765
 <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.	1,853,031
Accounts receivable income surtax, are not yet available to finance expenditures of the current period.	193,092
Contract sale on land, is not yet available to finance expenditures of the current period.	6,000
ISEBA assessment payable, is not yet due and payable in the current period due to the completion of a lawsuit settlement and, therefore, are not reported as liabilities in the governmental funds.	(40,265)
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>(27,854)</u>
Net assets of governmental activites (page 14)	<u><u>\$ 3,654,769</u></u>

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, 2005

	General	Other Nonmajor Governmental Funds	Total
REVENUES:			
Local sources:			
Local tax	\$ 1,706,917	592,384	2,299,301
Tuition	323,148	0	323,148
Other	213,898	188,533	402,431
State sources	3,091,699	215	3,091,914
Federal sources	190,284	0	190,284
Total revenues	<u>5,525,946</u>	<u>781,132</u>	<u>6,307,078</u>
EXPENDITURES:			
Current:			
Instruction:			
Regular instruction	2,490,644	63,489	2,554,133
Special instruction	889,485	0	889,485
Other instruction	334,347	158,825	493,172
	<u>3,714,476</u>	<u>222,314</u>	<u>3,936,790</u>
Support services:			
Student services	137,262	132	137,394
Instructional staff services	263,161	0	263,161
Administration services	581,944	46,197	628,141
Operation and maintenance of plant services	499,812	107,641	607,453
Transportation services	230,479	35,246	265,725
	<u>1,712,658</u>	<u>189,216</u>	<u>1,901,874</u>
Other expenditures:			
Facilities acquisitions	0	207,088	207,088
AEA flowthrough	226,110	0	226,110
	<u>226,110</u>	<u>207,088</u>	<u>433,198</u>
Total expenditures	<u>5,653,244</u>	<u>618,618</u>	<u>6,271,862</u>
Excess(deficiency) of revenues over(under) expenditures	(127,298)	162,514	35,216
Other financing sources:			
Sale of equipment	670	0	670
Total other financing sources	<u>670</u>	<u>0</u>	<u>670</u>
Net change in fund balances	(126,628)	162,514	35,886
Fund balance beginning of year	<u>1,350,506</u>	<u>284,373</u>	<u>1,634,879</u>
Fund balance end of year	<u>\$ 1,223,878</u>	<u>446,887</u>	<u>1,670,765</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, 2005

Net change in fund balances - total governmental funds (page 19)	\$	35,886
 <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	\$ 259,652	
Depreciation expense	(182,185)	
Loss on disposal of capital assets	(2,953)	74,514
 Income surtax accounts receivable is not available to finance expenditures of the current year period in the governmental funds.		 148,550
 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	\$ (8,924)	
ISEBA assessment	(40,265)	(49,189)
 Changes in net assets of governmental activities (page 16)	 \$	 <u>209,761</u>

SEE NOTES TO FINANCIAL STATEMENTS.

BATTLE CREEK-IDA GROVE COMMUNITY SCHOOL DISTRICT
 STATEMENT OF NET ASSETS
 PROPRIETARY FUND
 JUNE 30, 2005

	School Nutrition
ASSETS	
Cash and pooled investments	\$ 87,399
Inventories	4,065
Capital assets, net of accumulated depreciation (Note 5)	12,732
TOTAL ASSETS	104,196
LIABILITIES	
Interfund payable	21,521
Accounts payable	7,833
Deferred revenue: Other	3,409
TOTAL LIABILITIES	32,763
NET ASSETS	
Investment in capital assets, net of related debt	12,732
Unrestricted	58,701
TOTAL NET ASSETS	\$ 71,433

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, 2005

	School Nutrition
OPERATING REVENUE:	
Local sources:	
Charges for services	\$ 119,190
TOTAL OPERATING REVENUES	119,190
OPERATING EXPENSES:	
Non-instructional programs:	
Food service operations:	
Salaries	88,401
Benefits	11,888
Services	7,555
Supplies	132,986
Depreciation	2,583
TOTAL OPERATING EXPENSES	243,413
OPERATING LOSS	(124,223)
NON-OPERATING REVENUES:	
State sources	3,874
Federal sources	130,877
Interest on investments	1,230
TOTAL NON-OPERATING REVENUES	135,981
Change in net assets	11,758
Net assets beginning of year	59,675
Net assets end of year	\$ 71,433

SEE NOTES TO FINANCIAL STATEMENTS.

BATTLE CREEK-IDA GROVE COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2005

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 119,179
Cash received from miscellaneous	24
Cash payments to employees for services	(97,852)
Cash payments to suppliers for goods or services	(110,021)
Net cash used in operating activities	(88,670)
Cash flows from non-capital financing activities:	
State grants received	3,874
Federal grants received	117,498
Net cash provided by non-capital financing activities	121,372
Cash flows from capital and related financing activities:	
Purchase of capital assets	(7,247)
Net cash used in capital and related financing activities	(7,247)
Cash flows from investing activities:	
Interest on investments	1,230
Net cash provided by investing activities	1,230
Net increase in cash and cash equivalents	26,685
Cash and cash equivalents at beginning of year	60,714
Cash and cash equivalents at end of year	\$ 87,399
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (124,223)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	23,273
Depreciation	2,583
Increase in inventories	(409)
Increase in accounts payable	7,656
Increase in salaries and benefits payable	2,437
Increase in deferred revenue	13
Net cash used in operating activities	\$ (88,670)
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:	
Current assets:	
Cash and pooled investments	\$ 87,399
NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:	

During the year ended June 30, 2005, the District received Federal commodities valued at \$23,273.

SEE NOTES TO FINANCIAL STATEMENTS.

BATTLE CREEK-IDA GROVE COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005

(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

Government-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 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 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 government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded

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

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

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

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

Under 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 government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2003 assessed property valuations; is for the tax accrual period July 1, 2004 through June 30, 2005 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2004.

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, 2005 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 government-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
Land improvements	1,500
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	1,500

Property, machinery 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
Land improvements	20 years
Machinery 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 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 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 government-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, 2005 were entirely covered by Federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

At June 30, 2005, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	<u>Amortized Cost</u>
Diversified Portfolio	<u>\$ 170,865</u>

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

Interest rate risk. The District's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities

longer than 397 days but the maturities shall be consistent with the needs and use of the District.

Credit risk. The investments in the Iowa Schools Joint Investment Trust were rated Aaa by Moody's Investors Service.

(3) Interfund Receivables and Payables

Individual interfund receivable and payable balances at June 30, 2005 are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Enterprise, School Nutrition	<u>\$ 21,521</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, 2006.

(4) Note Receivable

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

<u>Year Ending June 30,</u>	<u>Contract Sale on Land Agreement</u>
2006	\$ 2,000
2007	2,000
2008	<u>2,000</u>
Total	<u>\$ 6,000</u>

(5) Capital Assets

Capital assets activity for the year ended June 30, 2005 is as follows:

	Balance Beginning of Year	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	<u>101,179</u>	<u>0</u>	<u>0</u>	<u>101,179</u>
Capital assets being depreciated:				
Buildings	3,784,829	73,398	0	3,858,227
Land improvements	284,753	68,005	0	352,758
Machinery and equipment	1,411,330	118,249	83,090	1,446,489
Total capital assets being depreciated	<u>5,480,912</u>	<u>259,652</u>	<u>83,090</u>	<u>5,657,474</u>
Less accumulated depreciation for:				
Buildings	2,654,852	73,871	0	2,728,723
Land improvements	136,609	15,060	0	151,669
Machinery and equipment	1,012,113	93,254	80,137	1,025,230
Total accumulated depreciation	<u>3,803,574</u>	<u>182,185</u>	<u>80,137</u>	<u>3,905,622</u>
Total capital assets being depreciated, net	<u>1,677,338</u>	<u>77,467</u>	<u>2,953</u>	<u>1,751,852</u>
Governmental activities capital assets, net	<u>\$ 1,778,517</u>	<u>77,467</u>	<u>2,953</u>	<u>1,853,031</u>
Business-type activities:				
Machinery and equipment	\$ 61,820	7,247	0	69,067
Less accumulated depreciation	53,752	2,583	0	56,335
Business-type activities capital assets, net	<u>\$ 8,068</u>	<u>4,664</u>	<u>0</u>	<u>12,732</u>

Depreciation expense was charged by the District as follows:

Governmental activities:		
Instruction:		
Regular		\$ 24,932
Special		4,147
Other		8,755
Support services:		
Instructional staff		9,862
Operation and maintenance of plant		4,524
Transportation		41,034
		<u>93,254</u>
Unallocated depreciation		<u>88,931</u>
Total governmental activities depreciation expense		<u>\$ 182,185</u>
Business-type activities:		
Food services		\$ 2,583
Total business-type activities depreciation expense		<u>\$ 2,583</u>

(6) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2005 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Early Retirement	\$ 18,930	22,886	13,962	27,854	24,542
Total	\$ 18,930	22,886	13,962	27,854	24,542

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 \$13,962 in early retirement benefits during the year ended June 30, 2005. 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 covered salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2005, 2004 and 2003. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2005, 2004, and 2003 were \$235,786, \$228,722, and \$223,226 respectively, equal to the required contributions for each year.

(8) Risk Management

The Battle Creek-Ida Grove Community School District was a member in the Iowa School Employees Benefits Association, an Iowa Code Chapter 28E organization until June 30, 2004. ISEBA is a local government risk-sharing pool whose members include various schools throughout the State of Iowa. The Association was formed July 1999 for the purpose of managing and funding employee benefits. The Association provides coverage and protection in the following categories: medical, dental, vision and prescription drugs.

In July 2004, the Association converted from a self-funded pool to a fully insured pool covered by Wellmark Blue Cross Blue Shield of Iowa. In December 2004, ISEBA issued assessments necessary to cover run-out claims received when the program converted from self-insured to fully-insured coverage. ISEBA is recovering the shortfall through a combination of assessments, deficit recovery charges and administrative cost reduction measures. Members that

terminated from ISEBA on June 30, 2004 received an assessment in December 2004 which is due July 1, 2005. The total assessment for terminated members is approximately \$1.95 million. The District's share of this assessment was \$40,265 which is recorded as a liability as of June 30, 2005.

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 \$226,110 for the year ended June 30, 2005 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

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, 2005

	Governmental Fund Types Actual	Proprietary Fund Type Actual
Revenues:		
Local sources	\$ 3,024,880	120,420
State sources	3,091,914	3,874
Federal sources	190,284	130,877
Total revenues	<u>6,307,078</u>	<u>255,171</u>
Expenditures:		
Instruction	3,936,790	0
Support services	1,901,874	0
Non-instructional programs	0	243,413
Other expenditures	433,198	0
Total expenditures	<u>6,271,862</u>	<u>243,413</u>
Excess(deficiency) of revenues over(under) expenditures	35,216	11,758
Other financing sources, net	<u>670</u>	<u>0</u>
Excess(deficiency) of revenues and other financing sources over(under) expenditures	35,886	11,758
Balance beginning of year	<u>1,634,879</u>	<u>59,675</u>
Balance end of year	<u>\$ 1,670,765</u>	<u>71,433</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
	Original	Final	
3,145,300	3,481,185	3,481,185	(335,885)
3,095,788	3,240,906	3,240,906	(145,118)
321,161	400,000	400,000	(78,839)
<u>6,562,249</u>	<u>7,122,091</u>	<u>7,122,091</u>	<u>(559,842)</u>
3,936,790	4,383,286	4,383,286	446,496
1,901,874	2,412,000	2,412,000	510,126
243,413	275,000	275,000	31,587
433,198	570,736	570,736	137,538
<u>6,515,275</u>	<u>7,641,022</u>	<u>7,641,022</u>	<u>1,125,747</u>
46,974	(518,931)	(518,931)	(565,905)
<u>670</u>	<u>0</u>	<u>0</u>	<u>(670)</u>
47,644	(518,931)	(518,931)	(566,575)
<u>1,694,554</u>	<u>869,362</u>	<u>869,362</u>	<u>825,192</u>
<u>1,742,198</u>	<u>350,431</u>	<u>350,431</u>	<u>1,391,767</u>

BATTLE CREEK-IDA GROVE COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2005

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 comparison for the General Fund and each major Special Revenue Fund.

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

OTHER SUPPLEMENTAL INFORMATION

BATTLE CREEK-IDA GROVE COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2005

	Special Revenue Funds					Total Other Nonmajor Governmental Funds
	Manage- ment	Student Activity	Physical Plant and Equipment Levy	Total Special Revenue Funds	Capital Projects	
ASSETS						
Cash and pooled investments	\$ 177,891	100,577	37,631	316,099	14,637	330,736
Receivables:						
Property tax:						
Current year delinquent	1,530	0	1,555	3,085	0	3,085
Succeeding year	150,000	0	132,430	282,430	0	282,430
Income surtax	0	0	48,273	48,273	0	48,273
Accounts	0	1,368	0	1,368	0	1,368
Due from other governments	0	0	0	0	141,864	141,864
TOTAL ASSETS	\$ 329,421	101,945	219,889	651,255	156,501	807,756
LIABILITIES AND FUND EQUITY						
Liabilities:						
Accounts payable	\$ 0	6,288	15,153	21,441	8,725	30,166
Deferred revenue:						
Succeeding year property tax	150,000	0	132,430	282,430	0	282,430
Income surtax	0	0	48,273	48,273	0	48,273
	150,000	6,288	195,856	352,144	8,725	360,869
Fund equity:						
Fund balances:						
Unreserved:						
Undesignated	179,421	95,657	24,033	299,111	147,776	446,887
Total fund balances	179,421	95,657	24,033	299,111	147,776	446,887
TOTAL LIABILITIES AND FUND EQUITY	\$ 329,421	101,945	219,889	651,255	156,501	807,756

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, 2005

	Special Revenue Funds					Total
	Manage- ment	Student Activity	Physical Plant and Equipment Levy	Total Special Revenue Funds	Capital Projects	Other Nonmajor Governmental Funds
REVENUES:						
Local sources:						
Local tax	\$ 100,005	0	152,199	252,204	340,180	592,384
Other	3,978	180,574	321	184,873	3,660	188,533
State sources	104	0	111	215	0	215
TOTAL REVENUES	104,087	180,574	152,631	437,292	343,840	781,132
EXPENDITURES:						
Current:						
Instruction:						
Regular instruction	12,306	0	51,183	63,489	0	63,489
Other instruction	0	158,825	0	158,825	0	158,825
Support services:						
Student services	132	0	0	132	0	132
Administration services	46,197	0	0	46,197	0	46,197
Operation and maintenance of plant services	44,212	0	63,429	107,641	0	107,641
Student transportation	13,107	0	22,139	35,246	0	35,246
Other expenditures:						
Facilities acquisitions	0	0	6,038	6,038	201,050	207,088
TOTAL EXPENDITURES	115,954	158,825	142,789	417,568	201,050	618,618
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(11,867)	21,749	9,842	19,724	142,790	162,514
FUND BALANCE BEGINNING OF YEAR	191,288	73,908	14,191	279,387	4,986	284,373
FUND BALANCE END OF YEAR	\$ 179,421	95,657	24,033	299,111	147,776	446,887

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, 2005

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Coed athletics	\$ 19,010	56,585	34,290	41,305
Falcons boy's basketball	2,422	4,130	5,574	978
Falcon football	123	0	102	21
HS Falcon baseball	1	371	372	0
Falcon wrestling	612	6,878	7,246	244
Falcon girls basketball	859	799	978	680
Falcon girls softball	3,728	706	4,160	274
Falcon girls golf	36	0	0	36
TAG	91	0	91	0
TAG video fair	27	0	27	0
Outdoor classroom	1,844	0	140	1,704
Concessions	572	16,819	16,255	1,136
Interest	476	1,301	0	1,777
Class of 2008	185	215	122	278
Class of 2007	145	0	32	113
Class of 2006	132	13,414	12,548	998
Class of 2005	417	960	1,377	0
IGE fundraising	1,441	13,761	11,627	3,575
IG elementary book fair	1,003	5,573	4,641	1,935
ECC pop machine	828	1,664	1,605	887
MS sports	4,847	3,182	2,641	5,388
MS cheerleaders	19	0	0	19
MS special pop	2,657	2,823	3,943	1,537
MS carnival	3,377	1,091	1,672	2,796
MS art club	30	0	0	30
MS book fair club	947	4,180	2,802	2,325
MS student council	4,230	3,335	5,348	2,217
HS drama	3,283	2,391	2,530	3,144
HS vocal	1,458	195	1,447	206
HS band	944	2,791	2,384	1,351
Cheerleaders	1,423	2,220	500	3,143
Drill team	2,412	6,917	7,042	2,287
Senior memories	679	3,484	1,876	2,287
Calculus fund	2,525	0	2,525	0
Quiz bowl fund	0	501	160	341
HS vending	972	834	459	1,347
Supporting players	539	26	21	544
HS Art club	889	5,986	4,829	2,046
FLA	0	2,115	1,829	286
National Honor Society	1,991	5,053	5,409	1,635
Spanish club	2,078	0	0	2,078
HS book fair	206	2,027	633	1,600
HS student council	4,450	8,247	9,588	3,109
Total	\$ 73,908	180,574	158,825	95,657

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,			
	2005	2004	2003	2002
Revenues:				
Local sources:				
Local tax	\$ 2,299,301	2,123,977	2,064,759	1,924,020
Tuition	323,148	316,081	262,880	259,537
Other	402,431	307,577	271,447	375,327
Intermediate sources	0	0	450	0
State sources	3,091,914	3,046,556	3,251,799	3,171,103
Federal sources	190,284	206,952	211,701	172,859
Total	\$ 6,307,078	6,001,143	6,063,036	5,902,846
Expenditures:				
Current:				
Instruction:				
Regular instruction	\$ 2,554,133	2,516,048	2,563,880	2,676,327
Special instruction	889,485	892,439	865,140	703,298
Other instruction	493,172	467,234	481,312	473,956
Support services:				
Student services	137,394	137,103	139,395	124,450
Instructional staff services	263,161	214,155	207,648	230,998
Administration services	628,141	619,820	598,273	562,148
Operation and maintenance of plant services	607,453	547,542	688,484	533,425
Transportation services	265,725	284,302	279,351	246,796
Other expenditures:				
Facilities acquisitions	207,088	29,538	14,453	0
AEA flow-through	226,110	231,726	249,542	246,252
Total	\$ 6,271,862	5,939,907	6,087,478	5,797,650

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 Internal Control over Financial Reporting and
on Compliance and Other Matters

Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

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

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 Battle Creek-Ida Grove Community School District as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated August 31, 2005. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

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 an opinion 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 Part I of 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 caused by error or fraud 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-05 is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Battle Creek-Ida Grove 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 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 or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2005 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.

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, including federal awarding agencies and pass-through entities. 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, P.C.

August 31, 2005

BATTLE CREEK-IDA GROVE COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2005

Part I: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

I-A-05 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.

I-B-05 District and Regional Rents - We noted during our audit that the District receives money for use of facilities when hosting district and regional events.

Recommendation - Chapter 297.9 of the Code of Iowa requires rent to be receipted into the General Fund. The District should receipt rent collected for facility usage into the General Fund.

Response - We will make the necessary changes.

Conclusion - Response accepted.

BATTLE CREEK-IDA GROVE COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF FINDINGS
 YEAR ENDED JUNE 30, 2005

Part II: Other Findings Related to Statutory Reporting

- II-A-05 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, 2005.
- II-B-05 Certified Budget - District disbursements for the year ended June 30, 2005, did not exceed the amount budgeted.
- II-C-05 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-05 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-05 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	Van/Repairs	\$18,504
Peggy Wunschel, Treasurer Father-in-law owns Wunschel Oil Co.	Fuel	\$49,947
Kevin Weber, Transportation Serviceman Father owns Jack's Radiator Repair	Repairs	\$403
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, father 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-05 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-05 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-05 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.

II-I-05 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-05 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.