

BATTLE CREEK-IDA GROVE COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2007



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Battle Creek-Ida Grove Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education (Before September 2006 election)</b>		
Lenee Sinnott	President	2007
Tony Bennett	Vice President	2008
Mark Bogue	Board Member	2006
Mark Burns	Board Member	2006
Ann Homan	Board Member	2006
Duane Hummelgard	Board Member	2007
Ed Sohm	Board Member	2008
<b>Board of Education (After September 2006 election)</b>		
Tony Bennett	President	2008
Duane Hummelgard	Vice President	2007
Lenee Sinnott	Board Member	2007
Ed Sohm	Board Member	2008
Mark Bogue	Board Member	2009
Becky Matthies	Board Member	2009
Dr. Michael Luft	Board Member	2009
<b>School Officials</b>		
Russ Freeman	Superintendent	2007
Laurel Boerner	District Secretary	2007
Kathy Leonard	District Treasurer	2007
Rick Franck	Attorney	2007

**NOLTE, CORNMAN & JOHNSON P.C.**  
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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, 2007, 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, 2007, 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 January 11, 2008 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 33 through 34 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 three years ended June 30, 2006 (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.

January 11, 2008

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

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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, 2007. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### **2007 FINANCIAL HIGHLIGHTS**

- General Fund revenues increased from \$5,742,283 in fiscal 2006 to \$5,901,956 in fiscal 2007, while General Fund expenditures increased from \$6,078,981 in fiscal 2006 to \$6,212,952 in fiscal 2007. This resulted in a decrease in the District's General Fund balance from \$887,180 in fiscal 2006 to a balance of \$576,184 in fiscal 2007, a 35.05% decrease from the prior year.
- The increase in General Fund revenues was attributable to increases in state sources revenue in fiscal 2007. The increase in expenditures was due primarily to an increase in the negotiated salary and benefits.

### **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.

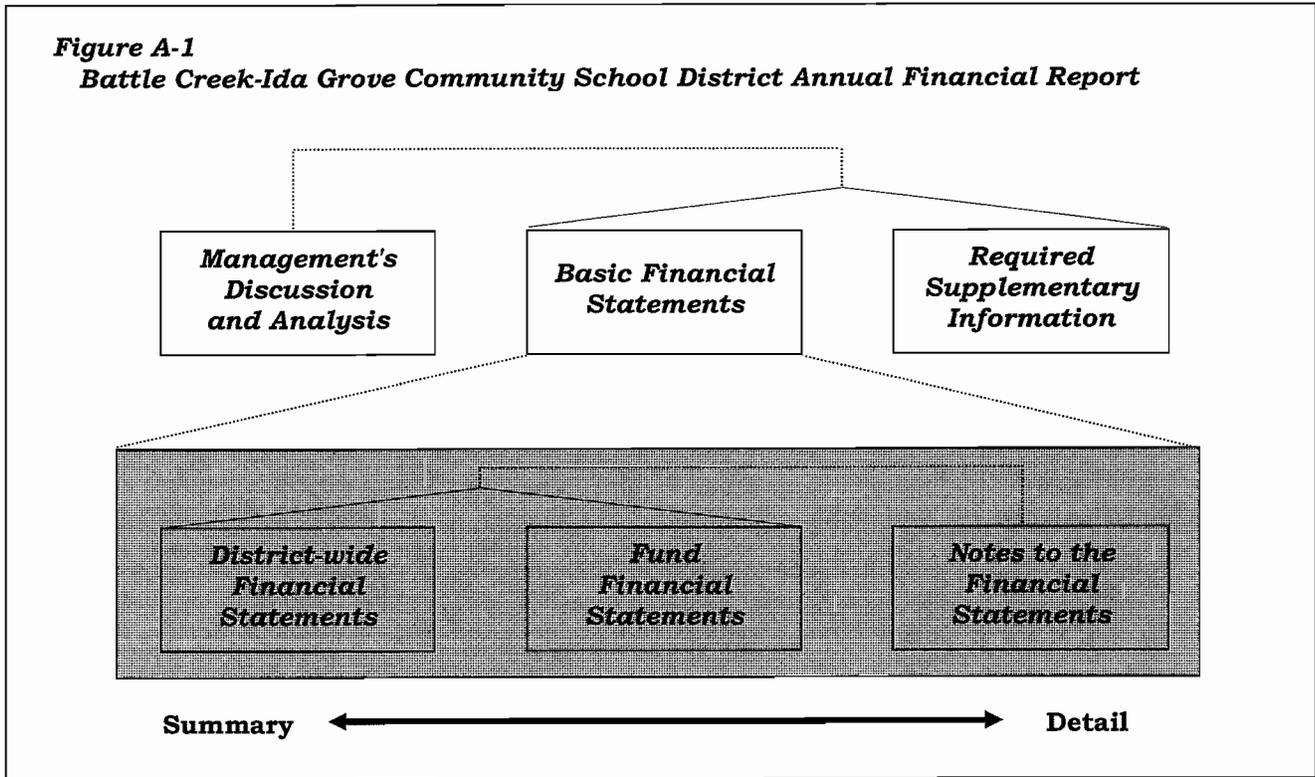


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

<b>Figure A-2 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

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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 at June 30, 2007 compared to June 30, 2006.

Figure A-3  
Condensed Statement of Net Assets

	Governmental Activities		Business-type Activities		Total School District		Total Change
	2007	2006	2007	2006	2007	2006	2006-07
Current and other assets	\$ 4,631,289	4,673,964	128,941	102,087	4,760,230	4,776,051	-0.33%
Capital assets	1,965,418	1,835,781	20,009	10,149	1,985,427	1,845,930	7.56%
Total assets	6,596,707	6,509,745	148,950	112,236	6,745,657	6,621,981	1.87%
Long-term obligations	42,721	19,439	0	0	42,721	19,439	119.77%
Other liabilities	2,985,316	2,866,591	37,928	26,050	3,023,244	2,892,641	4.52%
Total liabilities	3,028,037	2,886,030	37,928	26,050	3,065,965	2,912,080	5.28%
Net assets:							
Invested in capital assets, net of related debt	1,965,418	1,835,781	20,009	10,149	1,985,427	1,845,930	7.56%
Restricted	915,363	715,235	0	0	915,363	715,235	27.98%
Unrestricted	687,889	1,072,699	91,013	76,037	778,902	1,148,736	-32.19%
Total net assets	\$ 3,568,670	3,623,715	111,022	86,186	3,679,692	3,709,901	-0.81%

The District's combined net assets decreased by 0.81%, or \$30,209 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 invested 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 \$200,128, or 27.98% over the prior year. The increase was primarily a result of the District increase in the local option sales and services tax in the Capital Projects 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 – decreased \$369,834, or 32.19%. This decrease in unrestricted net assets was a result of the District's decrease in the General Fund balance

Figure A-4 shows the changes in net assets for the year ended June 30, 2007 compared to June 30, 2006.

Figure A-4  
Changes of Net Assets

	Governmental Activities		Business-type Activities		Total School District		Total Change
	2007	2006	2007	2006	2007	2006	2006-07
Revenues:							
Program revenues:							
Charges for services	\$ 738,597	650,552	144,409	118,894	883,006	769,446	14.76%
Operating grants and contributions and restricted interest	702,648	695,215	144,950	132,236	847,598	827,451	2.43%
Capital grants and contributions and restricted interest	225	0	0	0	225	0	100.00%
General revenues:							
Property tax	2,011,970	1,992,970	0	0	2,011,970	1,992,970	0.95%
Income surtax	168,302	215,128	0	0	168,302	215,128	-21.77%
Local option sales and services tax	416,705	356,275	0	0	416,705	356,275	16.96%
Unrestricted state grants	2,705,996	2,685,640	0	0	2,705,996	2,685,640	0.76%
Other	109,963	80,588	4,627	3,712	114,590	84,300	35.93%
<b>Total revenues</b>	<b>6,854,406</b>	<b>6,676,368</b>	<b>293,986</b>	<b>254,842</b>	<b>7,148,392</b>	<b>6,931,210</b>	<b>3.13%</b>
Program expenses:							
Governmental activities:							
Instructional	4,382,318	4,204,149	33,072	0	4,415,390	4,204,149	5.02%
Support services	2,203,875	2,019,388	3,139	0	2,207,014	2,019,388	9.29%
Non-instructional programs	0	0	232,939	240,089	232,939	240,089	-2.98%
Other expenses	323,258	483,885	0	0	323,258	483,885	-33.20%
<b>Total expenses</b>	<b>6,909,451</b>	<b>6,707,422</b>	<b>269,150</b>	<b>240,089</b>	<b>7,178,601</b>	<b>6,947,511</b>	<b>3.33%</b>
Changes in net assets	(55,045)	(31,054)	24,836	14,753	(30,209)	(16,301)	85.32%
Beginning net assets	3,623,715	3,654,769	86,186	71,433	3,709,901	3,726,202	-0.44%
Ending net assets	\$ 3,568,670	3,623,715	111,022	86,186	3,679,692	3,709,901	-0.81%

Property tax, income surtax, local option sales and services tax and unrestricted state grants account for 77% of the total revenue. The District's expenses primarily relate to instruction and support services which account for 92% 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 Property tax. 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 \$6,854,406 and expenses were \$6,909,447. 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		
	2007	2006	Change	2007	2006	Change
			2006-07			2006-07
Instruction	\$ 4,382,318	4,204,149	4.24%	3,186,126	3,101,027	2.74%
Support services	2,203,875	2,019,388	9.14%	2,192,216	2,003,824	9.40%
Other expenses	323,258	483,885	-33.20%	89,639	256,804	-65.09%
Totals	\$ 6,909,451	6,707,422	3.01%	5,467,981	5,361,655	1.98%

- The cost financed by users of the District’s programs was \$738,597.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$702,873.
- The net cost of governmental activities was financed with \$2,011,970 in property tax, \$168,302 in income surtax, \$416,705 in local option sales and services tax, \$2,705,996 in unrestricted state grants, \$85,132 in interest income and \$24,831 in other general revenue.

**Business-Type Activities**

Revenues of the District’s business-type activities were \$293,986 and expenses were \$269,150. The District’s business-type activities include the School Nutrition Fund and Day Care 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 \$1,470,528, below last year’s ending fund balances of a \$1,610,281. The primary reason for the decrease in combined fund balances in fiscal 2007 is due to the increase in the instruction expenses in the General Fund.

**Governmental Fund Highlights**

- The District’s General Fund financial position declined from \$887,180 to \$576,184 is the product of many factors:
  - Increase in local sources and state sources during the year resulted in an increase in revenues.

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- The increase in negotiated salary and benefits settlement, as well as existing expenditure commitments of the District, resulted in an increase in expenditures.
  - The Management Levy Fund balance increased from \$187,362 in fiscal 2006 to \$252,941 in fiscal 2007. The District had an increase in local tax revenue and a decrease in property insurance expenditures.
  - The Capital Projects Fund balance increased from \$364,640 in fiscal 2006 to \$438,855 in fiscal 2007. This was the third complete year of the District receiving local option sales.

### **Proprietary Fund Highlights**

The School Nutrition Fund net assets increased from \$86,186 at June 30, 2006 to \$101,296 at June 30, 2007, representing an increase of 17.53%. The Day Care Fund net assets increased from \$0 at June 30, 2006 to \$9,726 at June 30, 2007, representing an increase of 100%. This was the first year the District operated the Day Care Fund.

### **BUDGETARY HIGHLIGHTS**

The District's revenues were \$55,469 less than budgeted revenues, a variance of .77%. The most significant variance resulted from the District receiving less in local 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.

In spite of the District's budgetary practice, the certified budget was exceeded in the instruction and other expenditures functional areas due to the timing of expenditures at year-end without sufficient time to amend the certified budget.

### **CAPITAL ASSET AND DEBT ADMINISTRATION**

#### **Capital Assets**

At June 30, 2007, the District had invested \$2.0 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 7.03% from last year. More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$262,650.

The original cost of the District's capital assets was \$6.3 million. Governmental funds account for \$6.2 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 buildings category. The District's buildings totaled \$1,135,970 at June 30, 2007, compared to \$1,060,692 reported at June 30, 2006. This increase resulted from the current year capital improvements capitalized less depreciation expense.

Figure A-6  
Capital Assets, Net of Depreciation

	Governmental Activities		Business-type Activities		Total School District		Total Change
	2007	2006	2007	2006	2007	2006	2006-07
	Land	\$ 124,260	101,179	0	0	124,260	101,179
Buildings	1,135,970	1,060,692	0	0	1,135,970	1,060,692	6.63%
Land improvements	254,075	186,029	0	0	254,075	186,029	26.78%
Machinery and equipment	451,113	487,881	20,009	10,149	471,122	498,030	-5.71%
<b>Total</b>	<b>\$ 1,965,418</b>	<b>1,835,781</b>	<b>20,009</b>	<b>10,149</b>	<b>1,985,427</b>	<b>1,845,930</b>	<b>7.03%</b>

**Long-Term Debt**

At June 30, 2007, the District had \$42,717 in other long-term debt outstanding. This represents an increase of 119.7% 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 \$42,717 at June 30, 2007.

Figure A-7  
Outstanding Long-Term Obligations

	Total School District		Total Change
	2007	2006	
Early Retirement	\$ 42,717	19,439	119.7%
<b>Totals</b>	<b>\$ 42,717</b>	<b>19,439</b>	<b>119.7%</b>

**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 (67.7 students in the last 3 school years) and the District projections show a continued decrease for the next 3 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 which began 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.

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- The District and the Odebolt-Arthur School District are sharing a superintendent and a school improvement coordinator/curriculum director. This frees up general fund money that can then be spent on 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 2009-2010.

### **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 Kathy Leonard, 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, 2007

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and pooled investments	\$ 1,951,396	118,467	2,069,863
Receivables:			
Property tax:			
Delinquent	27,973	0	27,973
Succeeding year	2,127,988	0	2,127,988
Income surtax	173,445	0	173,445
Interfund	20,771	0	20,771
Accounts	14,695	316	15,011
Accrued interest	4,034	0	4,034
Due from other governments	308,987	0	308,987
Inventories	0	10,158	10,158
Contract sale on land(Note 4)	2,000	0	2,000
Capital assets, net of accumulated depreciation(Note 5)	1,965,418	20,009	1,985,427
<b>TOTAL ASSETS</b>	<b>6,596,707</b>	<b>148,950</b>	<b>6,745,657</b>
<b>LIABILITIES</b>			
Interfund payable	0	20,771	20,771
Accounts payable	208,198	9,586	217,784
Salaries and benefits payable	648,228	4,396	652,624
Deferred revenue:			
Succeeding year property tax	2,127,988	0	2,127,988
Other	902	0	902
Unearned revenue	0	3,175	3,175
Long-term liabilities(Note 6):			
Portion due within one year:			
Early retirement payable	42,721	0	42,721
<b>TOTAL LIABILITIES</b>	<b>3,028,037</b>	<b>37,928</b>	<b>3,065,965</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	1,965,418	20,009	1,985,427
Restricted for:			
Additional teacher contract day	3,134	0	3,134
Professional development	3,628	0	3,628
Market factor	5,422	0	5,422
Capital projects	438,855	0	438,855
Management levy	210,220	0	210,220
Physical plant and equipment levy	143,553	0	143,553
Other special revenue purposes	110,551	0	110,551
Unrestricted	687,889	91,013	778,902
<b>TOTAL NET ASSETS</b>	<b>\$ 3,568,670</b>	<b>111,022</b>	<b>3,679,692</b>

SEE NOTES TO FINANCIAL STATEMENTS.

BATTLE CREEK-IDA GROVE COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2007

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business-Type Activities	Total
			Interest	Interest			
<b>Governmental activities:</b>							
Instruction:							
Regular instruction	\$ 2,876,674	388,245	433,065	0	(2,055,364)	0	(2,055,364)
Special instruction	788,325	125,455	35,964	0	(626,906)	0	(626,906)
Other instruction	717,319	213,463	0	0	(503,856)	0	(503,856)
	<u>4,382,318</u>	<u>727,163</u>	<u>469,029</u>	<u>0</u>	<u>(3,186,126)</u>	<u>0</u>	<u>(3,186,126)</u>
<b>Support services:</b>							
Student services	158,035	0	0	0	(158,035)	0	(158,035)
Instructional staff services	320,251	0	0	0	(320,251)	0	(320,251)
Administration services	644,877	0	0	0	(644,877)	0	(644,877)
Operation and maintenance of plant services	741,512	0	0	225	(741,287)	0	(741,287)
Transportation services	339,200	11,434	0	0	(327,766)	0	(327,766)
	<u>2,203,875</u>	<u>11,434</u>	<u>0</u>	<u>225</u>	<u>(2,192,216)</u>	<u>0</u>	<u>(2,192,216)</u>
<b>Other expenditures:</b>							
AEA flowthrough	233,619	0	233,619	0	0	0	0
Depreciation (unallocated) *	89,639	0	0	0	(89,639)	0	(89,639)
	<u>323,258</u>	<u>0</u>	<u>233,619</u>	<u>0</u>	<u>(89,639)</u>	<u>0</u>	<u>(89,639)</u>
<b>Total governmental activities</b>	<b>6,909,451</b>	<b>738,597</b>	<b>702,648</b>	<b>225</b>	<b>(5,467,981)</b>	<b>0</b>	<b>(5,467,981)</b>
<b>Business-Type activities:</b>							
Instruction:							
Regular instruction							
Day care services	33,072	31,414	11,291	0	0	9,633	9,633
<b>Support services:</b>							
Operation and maintenance of plant services:							
Nutrition services	3,139	0	0	0	0	(3,139)	(3,139)
<b>Non-instructional programs:</b>							
Nutrition services	232,939	112,995	133,659	0	0	13,715	13,715
	<u>269,150</u>	<u>144,409</u>	<u>144,950</u>	<u>0</u>	<u>0</u>	<u>20,209</u>	<u>20,209</u>
<b>Total business-type activities</b>	<b>269,150</b>	<b>144,409</b>	<b>144,950</b>	<b>0</b>	<b>0</b>	<b>20,209</b>	<b>20,209</b>
<b>Total</b>	<b>\$ 7,178,601</b>	<b>883,006</b>	<b>847,598</b>	<b>225</b>	<b>(5,467,981)</b>	<b>20,209</b>	<b>(5,447,772)</b>
<b>General Revenues:</b>							
Local tax for:							
General purposes					\$ 1,911,186	0	1,911,186
Capital projects					100,784	0	100,784
Income surtax					168,302	0	168,302
Local option sales and services tax					416,705	0	416,705
Unrestricted state grants					2,705,996	0	2,705,996
Unrestricted investment earnings					85,132	4,627	89,759
Other general revenues					24,831	0	24,831
					<u>5,412,936</u>	<u>4,627</u>	<u>5,417,563</u>
<b>Total general revenues</b>					<b>5,412,936</b>	<b>4,627</b>	<b>5,417,563</b>
Changes in net assets					(55,045)	24,836	(30,209)
Net assets beginning of year					3,623,715	86,186	3,709,901
Net assets end of year					<u>\$ 3,568,670</u>	<u>111,022</u>	<u>3,679,692</u>

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

SEE NOTES TO FINANCIAL STATEMENTS.

BATTLE CREEK-IDA GROVE COMMUNITY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2007

	General	Management Levy	Capital Projects	Other Nonmajor Governmental Funds	Total
<b>ASSETS</b>					
Cash and pooled investments	\$ 1,138,108	250,365	355,426	207,497	1,951,396
Receivables:					
Property tax:					
Delinquent	23,989	2,576	0	1,408	27,973
Succeeding year	1,939,595	85,000	0	103,393	2,127,988
Income surtax	123,889	0	0	49,556	173,445
Interfund	20,998	0	0	0	20,998
Accounts	8,712	0	5,369	614	14,695
Accrued interest	4,034	0	0	0	4,034
Due from other governments	168,840	0	139,745	402	308,987
<b>TOTAL ASSETS</b>	<b>\$ 3,428,165</b>	<b>337,941</b>	<b>500,540</b>	<b>362,870</b>	<b>4,629,516</b>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Interfund payable	\$ 0	0	0	227	227
Accounts payable	139,367	0	61,685	7,146	208,198
Salaries and benefits payable	648,228	0	0	0	648,228
Deferred revenue:					
Succeeding year property tax	1,939,595	85,000	0	103,393	2,127,988
Income surtax	123,889	0	0	49,556	173,445
Other	902	0	0	0	902
Total liabilities	2,851,981	85,000	61,685	160,322	3,158,988
Fund balances:					
Reserved for:					
Additional teacher contract day	3,134	0	0	0	3,134
Professional development	3,628	0	0	0	3,628
Market factor	5,422	0	0	0	5,422
Unreserved:					
Designated for special purposes	8,665	0	0	0	8,665
Undesignated	555,335	252,941	438,855	202,548	1,449,679
Total fund balances	576,184	252,941	438,855	202,548	1,470,528
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 3,428,165</b>	<b>337,941</b>	<b>500,540</b>	<b>362,870</b>	<b>4,629,516</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, 2007

<b>Total fund balances of governmental funds (page 16)</b>	\$ 1,470,528
<b><i>Amounts reported for governmental activities in the statement of net assets are different because:</i></b>	
Capital assets used in governmental activities are not financial resources and, therefore, are not report as assets in in the governmental funds.	1,965,418
Accounts receivable income surtax, are not yet available to finance expenditures of the current period.	173,445
Contract sale on land, is not yet available to finance expenditures of the current period.	2,000
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>(42,721)</u>
<b>Net assets of governmental activites (page 14)</b>	<u><u>\$ 3,568,670</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, 2007

	General	Management Levy	Capital Projects	Other Nonmajor Governmental Funds	Total
<b>REVENUES:</b>					
Local sources:					
Local tax	\$ 1,859,566	183,781	416,705	156,572	2,616,624
Tuition	380,045	0	0	0	380,045
Other	250,830	14,050	3,152	200,708	468,740
State sources	3,232,866	189	0	103	3,233,158
Federal sources	175,486	0	0	0	175,486
Total revenues	<u>5,898,793</u>	<u>198,020</u>	<u>419,857</u>	<u>357,383</u>	<u>6,874,053</u>
<b>EXPENDITURES:</b>					
Current:					
Instruction:					
Regular instruction	2,778,983	12,152	0	0	2,791,135
Special instruction	788,325	0	0	0	788,325
Other instruction	525,608	0	0	190,258	715,866
	<u>4,092,916</u>	<u>12,152</u>	<u>0</u>	<u>190,258</u>	<u>4,295,326</u>
Support services:					
Student services	159,825	0	0	0	159,825
Instructional staff services	237,407	0	3,737	72,724	313,868
Administration services	647,563	2,133	0	0	649,696
Operation and maintenance of plant services	578,946	103,112	1,800	0	683,858
Transportation services	262,676	15,044	27,258	61,970	366,948
	<u>1,886,417</u>	<u>120,289</u>	<u>32,795</u>	<u>134,694</u>	<u>2,174,195</u>
Other expenditures:					
Facilities acquisitions	0	0	312,847	2,982	315,829
AEA flowthrough	233,619	0	0	0	233,619
	<u>233,619</u>	<u>0</u>	<u>312,847</u>	<u>2,982</u>	<u>549,448</u>
Total expenditures	<u>6,212,952</u>	<u>132,441</u>	<u>345,642</u>	<u>327,934</u>	<u>7,018,969</u>
Excess (deficiency) of revenues over (under) expenditures	(314,159)	65,579	74,215	29,449	(144,916)
Other financing sources:					
Proceeds from the disposal of property	3,163	0	0	2,000	5,163
Total other financing sources	<u>3,163</u>	<u>0</u>	<u>0</u>	<u>2,000</u>	<u>5,163</u>
Net change in fund balances	(310,996)	65,579	74,215	31,449	(139,753)
Fund balance beginning of year	887,180	187,362	364,640	171,099	1,610,281
Fund balance end of year	<u>\$ 576,184</u>	<u>252,941</u>	<u>438,855</u>	<u>202,548</u>	<u>1,470,528</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, 2007

**Net change in fund balances - total governmental funds (page 18)** \$ (139,753)

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

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are 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	\$ 390,343	
Depreciation expense	(259,956)	
Loss on disposal of capital assets	(750)	129,637

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	(2,000)
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Income surtax accounts receivable is not available to finance expenditures of the current year period in the governmental funds.

(19,647)
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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	(23,282)

**Changes in net assets of governmental activities (page 15)** \$ (55,045)

SEE NOTES TO FINANCIAL STATEMENTS.

BATTLE CREEK-IDA GROVE COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
JUNE 30, 2007

	School Nutrition	Day Care	Total
<b>Assets</b>			
Cash and pooled investments	\$ 104,465	14,002	118,467
Accounts receivable	196	120	316
Inventories	10,158	0	10,158
Capital assets, net of accumulated depreciation (Note 5)	20,009	0	20,009
<b>Total assets</b>	<b>134,828</b>	<b>14,122</b>	<b>148,950</b>
<b>Liabilities</b>			
Interfund payable	20,771	0	20,771
Accounts payable	9,586	0	9,586
Salaries and benefits payable	0	4,396	4,396
Unearned revenue	3,175	0	3,175
<b>TOTAL LIABILITIES</b>	<b>33,532</b>	<b>4,396</b>	<b>37,928</b>
<b>Net Assets</b>			
Invested in capital assets	20,009	0	20,009
Unrestricted	81,287	9,726	91,013
<b>Total net assets</b>	<b>\$ 101,296</b>	<b>9,726</b>	<b>111,022</b>

SEE NOTES TO FINANCIAL STATEMENTS.

BATTLE CREEK-IDA GROVE COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2007

	School Nutrition	Day Care	Total
OPERATING REVENUE:			
Local sources:			
Charges for services	\$ 112,995	31,414	144,409
OPERATING EXPENSES:			
Instruction:			
Regular instruction:			
Salaries	0	26,289	26,289
Benefits	0	3,538	3,538
Services	0	502	502
Supplies	0	2,743	2,743
	0	33,072	33,072
Support services:			
Operation and maintenance of plant services:			
Services	3,139	0	3,139
Non-instructional programs:			
Food service operations:			
Salaries	85,326	0	85,326
Benefits	11,448	0	11,448
Services	2,822	0	2,822
Supplies	130,649	0	130,649
Depreciation	2,694	0	2,694
	232,939	0	232,939
TOTAL OPERATING EXPENSES	236,078	33,072	269,150
OPERATING LOSS	(123,083)	(1,658)	(124,741)
NON-OPERATING REVENUES:			
State sources	3,589	11,291	14,880
Federal sources	130,070	0	130,070
Interest on investments	4,534	93	4,627
TOTAL NON-OPERATING REVENUES	138,193	11,384	149,577
Changes in net assets	15,110	9,726	24,836
Net assets beginning of year	86,186	0	86,186
Net assets end of year	\$ 101,296	9,726	111,022

SEE NOTES TO FINANCIAL STATEMENTS.

BATTLE CREEK-IDA GROVE COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2007

	School Nutrition	Day Care	Total
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	\$ 111,864	0	111,864
Cash received from miscellaneous	932	31,294	32,226
Cash payments to employees for services	(96,774)	(25,431)	(122,205)
Cash payments to suppliers for goods or services	(114,133)	(3,245)	(117,378)
Net cash provided by(used in) operating activities	<u>(98,111)</u>	<u>2,618</u>	<u>(95,493)</u>
Cash flows from non-capital financing activities:			
Interfund loan repayments	(1,878)	0	(1,878)
State grants received	3,589	11,291	14,880
Federal grants received	111,808	0	111,808
Net cash provided by non-capital financing activities	<u>113,519</u>	<u>11,291</u>	<u>124,810</u>
Cash flows from capital and related financing activities:			
Acquisition of capital assets	(12,554)	0	(12,554)
Cash flows from investing activities:			
Interest on investments	4,534	93	4,627
Net increase in cash and cash equivalents	7,388	14,002	21,390
Cash and cash equivalents at beginning of year	97,077	0	97,077
Cash and cash equivalents at end of year	<u>\$ 104,465</u>	<u>14,002</u>	<u>118,467</u>
Reconciliation of operating loss to net cash provided by(used in) operating activities:			
Operating loss	\$ (123,083)	(1,658)	(124,741)
Adjustments to reconcile operating loss to net cash provided by(used in) operating activities:			
Commodities consumed	18,262	0	18,262
Depreciation	2,694	0	2,694
Increase in inventories	(5,148)	0	(5,148)
Increase in accounts receivable	(196)	(120)	(316)
Increase in accounts payable	9,363	0	9,363
Increase in salaries and benefits payable	0	4,396	4,396
Decrease in unearned revenue	(3)	0	(3)
Net cash provided by(used in) operating activities	<u>\$ (98,111)</u>	<u>2,618</u>	<u>(95,493)</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:			
Current assets:			
Cash and pooled investments	<u>\$ 104,465</u>	<u>14,002</u>	<u>118,467</u>
NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:			

During the year ended June 30, 2007, the District received Federal commodities valued at \$18,262.  
SEE NOTES TO FINANCIAL STATEMENTS.

BATTLE CREEK-IDA GROVE COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

(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 Management Levy Fund is used to account for resources used in the purchase of property insurance and payments for early retirement incentives.

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

The District reports the following proprietary fund:

The District's proprietary funds are the Enterprise, School Nutrition Fund and Enterprise, Day Care Fund. The School Nutrition Fund is used to account for the food service operations of the District. The Day Care Fund is used to account for the day care 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 Funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

D. Assets, Liabilities 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, 2005 assessed property valuations; is for the tax accrual period July 1, 2006 through June 30, 2007 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2006.

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, 2007 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.

Unearned Revenues - Unearned revenues are monies collected for lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The lunch account balances are reflected on the Statement of Net Assets in the Proprietary, School Nutrition Fund.

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. During the year ended June 30, 2007, expenditures in the instruction and other expenditures functions exceeded the amounts budgeted.

(2) **Cash and Pooled Investments**

The District's deposits at June 30, 2007 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, 2007, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	<u>Amortized Cost</u>
Diversified Portfolio	<u>\$ 218,694</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, 2007 are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Special Revenue, Student Activity	\$ 227
General	Enterprise, -School Nutrition	<u>20,771</u>
Total		<u>\$ 20,998</u>

The Special Revenue, Student Activity Fund is repaying the General fund for National Honor Society supplies. The balance will be repaid by June 30, 2008.

The Enterprise, School Nutrition Fund is repaying the General fund for salaries and benefits. The balance will be repaid by June 30, 2008.

**(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>
2008	<u>\$ 2,000</u>

**(5) Capital Assets**

Capital assets activity for the year ended June 30, 2007 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 101,179	23,081	0	124,260
Total capital assets not being depreciated	<u>101,179</u>	<u>23,081</u>	<u>0</u>	<u>124,260</u>
Capital assets being depreciated:				
Buildings	3,858,227	146,064	0	4,004,291
Land improvements	352,758	86,899	0	439,657
Machinery and equipment	1,555,634	134,299	47,000	1,642,933
Total capital assets being depreciated	<u>5,766,619</u>	<u>367,262</u>	<u>47,000</u>	<u>6,086,881</u>
Less accumulated depreciation for:				
Buildings	2,797,535	70,786	0	2,868,321
Land improvements	166,729	18,853	0	185,582
Machinery and equipment	1,067,753	170,317	46,250	1,191,820
Total accumulated depreciation	<u>4,032,017</u>	<u>259,956</u>	<u>46,250</u>	<u>4,245,723</u>
Total capital assets being depreciated, net	<u>1,734,602</u>	<u>107,306</u>	<u>750</u>	<u>1,841,158</u>
Governmental activities capital assets, net	<u>\$ 1,835,781</u>	<u>130,387</u>	<u>750</u>	<u>1,965,418</u>
Business-type activities:				
Machinery and equipment	\$ 69,067	12,554	0	81,621
Less accumulated depreciation	58,918	2,694	0	61,612
Business-type activities capital assets, net	<u>\$ 10,149</u>	<u>9,860</u>	<u>0</u>	<u>20,009</u>

Depreciation expense was charged by the District as follows:

Governmental activities:		
Instruction:		
Regular		\$ 61,397
Other		16,125
Support services:		
Instructional staff		15,967
Operation and maintenance of plant		16,947
Transportation		59,881
		<u>170,317</u>
Unallocated depreciation		<u>89,639</u>
Total governmental activities depreciation expense		<u>\$ 259,956</u>
Business-type activities:		
Food services		\$ 2,694
Total business-type activities depreciation expense		<u>\$ 2,694</u>

## (6) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2007 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Early Retirement	\$ 19,439	41,065	17,783	42,721	42,721

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 twenty years of continuous service to the District. Employees must complete an application which is required to be approved by the Board of Education. The Board accepts two applications for certified staff and two for non-certified staff. If the maximum two employees in each category is not filled, then it is opened up to eligible employees with fifteen to nineteen years of continuous service to the District. 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 \$17,783 in early retirement benefits during the year ended June 30, 2007. 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, 2007, 2006 and 2005. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2007, 2006 and 2005 were \$249,970, \$240,286 and \$235,786 respectively, equal to the required contributions for each year.

**(8) Risk Management**

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 \$233,619 for

the year ended June 30, 2007 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**(10) Budget Overexpenditure**

Per the Code of Iowa, expenditures may not legally exceed budgeted appropriations at the functional area level. During the year ended June 30, 2007, expenditures in the instruction and other expenditures functions exceeded the amounts budgeted.

REQUIRED SUPPLEMENTARY 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, 2007

	Governmental Fund Types Actual	Proprietary Fund Type Actual	Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
				Original	Final	
				Revenues:		
Local sources	\$ 3,465,409	149,036	3,614,445	3,724,404	3,724,404	(109,959)
State sources	3,233,158	14,880	3,248,038	3,186,604	3,186,604	61,434
Federal sources	175,486	130,070	305,556	312,500	312,500	(6,944)
Total revenues	6,874,053	293,986	7,168,039	7,223,508	7,223,508	(55,469)
Expenditures:						
Instruction	4,295,326	33,072	4,328,398	4,289,201	4,289,201	(39,197)
Support services	2,174,195	3,139	2,177,334	2,778,000	2,778,000	600,666
Non-instructional programs	0	232,939	232,939	328,920	328,920	95,981
Other expenditures	549,448	0	549,448	547,035	547,035	(2,413)
Total expenditures	7,018,969	269,150	7,288,119	7,943,156	7,943,156	655,037
Excess(deficiency) of revenues over(under) expenditures	(144,916)	24,836	(120,080)	(719,648)	(719,648)	(599,568)
Other financing sources, net	5,163	0	5,163	0	0	(5,163)
Excess(deficiency) of revenues and other financing sources over(under) expenditures	(139,753)	24,836	(114,917)	(719,648)	(719,648)	(604,731)
Balance beginning of year	1,610,281	86,186	1,696,467	985,632	985,632	710,835
Balance end of year	\$ 1,470,528	111,022	1,581,550	265,984	265,984	1,315,566

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

BATTLE CREEK-IDA GROVE COMMUNITY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING  
YEAR ENDED JUNE 30, 2007

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.

During the year ended June 30, 2007, expenditures in the instruction and other expenditures functions exceeded the amounts budgeted.

OTHER SUPPLEMENTARY INFORMATION

BATTLE CREEK-IDA GROVE COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2007

	Nonmajor Special Revenue Funds		
	Student Activity	Physical Plant and Equipment Levy	Total Special Revenue Funds
<b>ASSETS</b>			
Cash and pooled investments	\$ 116,408	91,089	207,497
Receivables:			
Property tax:			
Current year delinquent	0	1,408	1,408
Succeeding year	0	103,393	103,393
Income surtax	0	49,556	49,556
Accounts	614	0	614
Due from other governments	402	0	402
<b>TOTAL ASSETS</b>	<b>\$ 117,424</b>	<b>245,446</b>	<b>362,870</b>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Interfund payable	\$ 227	0	227
Accounts payable	6,646	500	7,146
Deferred revenue:			
Succeeding year property tax	0	103,393	103,393
Income surtax	0	49,556	49,556
Total liabilities	6,873	153,449	160,322
Fund balances:			
Unreserved:			
Undesignated	110,551	91,997	202,548
Total fund balances	110,551	91,997	202,548
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 117,424</b>	<b>245,446</b>	<b>362,870</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, 2007

	Nonmajor Special Revenue Funds		
	Student Activity	Physical Plant and Equipment Levy	Total Special Revenue Funds
REVENUES:			
Local sources:			
Local tax	\$ 0	156,572	156,572
Other	200,403	305	200,708
State sources	0	103	103
TOTAL REVENUES	200,403	156,980	357,383
EXPENDITURES:			
Current:			
Instruction:			
Other instruction	190,258	0	190,258
Support services:			
Instructional services	0	72,724	72,724
Student transportation	0	61,970	61,970
Other expenditures:			
Facilities acquisitions	0	2,982	2,982
TOTAL EXPENDITURES	190,258	137,676	327,934
EXCESS OF REVENUES OVER EXPENDITURES	10,145	19,304	29,449
OTHER FINANCING SOURCES:			
Proceeds from the disposal of property	0	2,000	2,000
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES	10,145	21,304	31,449
FUND BALANCE BEGINNING OF YEAR	100,406	70,693	171,099
FUND BALANCE END OF YEAR	\$ 110,551	91,997	202,548

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, 2007

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Coed athletics	\$ 42,883	64,399	64,100	43,182
Falcons boy's basketball	2,311	7,217	6,635	2,893
Falcon football	21	3,337	830	2,528
HS Falcon baseball	0	269	0	269
Falcon High School Bowling	0	865	0	865
Falcon wrestling	1,440	8,770	8,924	1,286
Falcon girls basketball	1,388	2,396	1,821	1,963
Falcon girls softball	612	4,474	3,098	1,988
Falcon girls golf	36	0	0	36
Outdoor classroom	1,704	0	0	1,704
Concessions	2,581	14,759	16,870	470
Interest	4,380	1,457	0	5,837
Class of 2008	112	14,441	13,393	1,160
Class of 2007	912	1,756	1,863	805
Class of 2006	1,121	0	1,121	0
Class of 2012	0	219	0	219
Class of 2009	115	86	201	0
Class of 2010	97	15	32	80
Class of 2011	0	175	0	175
Class of 2014	0	92	0	92
Class of 2013	0	68	0	68
IGE fundraising	1,911	5,849	3,351	4,409
IG elementary book fair	1,637	3,801	3,661	1,777
ECC pop machine	1,060	1,646	1,607	1,099
MS sports	6,307	4,874	5,020	6,161
MS cheerleaders	19	0	1	18
MS special pop	662	1,691	1,808	545
MS carnival	1,357	829	709	1,477
MS art club	30	0	0	30
MS book fair club	1,631	2,355	1,644	2,342
MS student council	2,935	3,315	3,508	2,742
HS drama	2,784	4,777	4,209	3,352
HS vocal	0	425	0	425
HS band	2,076	3,075	2,427	2,724
HS Band equipment	0	1,204	0	1,204
Cheerleaders	3,462	2,763	4,425	1,800
Drill team	2,779	15,022	13,037	4,764
Senior memories	782	32	32	782
Quiz bowl fund	281	450	200	531
HS vending	170	1,285	1,455	0
Supporting players	644	0	644	0
HS Art club	1,227	3,510	4,426	311
FLA	526	4,088	3,795	819
National Honor Society	1,793	5,163	5,306	1,650
Spanish club	2,078	0	0	2,078
HS book fair	531	1,105	860	776
HS student council	4,011	8,349	9,245	3,115
<b>Total</b>	<b>\$ 100,406</b>	<b>200,403</b>	<b>190,258</b>	<b>110,551</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,			
	2007	2006	2005	2004
<b>Revenues:</b>				
Local sources:				
Local tax	\$ 2,616,624	2,564,373	2,299,301	2,123,977
Tuition	380,045	300,685	323,148	316,081
Other	468,740	430,455	402,431	307,577
State sources	3,233,158	3,166,741	3,091,914	3,046,556
Federal sources	175,486	214,114	190,284	206,952
Total	<u>\$ 6,874,053</u>	<u>6,676,368</u>	<u>6,307,078</u>	<u>6,001,143</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular instruction	\$ 2,791,135	2,685,879	2,554,133	2,516,048
Special instruction	788,325	823,163	889,485	892,439
Other instruction	715,866	706,376	493,172	467,234
Support services:				
Student services	159,825	150,047	137,394	137,103
Instructional staff services	313,868	293,904	263,161	214,155
Administration services	649,696	646,404	628,141	619,820
Operation and maintenance of plant services	683,858	674,114	607,453	547,542
Transportation services	366,948	358,952	265,725	284,302
Other expenditures:				
Facilities acquisitions	315,829	172,932	207,088	29,538
AEA flow-through	233,619	227,081	226,110	231,726
Total	<u>\$ 7,018,969</u>	<u>6,738,852</u>	<u>6,271,862</u>	<u>5,939,907</u>

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, 2007, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated January 11, 2008. 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 as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Battle Creek-Ida Grove Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Battle Creek-Ida Grove Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Battle Creek-Ida Grove Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Battle Creek-Ida Grove Community School District's financial statements that is more than inconsequential will not be prevented or detected by Battle Creek-Ida Grove Community School District's internal control. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Battle Creek-Ida Grove Community School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe item I-A-07 is a material weakness.

#### Compliance and Other Matters

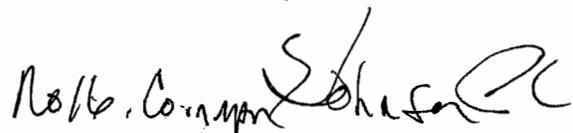
As part of obtaining reasonable assurance about whether Battle Creek-Ida Grove Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which 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 such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance 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, 2007 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.

Battle Creek-Ida Grove Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit Battle Creek-Ida Grove Community School District's responses and, accordingly, we express no opinion on them.

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.

January 11, 2008

BATTLE CREEK-IDA GROVE COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2007

Part I: Findings Related to the Basic Financial Statements:

SIGNIFICANT DEFICIENCIES:

I-A-07 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-07 Student Activity Fund - We noted during our audit that the Student Activity fund included an interest account. The revenue in the interest account comes from the earnings on other individual student activity accounts.

Recommendation - The interest account does not appear to meet the requirement of student organization or extracurricular account. It is a holding of the interest earned and rather than divide the interest earned monthly, it is held to be allocated at a later time. We believe the interest should be allocated out to the various accounts on an annual basis.

Response - We will allocate interest out on an annual basis.

Conclusion - Response accepted.

I-C-07 Photo Image Checks - We noted during our audit that District receives their checks from the bank as photo images showing only the front of the checks. Chapter 544D.114 of the Code of Iowa requires both the front and back of check images to be retained.

Recommendation - The District should contact the bank to rectify the situation. The District should receive the photo images showing both the front and back of the checks or the original issued check.

Response - We have contacted the bank the day after the auditors left and images of the backs of the checks are now included with monthly statements. The bank went back and provided images of all checks written since July 2007.

Conclusion - Response accepted.

I-D-07 Payroll Procedures - We noted during our audit that the District is not keeping track of hours worked for coaches who are non-certified staff.

Recommendation - In order to comply with the Department of Labor requirements on wage per hour contracts, the District needs to keep track of the hours worked for non-certified staff coaches.

Response - Hours are being tracked for non-certified coaches for 07-08 with the exception of the ones whose seasons had started prior to the auditors being in the District.

Conclusion - Response accepted.

I-E-07 Purchase Orders - We noted during our audit that the District uses purchase orders; however, the purchase orders the District use are not pre-numbered. We also noted instances of purchase orders not being dated.

Recommendation - Better internal control is achieved when pre-numbered purchase orders are used and the sequence is monitored. The District should review the purchase order system in place. Purchase orders provide approval to order, therefore, pre-numbered purchase orders should be approved by the administrator before the ordering of supplies takes place.

Response - Since we weren't aware the local purchase orders had to be pre-numbered, they had been printed for the year. The District will review this recommendation prior to ordering next time.

Conclusion - Response accepted.

I-F-07 Supporting Documentation - We noted during our audit of the General Fund one of forty checks tested as part of our disbursement testing had no supporting documentation.

Recommendation - The District should review their procedures that are in place to ensure that all bills are supported, approved and paid from an invoice with a purchase order. The District should adopt processes and procedures to use when an invoice may not be available, such as requiring additional approval or requiring support document other than an invoice. The District should have two board members review the paid invoices monthly to ensure supporting documentation is maintained.

Response - The District will make every effort to ensure supporting documentation is included with all district expenditures.

Conclusion - Response accepted.

I-G-07 Check Signatures - We noted during our audit a check written from the Enterprise, School Nutrition Fund only had one signature.

Recommendation - The Board President and Board Secretary are to sign all checks written by the District to be in compliance with Chapter 291.1 of the Code of Iowa. The District should review disbursement procedures in place to ensure all checks written have two signatures, the Board President and Board Secretary.

Response - The District now has two people checking to make sure payable and payroll checks include both signatures.

Conclusion - Response accepted.

I-H-07 Cell Phone Allowance - We noted during our audit that the District was paying a flat dollar allowance for a cell phone to an employee.

Recommendation - All flat dollar allowances should go through the payroll process with the appropriate taxes withheld and be included on the W-2 of the employee.

Response - Proper documentation of cell phone expenses will be obtained to support such reimbursements, or they will be included as payroll items.

Conclusion - Response accepted.

BATTLE CREEK-IDA GROVE COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF FINDINGS  
 YEAR ENDED JUNE 30, 2007

Part II: Other Findings Related to Required Statutory Reporting:

II-A-07 Certified Budget - District disbursements for the year ended June 30, 2007 exceeded the amounts budgeted in the instruction and other expenditures functions.

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

Response - We will amend the budget if necessary in the future.

Conclusion - Response accepted.

II-B-07 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-C-07 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

II-D-07 Business Transactions - Business transactions between the District and District officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Kevin Weber, Transportation Serviceman Father owns Jack's Radiator Repair	Radiator Repair	\$42

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

II-E-07 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.

II-F-07 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

II-G-07 Certified Enrollment - We noted a variance in the basic enrollment data certified to the Department of Education. The number of resident students was understated by one student.

Recommendation - The District should contact the Iowa Department of Education and the Department of Management to resolve this matter.

Response - We will contact the Iowa Department of Education and the Department of Management.

Conclusion - Response accepted.

II-H-07 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-I-07 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.