

BATTLE CREEK-IDA GROVE COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2009

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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 2008 election)		
Tony Bennett	President	2008
Mark Bogue	Vice President	2009
Duane Hummelgard	Board Member	2010
Ed Sohm	Board Member	2009
Mike Andrews	Board Member	2010
Becky Matthies	Board Member	2009
Dr. Michael Luft	Board Member	2010

Board of Education (After September 2008 election)		
Duane Hummelgard	President	2011 *
Mark Bogue	Vice President	2009
Tony Bennett	Board Member	2011
Ed Sohm	Board Member	2009
Mike Andrews	Board Member	2011 *
Becky Matthies	Board Member	2009
Dr. Michael Luft	Board Member	2011 *

School Officials

Russ Freeman	Superintendent	2009
Laurel Boerner	District Secretary	2009
Kathy Leonard	District Treasurer	2009
Rick Franck	Attorney	2009

* Board Term extended per the District's transition for changing Board terms from 3 to 4 years in accordance with Chapter 39.24 of the Code of Iowa.

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(a professional corporation)
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Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, business type activities, each major fund and the aggregate remaining fund information of the Battle Creek-Ida Grove Community School District, Ida Grove, Iowa as of and for the year ended June 30, 2009, 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, 2009, 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 February 1, 2010 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 35 are not required parts of the basic financial statements, but are supplementary

information required by the Governmental Auditing Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the 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 five years ended June 30, 2008 (which are not presented herein) and expressed an unqualified opinion on those financial statements. Other supplementary information included in Schedules 1 through 6, 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.

February 1, 2010

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, 2009. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2009 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$6,151,858 in fiscal 2008 to \$6,373,023 in fiscal 2009, while General Fund expenditures increased from \$6,250,451 in fiscal 2008 to \$6,313,917 in fiscal 2009. This resulted in an increase in the District's General Fund balance from \$477,501 in fiscal 2008 to a balance of \$536,607 in fiscal 2009, a 12.38% increase over the prior year.
- The increase in General Fund revenues was attributable to increases in local tax monies and state sources revenue in fiscal 2009. 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 the School District.

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.

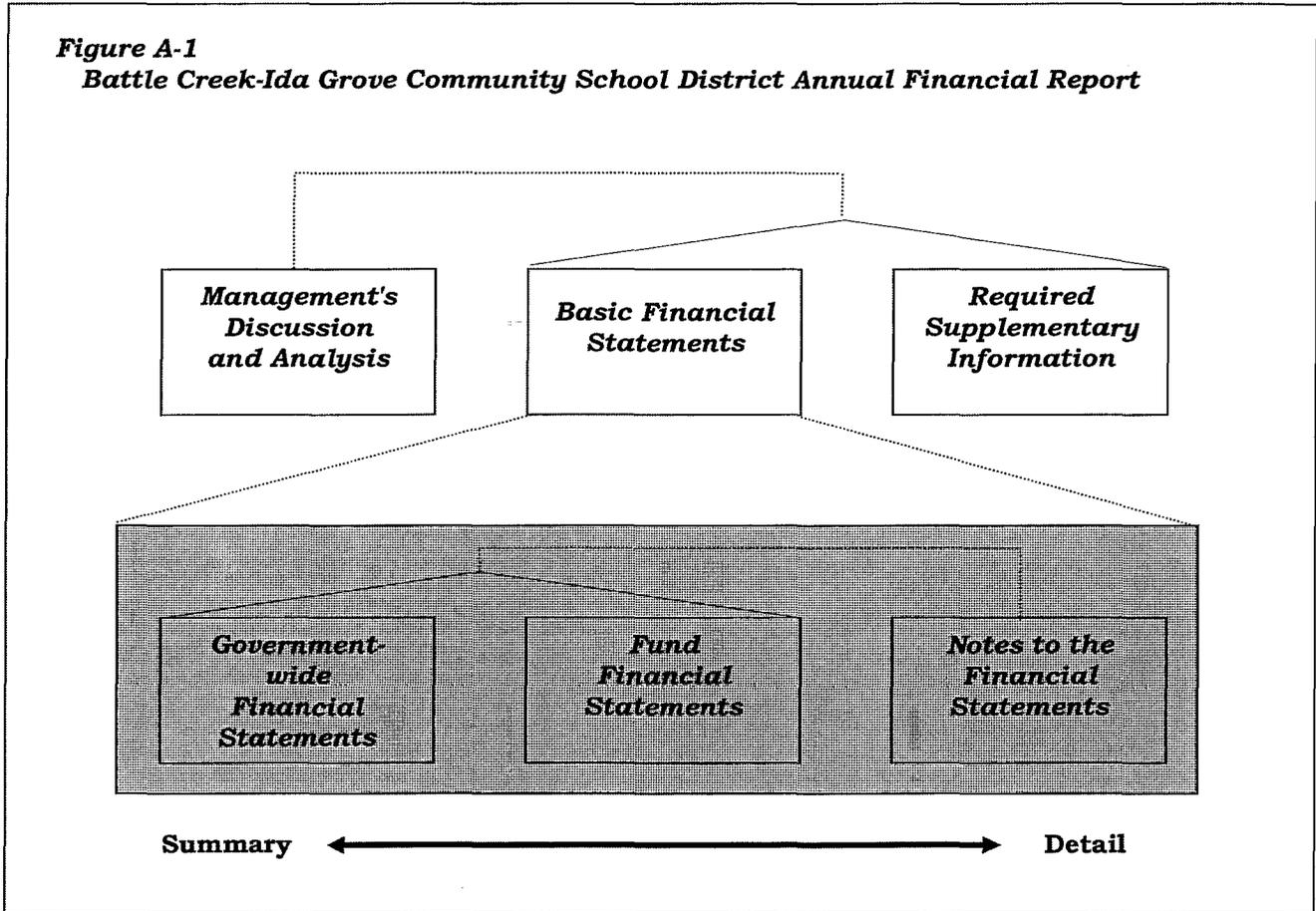


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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, 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, 2009 compared to June 30, 2008.

Figure A-3
Condensed Statement of Net Assets

	Governmental Activities		Business type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June, 30
	2009	2008	2009	2008	2009	2008	2008-09
Current and other assets	\$ 6,979,108	6,520,726	90,666	97,174	7,069,774	6,617,900	6.83%
Capital assets	2,058,975	1,823,885	16,295	18,249	2,075,270	1,842,134	12.66%
Total assets	9,038,083	8,344,611	106,961	115,423	9,145,044	8,460,034	8.10%
Long-term obligations	26,818	39,032	0	0	26,818	39,032	-31.29%
Other liabilities	5,211,297	4,900,911	7,827	9,573	5,219,124	4,910,484	6.29%
Total liabilities	5,238,115	4,939,943	7,827	9,573	5,245,942	4,949,516	5.99%
Net assets:							
Invested in capital assets, net of related debt	2,058,975	1,823,885	16,295	18,249	2,075,270	1,842,134	12.66%
Restricted	1,068,037	942,271	0	0	1,068,037	942,271	13.35%
Unrestricted	672,954	638,512	82,839	87,601	755,793	726,113	4.09%
Total net assets	\$ 3,799,966	3,404,668	99,134	105,850	3,899,100	3,510,518	11.07%

The District's combined net assets increased by 11.07%, or \$388,582 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 represent 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 \$125,766, or 13.35% over the prior year. The increase was primarily a result of the District increase in the Special Revenue, Management Levy Fund balance.

Unrestricted net assets are 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 \$29,680, or 4.09%. This increase in unrestricted net assets was a result of the District's increase in the General Fund balance

Figure A-4 shows the changes in net assets for the year ended June 30, 2009 compared to June 30, 2008.

Figure A-4
Changes of Net Assets

	Governmental Activities		Business type Activities		Total School District		Total Change
	2009	2008	2009	2008	2009	2008	2008-09
Revenues:							
Program revenues:							
Charges for services	\$ 664,757	603,770	130,403	144,123	795,160	747,893	6.32%
Operating grants and contributions and restricted interest	1,120,152	868,465	153,278	146,728	1,273,430	1,015,193	25.44%
Capital grants and contributions and restricted interest	48,676	1,925	0	0	48,676	1,925	2428.62%
General revenues:							
Property tax	2,336,060	2,135,981	0	0	2,336,060	2,135,981	9.37%
Income surtax	229,506	219,018	0	0	229,506	219,018	4.79%
Statewide sales and services tax	344,735	331,493	0	0	344,735	331,493	3.99%
Unrestricted state grants	2,539,251	2,651,853	0	0	2,539,251	2,651,853	-4.25%
Other	141,290	187,704	1,534	3,457	142,824	191,161	-25.29%
Total revenues	7,424,427	7,000,209	285,215	294,308	7,709,642	7,294,517	5.69%
Program expenses:							
Governmental activities:							
Instruction	4,678,820	4,433,503	16,283	33,029	4,695,103	4,466,532	5.12%
Support services	1,919,957	2,135,387	998	1,992	1,920,955	2,137,379	-10.13%
Non-instructional programs	0	0	274,650	264,459	274,650	264,459	3.85%
Other expenses	444,602	595,321	0	0	444,602	595,321	-25.32%
Total expenses	7,043,379	7,164,211	291,931	299,480	7,335,310	7,463,691	-1.72%
Changes in net assets	381,048	(164,002)	(6,716)	(5,172)	374,332	(169,174)	-321.27%
Beginning net assets	3,418,918	3,568,670	105,850	111,022	3,524,768	3,679,692	-4.21%
Ending net assets	\$ 3,799,966	3,404,668	99,134	105,850	3,899,100	3,510,518	11.07%

Property tax, income surtax, statewide sales and services tax and unrestricted state grants account for 73.40% of the revenue from governmental activities. The District's expenses primarily relate to instruction and support services which account for 93.69% of the total expenses. Charges for services and operating grants and contributions accounted for 99.46% of the revenue for the business type activities.

The District's total revenue was \$7,709,642, of which \$7,424,427 was for governmental activities and \$285,215 was for business type activities.

As shown, in Figure A-4, the District as a whole experienced a 5.69% increase in revenues and a decrease of 1.72% in expenditures. Property tax increased by \$200,079 to fund increases in expenses. The increases in expenses related to increases in the negotiated salaries and benefits.

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 Income surtax. 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 \$7,424,427 and expenses were \$7,043,379.

The following table presents the total and net cost of the District’s major governmental activities: instruction, support services, and other expenses.

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2009	2008	Change 2008-09	2009	2008	Change 2008-09
Instruction	\$ 4,678,820	4,433,503	5.53%	3,165,259	3,214,334	-1.53%
Support services	1,919,957	2,135,387	-10.09%	1,893,140	2,119,670	-10.69%
Other expenses	444,602	595,321	-25.32%	151,395	356,047	-57.48%
Totals	\$ 7,043,379	7,164,211	-1.69%	5,209,794	5,690,051	-8.44%

For the year ended June 30, 2009:

- The cost financed by users of the District’s programs was \$664,757.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,120,152.
- The net cost of governmental activities was financed with \$2,336,060 in property tax, \$229,506 in income surtax, \$344,735 in statewide sales and services tax, \$2,539,251 in unrestricted state grants, \$48,696 in capital grants, contributions, and restricted interest, \$74,193 in interest income and \$67,097 in other general revenue.

Business type Activities

Revenues of the District’s business type activities were \$285,215 and expenses were \$291,931. 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 balances of \$1,563,625, over last year’s ending fund balances of a \$1,432,120. The primary reason for the increase in combined fund balances in fiscal 2009 is due to the decrease in the support services expenditures in the General Fund.

Governmental Fund Highlights

- The District's General Fund financial position increased from \$477,501 at June 30, 2008 to \$536,607 at June 30, 2009 and is the product of many factors. Increase in all revenue 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. Support Services functional area expenditures decreased by \$119,827 or 6.53%.
- The Special Revenue: Management Levy Fund balance increased from \$197,840 in fiscal 2008 to \$323,052 in fiscal 2009. The District had an increase of \$163,635 in local revenue and a decrease of \$16,678 in expenditures resulting in the increase in the fund balance.
- The Special Revenue: Physical Plant and Equipment Levy Fund balance increased from \$106,247 at June 30, 2008 to \$204,992 at June 30, 2009. The fund balance increased by \$98,745 or 92.94%. The increase in the fund balance was primarily due to the \$13,488 increase in revenues and a \$71,007 decrease in expenditures.
- The Capital Projects Fund balance decreased from \$544,189 in fiscal 2008 to \$413,642 in fiscal 2009. The decrease in the fund balance was due primarily to the \$167,154 increase in facility acquisitions. This was the fifth complete year of the District receiving statewide sales.

Proprietary Fund Highlights

The School Nutrition Fund net assets decreased from \$94,677 at June 30, 2008 to \$92,402 at June 30, 2009, representing a decrease of 2.40%. The Day Care Fund net assets decreased from \$11,173 at June 30, 2008 to \$6,732 at June 30, 2009, representing a decrease of 39.75%.

BUDGETARY HIGHLIGHTS

The District's revenues were \$196,168 less than budgeted revenues, a variance of 2.48%. 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.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2009, the District had invested \$2,075,270, 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 12.66% over last year. More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$261,047.

The original cost of the District's capital assets was \$6,789,236. Governmental funds account for \$6,714,771 with the remainder of \$74,465 in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress totaled \$91,153 at June 30, 2009, compared to a zero balance reported at June 30, 2008. This increase resulted from the addition of the high school new classrooms and central office project.

Figure A-6

	Capital Assets, Net of Depreciation						
	Governmental Activities		Business type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2009	2008	2009	2008	2009	2008	2008-09
Land	\$ 124,260	124,260	0	0	124,260	124,260	0.00%
Construction in progress	91,153	0	0	0	91,153	0	100.00%
Buildings	1,115,940	1,065,185	0	0	1,115,940	1,065,185	4.76%
Land improvements	248,939	235,222	0	0	248,939	235,222	5.83%
Machinery and equipment	478,683	399,218	16,295	18,249	494,978	417,467	18.57%
Total	\$ 2,058,975	1,823,885	16,295	18,249	2,075,270	1,842,134	12.66%

Long-Term Debt

At June 30, 2009, the District had \$26,818 in other long-term debt outstanding. This represents a decrease of 31.29% 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 Special Revenue, Management Levy Fund of \$26,818 at June 30, 2009.

Figure A-7

	Outstanding Long-Term Obligations		
	Total School District		Total Change
	June 30,		June 30,
	2009	2008	2008-09
Early Retirement	\$ 26,818	39,032	-31.29%

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 (59 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.

-
- An agreement was reached with Odebolt-Arthur Community School District to begin whole grade sharing grades 7-12 in 2009-10. The intent is that both districts will see financial savings due to efficiencies in staff and shared costs as well as increasing academic offerings for students.
 - The District shares a Maintenance Director (50/50) and Transportation Supervisor (80/20) with the Odebolt-Arthur Community School District. This generates state incentive money for the District and saves approximately \$40,000 in payroll cost per year.
 - The three certified staff who retired at the end of 2008-2009 was not replaced, the Middle School Principal position was combined with the Superintendent position and a maintenance employee retired at the end of school year, thus resulting in a savings of approximately \$215,000 in General Fund money.
 - The Board has developed a plan whereby the Early Childhood Center building has been put up for sale and discussion has been held whereas another building will be closed in 2-3 years. This will provide additional savings to the General Fund. Most of the programs located at the ECC were moved in June 2009. Headstart and AEA continues to rent space from the District but now are located at different attendance centers.

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, 2009

	Governmental Activities	Business type Activities	Total
ASSETS			
Cash and pooled investments:			
ISCAP	\$ 1,349,455	0	1,349,455
Other	2,478,898	101,464	2,580,362
Receivables:			
Property tax:			
Delinquent	34,332	0	34,332
Succeeding year	2,639,822	0	2,639,822
Income surtax	204,184	0	204,184
Interfund	25,838	(25,838)	0
Accounts	10,847	55	10,902
Accrued ISCAP interest	5,084	0	5,084
Due from other governments	230,648	0	230,648
Inventories	0	14,985	14,985
Capital assets, net of accumulated depreciation	2,058,975	16,295	2,075,270
TOTAL ASSETS	9,038,083	106,961	9,145,044
LIABILITIES			
Accounts payable	437,666	1,386	439,052
Salaries and benefits payable	746,812	2,518	749,330
ISCAP warrants payable	1,330,000	0	1,330,000
ISCAP accrued interest payable	7,269	0	7,269
ISCAP unammortized premium	21,252	0	21,252
Deferred revenue:			
Succeeding year property tax	2,639,822	0	2,639,822
Other	28,478	0	28,478
Unearned revenue	0	3,923	3,923
Long-term liabilities:			
Portion due within one year:			
Early retirement payable	26,818	0	26,818
TOTAL LIABILITIES	5,238,117	7,827	5,245,944
NET ASSETS			
Invested in capital assets, net of related debt	2,058,975	16,295	2,075,270
Restricted for:			
Categorical funding	67,836	0	67,836
Capital projects	413,642	0	413,642
Management levy	296,234	0	296,234
Physical plant and equipment levy	204,992	0	204,992
Other special revenue purposes	85,333	0	85,333
Unrestricted	672,954	82,839	755,793
TOTAL NET ASSETS	\$ 3,799,966	99,134	3,899,100

SEE NOTES TO FINANCIAL STATEMENTS

BATTLE CREEK-IDA GROVE COMMUNITY SCHOOL DISTRICT
 STATEMENT OF ACTIVITIES
 YEAR ENDED JUNE 30, 2009

Functions/Programs:	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		Total
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	
Governmental activities:							
Instruction:							
Regular	\$ 2,903,825	342,361	699,138	0	(1,862,326)	0	(1,862,326)
Special	842,325	102,481	118,820	0	(621,024)	0	(621,024)
Other	932,670	202,949	47,812	0	(681,909)	0	(681,909)
	<u>4,678,820</u>	<u>647,791</u>	<u>865,770</u>	<u>0</u>	<u>(3,165,259)</u>	<u>0</u>	<u>(3,165,259)</u>
Support services:							
Student	113,749	0	0	0	(113,749)	0	(113,749)
Instructional staff	369,834	0	0	0	(369,834)	0	(369,834)
Administration	565,071	0	0	0	(565,071)	0	(565,071)
Operation and maintenance of plant	518,785	0	9,851	0	(508,934)	0	(508,934)
Transportation	352,518	16,966	0	0	(335,552)	0	(335,552)
	<u>1,919,957</u>	<u>16,966</u>	<u>9,851</u>	<u>0</u>	<u>(1,893,140)</u>	<u>0</u>	<u>(1,893,140)</u>
Other expenditures:							
Facilities acquisitions	107,505	0	0	48,676	(58,829)	0	(58,829)
AEA flowthrough	244,531	0	244,531	0	0	0	0
Depreciation(unallocated)*	92,566	0	0	0	(92,566)	0	(92,566)
	<u>444,602</u>	<u>0</u>	<u>244,531</u>	<u>48,676</u>	<u>(151,395)</u>	<u>0</u>	<u>(151,395)</u>
Total governmental activities	7,043,379	664,757	1,120,152	48,676	(5,209,794)	0	(5,209,794)
Business Type activities:							
Instruction:							
Regular	16,283	7,650	4,145	0	0	(4,488)	(4,488)
Support services:							
Operation and maintenance of plant	998	0	0	0	0	(998)	(998)
	<u>998</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(998)</u>	<u>(998)</u>
Non-instructional programs:							
Nutrition	274,650	122,753	149,133	0	0	(2,764)	(2,764)
Total business type activities	291,931	130,403	153,278	0	0	(8,250)	(8,250)
Total	\$ 7,335,310	795,160	1,273,430	48,676	(5,209,794)	(8,250)	(5,218,044)
General Revenues:							
Local tax for:							
General purposes					\$ 2,223,506	0	2,223,506
Capital outlays					112,554	0	112,554
Income surtax					229,506	0	229,506
Statewide sales and services tax					344,735	0	344,735
Unrestricted state grants					2,539,251	0	2,539,251
Unrestricted investment earnings					74,193	963	75,156
Other general revenues					67,097	571	67,668
Total general revenues					5,590,842	1,534	5,592,376
Changes in net assets					381,048	(6,716)	374,332
Net assets beginning of year					3,418,918	105,850	3,524,768
Net assets end of year					<u>\$ 3,799,966</u>	<u>99,134</u>	<u>3,899,100</u>

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

BATTLE CREEK-IDA GROVE COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2009

	Other Nonmajor Governmental		
	General	Funds	Total
ASSETS			
Cash and pooled investments:			
ISCAP	\$ 1,349,455	0	1,349,455
Other	1,273,989	1,204,909	2,478,898
Receivables:			
Property tax:			
Delinquent	29,019	5,313	34,332
Succeeding year	2,370,040	269,782	2,639,822
Income surtax	145,846	58,338	204,184
Interfund	36,196	1,750	37,946
Accounts	8,408	2,439	10,847
Accrued ISCAP interest	5,084	0	5,084
Due from other governments	146,908	83,740	230,648
TOTAL ASSETS	\$ 5,364,945	1,626,271	6,991,216
LIABILITIES AND FUND BALANCES			
Liabilities:			
Interfund payable	\$ 0	12,108	12,108
Accounts payable	178,641	259,025	437,666
Salaries and benefits payable	746,812	0	746,812
ISCAP warrants payable	1,330,000	0	1,330,000
ISCAP accrued interest payable	7,269	0	7,269
ISCAP unammortized premium	21,252	0	21,252
Deferred revenue:			
Succeeding year property tax	2,370,040	269,782	2,639,822
Income surtax	145,846	58,338	204,184
Other	28,478	0	28,478
Total liabilities	4,828,338	599,253	5,427,591
Fund balances:			
Reserved for:			
Categorical funding	67,836	0	67,836
Unreserved	468,771	1,027,018	1,495,789
Total fund balances	536,607	1,027,018	1,563,625
TOTAL LIABILITIES AND FUND BALANCES	\$ 5,364,945	1,626,271	6,991,216

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, 2009

Total fund balances of governmental funds (page 16)	\$ 1,563,625
<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 reported as assets in in the governmental funds.	2,058,975
Accounts receivable income surtax, are not yet available to finance expenditures of the current period.	204,184
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>(26,818)</u>
Net assets of governmental activities (page 14)	<u>\$ 3,799,966</u>

BATTLE CREEK-IDA GROVE COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2009

	General	Other Nonmajor Governmental Funds	Total
REVENUES:			
Local sources:			
Local tax	\$ 2,134,791	763,272	2,898,063
Tuition	393,603	0	393,603
Other	241,371	238,736	480,107
State sources	3,369,760	48,989	3,418,749
Federal sources	231,666	0	231,666
Total revenues	<u>6,371,191</u>	<u>1,050,997</u>	<u>7,422,188</u>
EXPENDITURES:			
Current:			
Instruction:			
Regular	2,855,061	30,074	2,885,135
Special	833,349	0	833,349
Other	664,430	222,535	886,965
	<u>4,352,840</u>	<u>252,609</u>	<u>4,605,449</u>
Support services:			
Student	113,074	0	113,074
Instructional staff	226,367	133,625	359,992
Administration	603,513	0	603,513
Operation and maintenance of plant	520,517	100,391	620,908
Transportation	253,075	65,989	319,064
	<u>1,716,546</u>	<u>300,005</u>	<u>2,016,551</u>
Other expenditures:			
Facilities acquisitions	0	425,984	425,984
AEA flowthrough	244,531	0	244,531
	<u>244,531</u>	<u>425,984</u>	<u>670,515</u>
Total expenditures	<u>6,313,917</u>	<u>978,598</u>	<u>7,292,515</u>
Excess of revenues over expenditures	57,274	72,399	129,673
Other financing sources:			
Proceeds from the disposal of property	1,832	0	1,832
Net change in fund balances	59,106	72,399	131,505
Fund balance beginning of year	477,501	954,619	1,432,120
Fund balance end of year	<u>\$ 536,607</u>	<u>1,027,018</u>	<u>1,563,625</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, 2009

Net change in fund balances - total governmental funds (page 18) \$ 131,505

*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, loss on disposal of capital assets and depreciation expense in the year are as follows:

Capital outlays	\$ 416,180	
Depreciation expense	(179,269)	
Loss on disposal of capital assets	(1,821)	235,090

Income surtax accounts receivable is not available to finance expenditures of the current year period in the governmental funds. 2,239

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		12,214

Changes in net assets of governmental activities (page 15) \$ 381,048

BATTLE CREEK-IDA GROVE COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2009

	School Nutrition	Day Care	Total
Assets			
Cash and pooled investments	\$ 92,269	9,195	101,464
Accounts receivable	0	55	55
Inventories	14,985	0	14,985
Capital assets, net of accumulated depreciation	16,295	0	16,295
Total assets	123,549	9,250	132,799
Liabilities			
Interfund payable	25,838	0	25,838
Accounts payable	1,386	0	1,386
Salaries and benefits payable	0	2,518	2,518
Unearned revenue	3,923	0	3,923
TOTAL LIABILITIES	31,147	2,518	33,665
Net Assets			
Invested in capital assets	16,295	0	16,295
Unrestricted	76,107	6,732	82,839
Total net assets	\$ 92,402	6,732	99,134

BATTLE CREEK-IDA GROVE COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2009

	School Nutrition	Day Care	Total
OPERATING REVENUE:			
Local sources:			
Charges for services	\$ 122,753	7,650	130,403
Other miscellaneous revenue	571	0	571
TOTAL OPERATING REVENUES	123,324	7,650	130,974
OPERATING EXPENSES:			
Instruction:			
Regular:			
Salaries	0	14,306	14,306
Benefits	0	1,977	1,977
	0	16,283	16,283
Support services:			
Operation and maintenance of plant:			
Services	998	0	998
	998	0	998
Non-instructional programs:			
Food service operations:			
Salaries	103,851	0	103,851
Benefits	15,684	0	15,684
Services	2,880	0	2,880
Supplies	149,381	0	149,381
Depreciation	2,854	0	2,854
	274,650	0	274,650
TOTAL OPERATING EXPENSES	275,648	16,283	291,931
OPERATING LOSS	(152,324)	(8,633)	(160,957)
NON-OPERATING REVENUES:			
State sources	3,664	4,145	7,809
Federal sources	145,469	0	145,469
Interest on investments	916	47	963
TOTAL NON-OPERATING REVENUES	150,049	4,192	154,241
Changes in net assets	(2,275)	(4,441)	(6,716)
Net assets beginning of year	94,677	11,173	105,850
Net assets end of year	\$ 92,402	6,732	99,134

SEE NOTES TO FINANCIAL STATEMENTS

BATTLE CREEK-IDA GROVE COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2009

	School Nutrition	Day Care	Total
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	\$ 122,948	0	122,948
Cash received from miscellaneous	571	7,715	8,286
Cash payments to employees for services	(119,535)	(19,023)	(138,558)
Cash payments to suppliers for goods or services	(136,845)	(350)	(137,195)
Net cash used in operating activities	<u>(132,861)</u>	<u>(11,658)</u>	<u>(144,519)</u>
Cash flows from non-capital financing activities:			
Borrowings from the General Fund	2,313	0	2,313
State grants received	3,664	4,145	7,809
Federal grants received	122,600	0	122,600
Net cash provided by non-capital financing activities	<u>128,577</u>	<u>4,145</u>	<u>132,722</u>
Cash flows from capital and related financing activities:			
Acquisition of capital assets	(900)	0	(900)
Cash flows from investing activities:			
Interest on investments	916	47	963
Net decrease in cash and cash equivalents	(4,268)	(7,466)	(11,734)
Cash and cash equivalents at beginning of year	96,537	16,661	113,198
Cash and cash equivalents at end of year	<u>\$ 92,269</u>	<u>9,195</u>	<u>101,464</u>
Reconciliation of operating loss to net cash used in operating activities:			
Operating loss	\$ (152,324)	(8,633)	(160,957)
Adjustments to reconcile operating loss to net cash used in operating activities:			
Commodities consumed	22,869	0	22,869
Depreciation	2,854	0	2,854
Increase in inventories	(7,604)	0	(7,604)
Decrease in accounts receivable	0	65	65
(Increase)Decrease in accounts payable	1,149	(350)	799
Decrease in salaries and benefits payable	0	(2,740)	(2,740)
Increase in unearned revenue	195	0	195
Net cash used in operating activities	<u>\$ (132,861)</u>	<u>(11,658)</u>	<u>(144,519)</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>\$ 92,269</u>	<u>9,195</u>	<u>101,464</u>
NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:			
During the year ended June 30, 2009, the District received Federal commodities valued at \$22,869.			

SEE NOTES TO FINANCIAL STATEMENTS

BATTLE CREEK-IDA GROVE COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

(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, 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 assets 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 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 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 Balances

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

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

For purposes of the statement of cash flows, all short-term 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, 2007 assessed property valuations; is for the tax accrual period July 1, 2008 through June 30, 2009 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2008.

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, machinery, 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

Capital assets 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.

(2) **Cash and Pooled Investments**

The District's deposits at June 30, 2009 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, 2009, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	<u>Amortized Cost</u>
Diversified Portfolio	<u>\$ 205,712</u>

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

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, 2009 are as follows:

Receivable Fund	Payable Fund	Amount
Capital Projects	Special Revenue: Student Activity	\$ 1,750
General Fund	Special Revenue: Student Activity	10,358
General Fund	Nutrition Fund	<u>25,838</u>
Total		<u>\$ 37,946</u>

The Special Revenue: Student Activity Fund is repaying the Capital Projects Fund for a scoreboard. The balance will be paid by June 30, 2010.

The Special Revenue, Student Activity Fund is repaying the General Fund for instructional expenses. The balance will be repaid by June 30, 2010.

The Enterprise, School Nutrition Fund is repaying the General fund for salaries and benefits. The balance will be repaid by June 30, 2010.

(4) Iowa School Cash Anticipation Program (ISCAP)

The District participates in the Iowa School Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings and amounts available for withdrawal for each outstanding series of warrants. Bankers Trust Co. is the trustee for the program. A summary of the District's participation in ISCAP at June 30, 2009 is as follows:

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable
2008-09B	1/21/09	1/21/10	\$ 538,820	4,984	532,000	6,996
2009-10A	6/25/09	6/23/10	810,635	100	798,000	273
Total			<u>\$ 1,349,455</u>	<u>5,084</u>	<u>1,330,000</u>	<u>7,269</u>

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts. In addition, the District must make

minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. The District had no ISCAP borrowing activity for the year ended June 30, 2009.

The warrants bear interest and the available proceeds of the warrants are invested at the interest rates shown below:

Series	Interest Rates on Warrants	Interest Rates on Investments
2008-09B	3.000%	2.110%
2009-10A	2.500%	0.902%

(5) Capital Assets

Capital assets activity for the year ended June 30, 2009 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 124,260	0	0	124,260
Construction in progress	0	91,153	0	91,153
Total capital assets not being depreciated	124,260	91,153	0	215,413
Capital assets being depreciated:				
Buildings	4,004,291	119,310	0	4,123,601
Land improvements	439,657	34,285	0	473,942
Machinery and equipment	1,730,383	250,356	78,924	1,901,815
Total capital assets being depreciated	6,174,331	403,951	78,924	6,499,358
Less accumulated depreciation for:				
Buildings	2,939,106	68,555	0	3,007,661
Land improvements	204,435	20,568	0	225,003
Machinery and equipment	1,331,165	169,070	77,103	1,423,132
Total accumulated depreciation	4,474,706	258,193	77,103	4,655,796
Total capital assets being depreciated, net	1,699,625	145,758	1,821	1,843,562
Governmental activities capital assets, net	\$ 1,823,885	236,911	1,821	2,058,975
Business type activities:				
Machinery and equipment	\$ 73,565	900	0	74,465
Less accumulated depreciation	55,316	2,854	0	58,170
Business type activities capital assets, net	\$ 18,249	(1,954)	0	16,295

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 17,459
Special	8,976
Other	45,705
Support services:	
Student	675
Instructional staff	9,842
Administrative	9,818
Operation and maintenance of plant	9,571
Transportation	63,581
	<u>165,627</u>
Unallocated depreciation	<u>92,566</u>
Total governmental activities depreciation expense	<u>\$ 258,193</u>
Business type activities:	
Food services	<u>\$ 2,854</u>

(6) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2009 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Early Retirement	\$ 39,032	26,818	39,032	26,818	26,818

Early Retirement

Annually, the District reviews and decides if it will offer a voluntary early retirement plan to its employees and the number of plans that will be offered. 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 early retirement incentive for each eligible employee is equal to a percent of their current year salary. The District paid \$39,032 in early retirement benefits during the year ended June 30, 2009. 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 4.10% of their annual covered salary and the District is required to contribute 6.35% of annual covered payroll for the years ended June 30, 2009, 2008 and 2007. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2009, 2008, and 2007 were \$279,344, \$261,930, and \$249,970, 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 \$244,531 for the year ended June 30, 2009 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(10) Construction Commitment

The District has entered into various contracts totaling \$503,779 for the construction of an classrooms and central office addition to the High School. As of June 30, 2009, costs of \$91,153 in architect fees had been incurred against the contracts. The balance of \$412,626 remaining at June 30, 2009 will be paid as work on the project progresses. The total cost of the new addition will be added to the District's fixed asset listing upon completion. Part of the architect fees were also for other future projects being considered by the District.

(11) Other Postemployment Benefits (OPEB)

GASB Statement Number 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, issued June 2004, will be effective for the District beginning with its year ending June 30, 2010. This statement establishes standards for the measurement, recognition, and display of other postemployment benefits expenses and related liabilities or assets note disclosures, and if applicable, required supplementary information in the financial reports. The District is in the process of obtaining an actuarial opinion to be in compliance with GASB Statement Number 45 for the year ending June 30, 2010.

(12) **Categorical Funding**

The District's ending balances for categorical funding by project as of the year ended June 30, 2009 are as follows:

<u>Project</u>	<u>Amount</u>
Home school assistance program	\$ 13,915
Talented and gifted	7,432
Salary Improvement Program	703
Market Factor	4,135
Educational excellence program - Phase II	54
Statewide Voluntary Preschool Program	6,337
Professional Development for Model Core Curriculum	10,593
Professional Development	21,937
Market factor incentives	<u>2,730</u>
Total	<u><u>\$ 67,836</u></u>

REQUIRED SUPPLEMENTARY INFORMATION

BATTLE CREEK-IDA GROVE COMMUNITY SCHOOL DISTRICT
 BUDGETARY COMPARISON OF REVENUES, EXPENDITURES/EXPENSES AND
 CHANGES IN BALANCES -
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
 AND PROPRIETARY FUNDS
 REQUIRED SUPPLEMENTARY INFORMATION
 YEAR ENDED JUNE 30, 2009

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to Actual Variance
	Fund Types	Fund Type		Original	Final	
	Actual	Actual				
Revenues:						
Local sources	\$ 3,771,773	131,937	3,903,710	4,138,568	4,138,568	(234,858)
State sources	3,418,749	7,809	3,426,558	3,462,003	3,462,003	(35,445)
Federal sources	231,666	145,469	377,135	303,000	303,000	74,135
Total revenues	<u>7,422,188</u>	<u>285,215</u>	<u>7,707,403</u>	<u>7,903,571</u>	<u>7,903,571</u>	<u>(196,168)</u>
Expenditures/expenses:						
Instruction	4,605,449	16,283	4,621,732	5,176,251	5,176,251	554,519
Support services	2,016,550	998	2,017,548	2,408,252	2,408,252	390,704
Non-instructional programs	0	274,650	274,650	352,796	352,796	78,146
Other expenditures	670,516	0	670,516	1,099,980	1,099,980	429,464
Total expenditures/expenses	<u>7,292,515</u>	<u>291,931</u>	<u>7,584,446</u>	<u>9,037,279</u>	<u>9,037,279</u>	<u>1,452,833</u>
Excess(deficiency) of revenues over(under) expenditures/expenses	129,673	(6,716)	122,957	(1,133,708)	(1,133,708)	1,256,665
Other financing sources, net	1,832	0	1,832	0	0	1,832
Excess(deficiency) of revenues and other financing sources over(under) expenditures/expenses	131,505	(6,716)	124,789	(1,133,708)	(1,133,708)	1,258,497
Balance beginning of year	1,432,120	105,850	1,537,970	1,295,813	1,295,813	242,157
Balance end of year	<u>\$ 1,563,625</u>	<u>99,134</u>	<u>1,662,759</u>	<u>162,105</u>	<u>162,105</u>	<u>1,500,654</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

BATTLE CREEK-IDA GROVE COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2009

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 SUPPLEMENTARY INFORMATION

BATTLE CREEK-IDA GROVE COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2009

	Nonmajor Special Revenue Funds					Total
	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Total Special Revenue Funds	Capital Projects	Other Nonmajor Governmental Funds
ASSETS						
Cash and pooled investments	\$ 319,450	116,232	204,499	640,181	564,728	1,204,909
Receivables:						
Property tax:						
Current year delinquent	3,677	0	1,636	5,313	0	5,313
Succeeding year	125,001	0	144,781	269,782	0	269,782
Income surtax	0	0	58,338	58,338	0	58,338
Interfund	0	0	0	0	1,750	1,750
Accounts	0	2,439	0	2,439	0	2,439
Due from other governments	0	0	0	0	83,740	83,740
TOTAL ASSETS	\$ 448,128	118,671	409,254	976,053	650,218	1,626,271
LIABILITIES AND FUND BALANCES						
Liabilities:						
Interfund payable	\$ 0	12,108	0	12,108	0	12,108
Accounts payable	75	21,231	1,143	22,449	236,576	259,025
Deferred revenue:						
Succeeding year property tax	125,001	0	144,781	269,782	0	269,782
Income surtax	0	0	58,338	58,338	0	58,338
Total liabilities	125,076	33,339	204,262	362,677	236,576	599,253
Fund balances:						
Unreserved:						
Undesignated	323,052	85,332	204,992	613,376	413,642	1,027,018
Total fund balances	323,052	85,332	204,992	613,376	413,642	1,027,018
TOTAL LIABILITIES AND FUND BALANCES	\$ 448,128	118,671	409,254	976,053	650,218	1,626,271

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, 2009

	Nonmajor Special Revenue Funds					Total
	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Total Special Revenue Funds	Capital Projects	Other Nonmajor Governmental Funds
REVENUES:						
Local sources:						
Local tax	\$ 250,075	0	178,462	428,537	334,735	763,272
Other	15,064	201,524	287	216,875	21,861	238,736
State sources	216	0	97	313	48,676	48,989
TOTAL REVENUES	265,355	201,524	178,846	645,725	405,272	1,050,997
EXPENDITURES:						
Current:						
Instruction:						
Regular	30,074	0	0	30,074	0	30,074
Other	0	222,535	0	222,535	0	222,535
Support services:						
Instructional	0	0	64,751	64,751	68,874	133,625
Operation and maintenance of plant	98,741	0	0	98,741	1,650	100,391
Student transportation	11,328	0	14,000	25,328	40,661	65,989
Other expenditures:						
Facilities acquisitions	0	0	1,350	1,350	424,634	425,984
TOTAL EXPENDITURES	140,143	222,535	80,101	442,779	535,819	978,598
EXCESS (DEFICIENCIES) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES	125,212	(21,011)	98,745	202,946	(130,547)	72,399
FUND BALANCE BEGINNING OF YEAR	197,840	106,343	106,247	410,430	544,189	954,619
FUND BALANCE END OF YEAR	\$ 323,052	85,332	204,992	613,376	413,642	1,027,018

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, 2009

Account	Balance Beginning of Year	Revenues	Expendi- tures	Intra- Fund Transfers	Balance End of Year
Coed athletics	\$ 45,187	65,231	80,250	(6,847)	23,321
Cross country	159	1,871	1,816	0	214
Falcons boy's basketball	3,727	5,092	8,635	275	459
Falcon football	2,372	0	787	371	1,956
HS Falcon baseball	859	90	566	275	658
Falcons boys track	408	2,553	2,263	0	698
Falcon High School Bowling	-1,118	0	0	500	1,618
Falcon boys golf	50	0	0	0	50
Falcon wrestling	1,782	8,184	8,665	810	2,111
Falcon girls basketball	2,037	2,718	3,244	315	1,826
Falcon volleyball	115	2,900	2,541	0	474
Falcon girls softball	360	1,500	848	425	1,437
Falcon girls track	175	1,076	446	0	805
Falcon girls golf	211	0	21	1	191
Outdoor classroom	1,856	0	0	0	1,856
Concessions	1,568	25,167	28,345	1,898	288
Interest	5,837	1,337	0	(7,174)	0
Class of 2006	421	0	0	(421)	0
Class of 2007	305	0	0	(305)	0
Class of 2008	1,901	561	2,062	(400)	0
Class of 2009	689	916	2,273	668	0
Class of 2010	0	11,629	10,229	0	1,400
Class of 2011	215	0	220	5	0
Class of 2012	219	115	353	313	294
Class of 2013	68	147	0	0	215
Class of 2014	159	100	0	0	259
Class of 2015	108	102	40	0	170
Class of 2016	0	64	0	0	64
IGE fundraising	2,338	1,097	3,435	0	0
IG elementary book fair	1,178	3,250	3,275	25	1,178
ECC pop machine	797	987	1,784	0	0
MS sports	6,186	6,479	4,351	0	8,314
MS cheerleaders	18	0	18	0	0
Intermediate special pop	784	564	412	0	936
Intermediate carnival	1,241	1,173	573	0	1,841
MS art club	30	0	0	0	30
MS book fair club	1,121	1,062	1,562	199	820
MS student council	56	6,002	4,029	0	2,029
HS drama	3,264	2,739	3,089	1,320	4,234
HS vocal	509	25	626	375	283
HS band	3,897	9,904	14,514	3,445	2,732
HS Band equipment	1,204	0	0	0	1,204
Chearleaders	1,135	5,288	3,595	954	3,782
Drill team	2,288	15,109	13,053	979	5,323
Senior memories	782	1,979	2,157	(75)	529
Quiz bowl fund	556	0	255	600	901
HS vending	4	0	0	(4)	0
HS Art club	496	0	0	200	696
Future leaders of america	757	3,430	3,632	300	855
National Honor Society	1,759	5,564	5,037	410	2,696
Spanish club	2,078	0	0	0	2,078
HS book fair	585	0	0	(161)	424
HS student council	1,374	5,519	3,534	724	4,083
Total	\$ 106,343	201,524	222,535	0	85,332

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

BATTLE CREEK-IDA GROVE COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 CAPITAL PROJECTS FUNDS
 JUNE 30, 2009

	<u>Statewide Sales and Service Tax</u>		
	Woodbury County	Ida and Crawford Counties	Total Capital Projects Funds
ASSETS			
Cash and pooled investments	\$ 29,837	534,891	564,728
Receivables:			
Interfund	0	1,750	1,750
Due from other governments	1,439	82,301	83,740
TOTAL ASSETS	\$ 31,276	618,942	650,218
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 0	236,576	236,576
Fund balances:			
Unreserved	31,276	382,366	413,642
TOTAL LIABILITIES AND FUND BALANCES	\$ 31,276	618,942	650,218

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

BATTLE CREEK-IDA GROVE COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 CAPITAL PROJECTS FUNDS
 YEAR ENDED JUNE 30, 2009

	Statewide Sales and Service Tax		
	Woodbury County	Ida and Crawford Counties	Total Capital Projects Funds
REVENUES:			
Local sources:			
Local tax	\$ 9,284	335,451	344,735
Other	88	11,773	11,861
State sources	0	48,676	48,676
TOTAL REVENUES	<u>9,372</u>	<u>395,900</u>	<u>405,272</u>
EXPENDITURES:			
Current:			
Support services:			
Instructional staff	0	68,874	68,874
Operation and maintainance of plant	0	1,650	1,650
Transportation	0	40,661	40,661
Other expenditures:			
Facilities acquisitions	0	424,634	424,634
TOTAL EXPENDITURES	<u>0</u>	<u>535,819</u>	<u>535,819</u>
Net change in fund balances	9,372	(139,919)	(130,547)
Fund balance beginning of year	21,904	522,285	544,189
Fund balance end of year	<u>\$ 31,276</u>	<u>382,366</u>	<u>413,642</u>

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 SIX YEARS

	Modified Accrual Basis					
	Years Ended June 30,					
	2009	2008	2007	2006	2005	2004
Revenues:						
Local sources:						
Local tax	\$ 2,898,063	2,672,242	2,616,624	2,564,373	2,299,301	2,123,977
Tuition	393,603	383,799	380,045	300,685	323,148	316,081
Other	480,107	409,600	468,740	430,455	402,431	307,577
State sources	3,418,749	3,350,240	3,233,158	3,166,741	3,091,914	3,046,556
Federal sources	231,666	170,078	175,486	214,114	190,284	206,952
Total	\$ 7,422,188	6,985,959	6,874,053	6,676,368	6,307,078	6,001,143
Expenditures:						
Current:						
Instruction:						
Regular	\$ 2,885,135	2,834,221	2,791,135	2,685,879	2,554,133	2,516,048
Special	833,349	830,788	788,325	823,163	889,485	892,439
Other	886,965	723,737	715,866	706,376	493,172	467,234
Support services:						
Student	113,074	113,476	159,825	150,047	137,394	137,103
Instructional staff	359,992	330,225	313,868	293,904	263,161	214,155
Administration	603,513	637,155	649,696	646,404	628,141	619,820
Operation and maintenance of plant	620,908	690,685	683,858	674,114	607,453	547,542
Transportation	319,064	361,473	366,948	358,952	265,725	284,302
Other expenditures:						
Facilities acquisitions	425,984	266,409	315,829	172,932	207,088	29,538
AEA flow-through	244,531	239,274	233,619	227,081	226,110	231,726
Total	\$ 7,292,515	7,027,443	7,018,969	6,738,852	6,271,862	5,939,907

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, 2009, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated February 1, 2010. 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-09 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, 2009 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.

February 1, 2010

BATTLE CREEK-IDA GROVE COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2009

Part I: Findings Related to the Basic Financial Statements:

SIGNIFICANT DEFICIENCIES:

I-A-09 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.

CONTROL DEFICIENCIES:

I-B-09 Donations - We noted during our audit that donations from fund raisers were made from the Student Activity Fund into a private scholarship foundation. The Department of Education Uniform Financial Accounting Manual states that "the board may regulate fundraising activity during school and school sponsored events, and it may regulate the use of funds derived from those sources (OAG #83-9-1)."

"All funds from all student organizations and activities residing in the school district funds including the student activity fund are owned by the school district. The students are not owners of the funds, and the funds do not meet the legal requirement of description to be specific identifiable money (1967 Senior Class of Pekin vs Tharp, Supreme Court of Iowa, December 12, 1967). An excess of revenues over expenditures for any student activity remains under the control of the board and may not be distributed to any individual member of such activity. Residual interest in all student activity moneys belongs to the district. Upon dissolution of such activity, such as a graduating class, drama club, etc, the surplus must be used to support other student activities in the student activity fund."

"Student activity funds may not in any event be devoted or allocated to any private organization nor may they be added to the general fund. These funds shall be maintained in a student activity fund supervised by the board (O.A.G. #46-3-26)."

Recommendation - The District should establish Private-Purpose Trust Funds (81-84). These funds are used to account for trust arrangements under which the principal and income benefit individuals, private organizations, or other governments. After, the fundraiser the proceeds should be receipted into the proper Private Trust Funds and then those funds can be expended to the proper designated cause.

Response - Upon dissolution of activity accounts, the surplus will be used to support other student activities in the activity fund. The District will also establish a Private Purpose Trust Fund. The fundraisers proceeds that are earmark to local scholarships,

individual, or outside private organizations will be receipted into and expended from the Private Purpose Trust Fund.

Conclusion - Response accepted.

- I-C-09 Board Policies - We noted during our audit the District's board policy book appears to have not been kept up to date. All board policies should be reviewed every five years and documented when approved and reviewed

Recommendation - The District should review the board policy book and update all policies that have not been updated within the past five years. The Department of Education Administrative Rule 281--12.3(2) states "The Board shall develop and maintain a policy manual which provides a codification of its policies, including the adoption date, the review date, and any revision date for each policy. Policies shall be reviewed at least every five years to ensure relevance to current practices and compliance with the Iowa Code, administrative rules and decisions, and court decisions." The District should take steps to review board policies in a more timely manner.

Response - The board has the process of updating policies following a schedule that includes reviewing three series each year starting with 2009-10.

Conclusion - Response accepted.

- I-D-09 Payroll Procedures - We noted during our audit, that there were employees who were being paid for services rendered outside of the normal scope of their contract. These services were being paid out through accounts payable, instead of payroll.

Recommendation - It has been and continues to be the position of the Department of Education, as well as the Auditor of the State of Iowa, that payments to employees of a District, who provide additional services to the District, should be handled through the District's regular payroll process and reported as wages on the employee's W-2.

Response - Employees performing services outside their normal scope will be paid through payroll.

Conclusion - Response accepted.

BATTLE CREEK-IDA GROVE COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2009

Part II: Other Findings Related to Required Statutory Reporting:

II-A-09 Certified Budget - District expenditures for the year ended June 30, 2009 did not exceed the certified amounts in the functional areas.

II-B-09 Questionable Disbursements - We noted during our audit that the High School Student Council purchased Subway gift cards. Gifts cards do not appear to meet public purpose as defined in the Attorney General's opinion dated April 25, 1979.

Recommendation - The District should review the procedures in place, and make necessary adjustments to comply.

Response - The Student Council Advisor will be notified of the auditor's findings and will be instructed not to purchase Subway gift cards.

Conclusion - Response accepted.

II-C-09 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-09 Business Transactions - Business transactions between the District and District officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Jack Weber, Custodian Owner, Jack's Radiator Repair	Parts and repairs	\$694
Roger Walter, General Maintenance Director Owner, Walter Construction	Renovation projects	\$5,390
Eric Wells, Band Director	DJ Services Technology support	\$1,300 \$3,800

In accordance with the Attorney General's opinion dated July 2, 1990, the above transactions with Jack Weber and Roger Walter, and Eric Wells who are the owners of businesses do not appear to represent a conflict of interest.

II-E-09 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-09 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

II-G-09 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.

II-H-09 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-09 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.
- II-J-09 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.
- II-K-09 Statewide Sales and Service Tax - During our audit, there was no instances of non-compliance noted with the use of the statewide sales and services tax revenue provisions Chapter 423F.3 of the Code of Iowa.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales and services tax. For the year ended June 30, 2009, the District's financial activity and other required information for the statewide sales services tax are as follows:

Beginning Balance		\$	0
Statewide sales and services tax revenue			<u>344,735</u>
Expenditures/transfers out:			
School infrastructures:			
Buildings	\$	131,388	
Land improvements		93,726	
Equipment		<u>119,621</u>	<u>344,735</u>
Ending Balance		\$	<u><u>0</u></u>

- II-L-09 Student Activity Fund - During our audit issues arose about the properness of certain receipts/expenditures paid from the Student Activity Fund. Inappropriate expenditures would include any expenditure more appropriate to other funds. The student activity fund shall not be used as a clearing account for any other fund. This is not an appropriate fund to use for public tax funds, trust funds, state and federal grants or aids, textbook/library book fines, fees, rents, or sales, textbook/library book purchases, sales of school supplies, curricular activities, or any other revenues or expenditures more properly included in another fund. Moneys in this fund shall be used to support only the cocurricular program defined in Department of Education administrative rules (298A.8). Fundraisers and donations made to the school should be recorded in the fund in which they could be expended from.

Recommendation - The following are the questioned expenditures in the Student Activity Fund and our recommendations:

The Elementary, Intermediate, and High School book fairs which are used as fundraisers for library books are recorded in the Student Activity accounts. Chapter 301.4 of the Code of Iowa states that "All the books and other supplies purchased by the board to be loaned, rented, or sold at cost to students shall be paid for out of the general fund."

The Intermediate Special Pop Fund appears to be administrative and instructional in nature. This account should be transferred to the General Fund.

The District currently does not appear to reconcile sales receipts in the year book to the collected revenues. Better internal control would be achieved if the advertising sales were reconciled to the publication and to subsequent collections.

Response - All book fair proceeds will be transferred to the General Fund. In the future, the District will receipt those types of proceeds into and expend it from the General Fund.

In reference to the Middle School Special Pop Fund, the account no longer exists and the pop machine has been picked up due to the reconfiguration of the attendance centers.

The new yearbook advisor has been notified of the auditor's findings and account reconciliations for the 2009-10 year are already being completed.

Conclusion - Response accepted.