

BAXTER COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2009

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Baxter Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education (Before September 2008 Election)</b>		
Curt Hansen	President	2008
Joyce Christianson	Vice President	2010
Colette Kunkel	Board Member	2010
Randy Fuchs	Board Member	2009
Jon Northrup	Board Member	2009
<b>Board of Education (After September 2008 Election)</b>		
Curt Hansen	President	2011
Joyce Christianson	Vice President	2011 *
Colette Kunkel	Board Member	2011 *
Randy Fuchs	Board Member	2009
Jon Northrup	Board Member	2009
<b>School Officials</b>		
Neil K. Seales	Superintendent	2009
Julie McWhirter	District Secretary/Treasurer and Business Manager	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.

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

**Certified Public Accountants**

**(a professional corporation)**

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

**Telephone (641) 792-1910**

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the  
Baxter 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 the Baxter Community School District, Baxter, 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, the business type activities, each major fund, and the aggregate remaining fund information of the Baxter 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 Baxter 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 12 and 36 through 37 are not required parts of the basic financial statements, but are supplementary

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information required by the Governmental Accounting 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 Baxter Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2008 (which are not presented herein) and expressed an unqualified opinion on those financial statements. Another auditor previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the two years ended June 30, 2005 (which are not presented herein) and expressed an unqualified opinion on those financial statements. Other supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

  
NOLTE, CORNMAN & JOHNSON, P.C.

February 1, 2010

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

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Baxter 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 \$3,517,142 in fiscal 2008 to \$3,858,349 in fiscal 2009, while General Fund expenditures increased from \$3,485,324 in fiscal 2008 to \$3,630,095 in fiscal 2009. This resulted in an increase in the District's General Fund balance from \$517,918 in fiscal 2008 to a balance of \$746,172 in fiscal 2009.
- The increase in General Fund revenues was attributable to an increase in local tax revenues during fiscal 2009. The increase in expenditures was due primarily to increases in salaries and benefits for District employees during fiscal 2009.
- The District's solvency ratio (unreserved-undesignated fund balance/general fund revenues) at the year ended June 30, 2009, was approximately 18.42%. The State School Budget Review Committee recommends a solvency ratio of 5% - 10%.

### **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 Baxter 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 Baxter 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 Baxter 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.

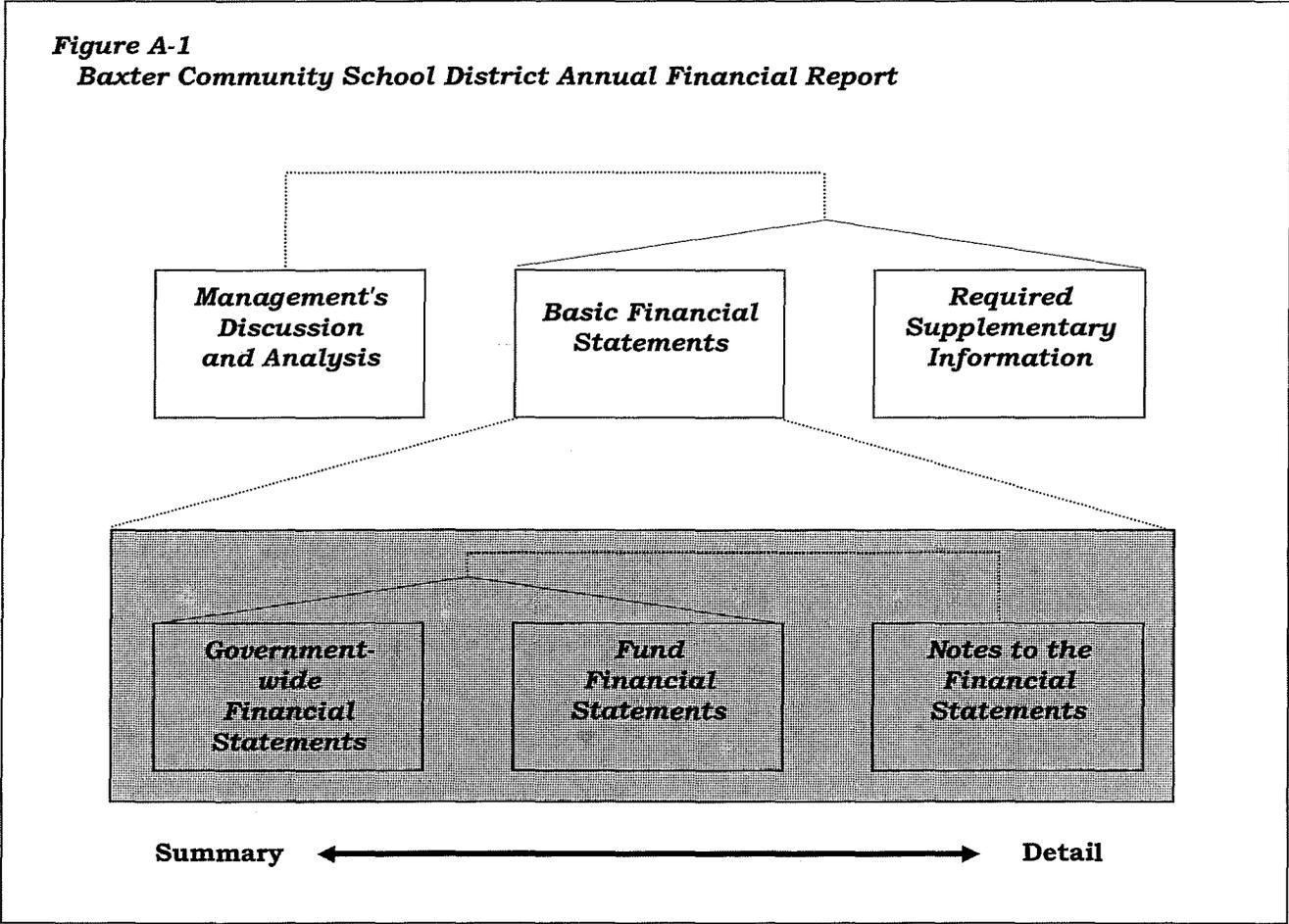


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

<b>Figure A-2 Major Features of the Government-Wide and Fund Financial Statements</b>				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary 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, e.g., food service	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of revenues, expenses and changes in net assets</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net assets</li> <li>• Statement of changes in fiduciary net assets</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	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	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
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	All additions and deductions 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.

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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 three kinds of funds:

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

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

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

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's enterprise funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has one enterprise fund, the School Nutrition Fund.

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

- 3) *Fiduciary funds:* The District is the trustee, or fiduciary, for assets that belong to others. These funds include the Private-Purpose Trust Fund.

- Private-Purpose Trust Fund - The District accounts for outside donations for scholarships for individual students in this fund.

The District is responsible for ensuring that the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

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	\$ 3,459,641	2,408,436	19,402	23,701	3,479,043	2,432,137	43.04%
Capital assets	6,616,691	6,690,887	33,590	37,682	6,650,281	6,728,569	-1.16%
Total assets	10,076,332	9,099,323	52,992	61,383	10,129,324	9,160,706	10.57%
Long-term obligations	3,283,000	3,650,450	0	0	3,283,000	3,650,450	-10.07%
Other liabilities	2,166,262	1,372,557	2,747	3,615	2,169,009	1,376,172	57.61%
Total liabilities	5,449,262	5,023,007	2,747	3,615	5,452,009	5,026,622	8.46%
Net assets:							
Invested in capital assets, net of related debt	3,396,691	3,176,901	33,590	37,682	3,430,281	3,214,583	6.71%
Restricted	360,589	378,336	0	0	360,589	378,336	-4.69%
Unrestricted	869,790	521,049	16,655	20,086	886,445	541,135	63.81%
Total net assets	\$ 4,627,070	4,076,286	50,245	57,768	4,677,315	4,134,054	13.14%

The District's combined net assets increased by 13.14%, or \$543,261, over the prior year. The largest portion of the District's net assets is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment 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 decreased by \$17,747, or 4.69% over the prior year.

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 by \$345,310, or 63.81%. This increase was due to the 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
	June 30,		June 30,		June 30,		June 30,
	2009	2008	2009	2008	2009	2008	2008-09
Revenues:							
Program revenues:							
Charges for services	\$ 560,812	493,933	98,897	92,354	659,709	586,287	12.52%
Operating grants and contributions and restricted interest	563,007	423,685	66,271	61,268	629,278	484,953	29.76%
General revenues:							
Local tax	1,279,673	1,128,767	0	0	1,279,673	1,128,767	13.37%
Income surtax	198,813	173,981	0	0	198,813	173,981	14.27%
Statewide sales tax	221,240	215,415	0	0	221,240	215,415	2.70%
Unrestricted state grants	1,692,933	1,726,336	0	0	1,692,933	1,726,336	-1.93%
Unrestricted investment earnings	22,634	21,734	167	193	22,801	21,927	3.99%
Other general revenues	121,482	108,100	51	0	121,533	108,100	12.43%
Transfers	0	1,259	0	0	0	1,259	-100.00%
Total revenues	4,660,594	4,293,210	165,386	153,815	4,825,980	4,447,025	8.52%
Program expenses:							
Governmental activities:							
Instruction	2,281,557	2,267,001	0	0	2,281,557	2,267,001	0.64%
Support services	1,315,295	1,312,151	1,244	1,233	1,316,539	1,313,384	0.24%
Non-instructional programs	0	0	171,665	155,450	171,665	155,450	10.43%
Other expenditures	512,958	512,846	0	0	512,958	512,846	0.02%
Total expenses	4,109,810	4,091,998	172,909	156,683	4,282,719	4,248,681	0.80%
Change in net assets	550,784	201,212	(7,523)	(2,868)	543,261	198,344	173.90%
Net assets beginning of year	4,076,286	3,875,074	57,768	60,636	4,134,054	3,935,710	5.04%
Net assets end of year	\$ 4,627,070	4,076,286	50,245	57,768	4,677,315	4,134,054	13.14%

In fiscal 2009, property tax, income surtax, statewide sales and services tax and unrestricted state grants account for 72.79% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 99.87% of the revenue from business type activities.

The District's total revenues were \$4,825,980 of which \$4,660,594 was for governmental activities and \$165,386 was for business type activities.

As shown in Figure A-4, the District as a whole experienced an 8.52% increase in revenues and a 0.80% increase in expenses. Local taxes increased \$150,906 to fund increases in expenditures. The increase in expenses related to increases in the negotiated salary and benefits.

**Governmental Activities**

Revenues, for governmental activities were \$4,660,594 and expenses were \$4,109,810.

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	\$ 2,281,557	2,267,001	0.64%	1,291,763	1,472,908	-12.30%
Support services	1,315,295	1,312,151	0.24%	1,315,295	1,311,775	0.27%
Other expenses	512,958	512,846	0.02%	378,933	389,697	-2.76%
Totals	\$ 4,109,810	4,091,998	0.44%	2,985,991	3,174,380	-5.93%

- The cost financed by users of the District’s programs was \$560,812.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$563,007.
- The net cost of governmental activities was financed with \$1,279,673 in property tax, \$198,813 in income surtax, \$221,240 in statewide sales and services tax, \$1,692,933 in unrestricted state grants, \$22,634 in unrestricted investment earnings and \$121,482 in other general revenues.

**Business type Activities**

Revenues of the District’s business type activities were \$165,386 and expenses were \$172,909. The District’s business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

**INDIVIDUAL FUND ANALYSIS**

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$1,121,817 above last year’s ending fund balances of \$888,587.

**Governmental Fund Highlights**

- The District’s increase in General Fund financial position from \$517,918 at June 30, 2008 to \$746,172 at June 30, 2009 is the product of many factors. Increases in local tax revenues during the year resulted in an increase in revenues. The increase in revenues was more than the increase in expenditures resulting in a net increase of \$228,254.
- The Capital Projects Fund balance decreased from \$345,539 in fiscal 2008 to a \$315,401 in fiscal 2009. This slight decrease was due to increased expenditures in facilities acquisitions and transfers for the year outpacing the slight increase in fund revenues as compared to fiscal 2008.

- The Debt Service Fund balance decreased from a deficit \$46,192 in fiscal 2008 to a deficit \$42,843 in fiscal 2009. This was due to the normally scheduled debt repayments transactions.

**Proprietary Fund Highlights**

The School Nutrition Fund net assets decreased from \$57,768 at June 30, 2008 to \$50,245 at June 30, 2009, representing a decrease of 13.02%.

**BUDGETARY HIGHLIGHTS**

The District’s revenues were \$157,914 less than budgeted revenues, a variance of 3.18%. The most significant variance resulted from the District receiving less in state source revenues 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. During the year ended June 30, 2009, expenditures in the other expenditures functional area exceeded the amount budgeted.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

At June 30, 2009, the District had invested \$6,650,281, 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-5) This amount represents a net decrease of 1.16% from last year. More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$195,512.

The original cost of the District’s capital assets was \$8,841,755. Governmental funds account for \$8,782,573 with the remaining of \$59,182 in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the land category. The District’s land totaled \$75,602 at June 30, 2008, compared to \$105,602 reported at June 30, 2009. This increase resulted from the purchase of land.

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	\$ 105,602	75,602	0	0	105,602	75,602	39.68%
Buildings	6,239,012	6,387,367	0	0	6,239,012	6,387,367	-2.32%
Land improvements	135,106	114,599	0	0	135,106	114,599	17.89%
Machinery and equipment	136,971	113,319	33,590	37,682	170,561	151,001	12.95%
Total	\$ 6,616,691	6,690,887	33,590	37,682	6,650,281	6,728,569	-1.16%

**Long-Term Debt**

At June 30, 2009, the District had \$3,283,000 in general obligation, revenue obligation and other long-term debt outstanding. This represents a decrease of 10.07% 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 General Obligation Bonds payable of \$2,615,000 at June 30, 2009.

The District had total outstanding Revenue Bonds payable of \$605,000 at June 30, 2009.

The District had total outstanding Early Retirement payable from the Special Revenue - Management Levy Fund of \$63,000 at June 30, 2009.

Figure A-7  
Outstanding Long-Term Obligations

	Total		Total
	School District		Change
	June 30,		June 30,
	2009	2008	2008-09
General Obligation Bonds	\$ 2,615,000	2,775,000	-5.77%
Revenue Bonds	605,000	715,000	-15.38%
Bus Lease	0	23,986	-100.00%
Early Retirement	63,000	101,636	-38.01%
Compensated Absences	0	34,858	-100.00%
	<u>\$ 3,283,000</u>	<u>3,650,480</u>	<u>-10.07%</u>

## 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:

- On July 1, 2007 IPERS implemented an employers' contribution increase over a 4-year period. The employers' portion of IPERS increased from 5.75% to 6.05% on July 1, 2008, and will increase to 6.35% on July 1, 2009, to 6.65% on July 1, 2010 and finally to 6.95% on July 1, 2011. This will increase Baxter Community Schools' employer benefit costs significantly over the next few years.
- Low allowable growth over several years is negatively impacting the District's spending authority. Contractual increases and program changes cannot be made without thorough consideration of our unspent authorized budget.

## CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Julie McWhirter, Board Secretary, Baxter Community School District, 202 East State Street, Baxter, Iowa, 50028.

BASIC FINANCIAL STATEMENTS

BAXTER COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
JUNE 30, 2009

	Governmental Activities	Business type Activities	Total
<b>ASSETS</b>			
Cash and pooled investments:			
ISCAP	\$ 671,237	0	671,237
Other	919,954	16,044	935,998
Receivables:			
Property tax:			
Delinquent	12,477	0	12,477
Succeeding year	1,399,151	0	1,399,151
Income surtax	162,665	0	162,665
Accounts	354	0	354
ISCAP accrued interest	3,900	0	3,900
Due from other governments	249,624	0	249,624
Inventories	0	3,358	3,358
Bond discounts and bond issue costs	40,279	0	40,279
Capital assets, net of accumulated depreciation	6,616,691	33,590	6,650,281
<b>TOTAL ASSETS</b>	<b>10,076,332</b>	<b>52,992</b>	<b>10,129,324</b>
<b>LIABILITIES</b>			
Accounts payable	39,722	0	39,722
Salaries and benefits payable	5,364	0	5,364
Interest payable	31,382	0	31,382
ISCAP payable	662,000	0	662,000
ISCAP unamortized premium	9,326	0	9,326
ISCAP accrued interest payable	5,516	0	5,516
Unearned revenue	0	2,747	2,747
Deferred revenue:			
Succeeding year property tax	1,399,151	0	1,399,151
Other	13,801	0	13,801
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	165,000	0	165,000
Revenue bonds payable	110,000	0	110,000
Early retirement payable	12,000	0	12,000
Portion due after one year:			
General obligation bonds payable	2,450,000	0	2,450,000
Revenue bonds payable	495,000	0	495,000
Early retirement payable	51,000	0	51,000
<b>TOTAL LIABILITIES</b>	<b>5,449,262</b>	<b>2,747</b>	<b>5,452,009</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	3,396,691	33,590	3,430,281
Restricted for:			
Debt service	67,157	0	67,157
Talented and gifted	35,334	0	35,334
Capital projects	205,401	0	205,401
Physical plant and equipment levy	1,183	0	1,183
Other special revenue purposes	51,514	0	51,514
Unrestricted	869,790	16,655	886,445
<b>TOTAL NET ASSETS</b>	<b>\$ 4,627,070</b>	<b>50,245</b>	<b>4,677,315</b>

SEE NOTES TO FINANCIAL STATEMENTS

BAXTER COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2009

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		Total
	Expenses	Charges for Services	Contributions and Restricted Interest	Govern- mental Activities	Business Type Activities	
<b>Functions/Programs:</b>						
Governmental activities:						
Instruction:						
Regular	\$ 1,510,260	344,871	366,107	(799,282)	0	(799,282)
Special	323,256	88,133	62,875	(172,248)	0	(172,248)
Other	448,041	127,808	0	(320,233)	0	(320,233)
	<u>2,281,557</u>	<u>560,812</u>	<u>428,982</u>	<u>(1,291,763)</u>	<u>0</u>	<u>(1,291,763)</u>
Support services:						
Student	100,845	0	0	(100,845)	0	(100,845)
Instructional staff	106,009	0	0	(106,009)	0	(106,009)
Administration	549,359	0	0	(549,359)	0	(549,359)
Operation and maintenance of plant	391,026	0	0	(391,026)	0	(391,026)
Transportation	168,056	0	0	(168,056)	0	(168,056)
	<u>1,315,295</u>	<u>0</u>	<u>0</u>	<u>(1,315,295)</u>	<u>0</u>	<u>(1,315,295)</u>
Other expenditures:						
Facilities acquisitions	67,965	0	0	(67,965)	0	(67,965)
Long-term debt interest	150,382	0	0	(150,382)	0	(150,382)
AEA flowthrough	134,025	0	134,025	0	0	0
Depreciation(unallocated)*	160,586	0	0	(160,586)	0	(160,586)
	<u>512,958</u>	<u>0</u>	<u>134,025</u>	<u>(378,933)</u>	<u>0</u>	<u>(378,933)</u>
Total governmental activities	4,109,810	560,812	563,007	(2,985,991)	0	(2,985,991)
Business Type activities:						
Support services:						
Administration	94	0	0	0	(94)	(94)
Operation and maintenance of plant	1,150	0	0	0	(1,150)	(1,150)
Non-instructional programs:						
Nutrition services	171,665	98,897	66,271	0	(6,497)	(6,497)
Total business type activities	<u>172,909</u>	<u>98,897</u>	<u>66,271</u>	<u>0</u>	<u>(7,741)</u>	<u>(7,741)</u>
Total	\$ 4,282,719	659,709	629,278	(2,985,991)	(7,741)	(2,993,732)
<b>General Revenues:</b>						
Property tax for:						
General purposes				\$ 976,651	0	976,651
Debt service				280,985	0	280,985
Capital outlay				22,037	0	22,037
Income surtax				198,813	0	198,813
Statewide sales and services tax				221,240	0	221,240
Unrestricted state grants				1,692,933	0	1,692,933
Unrestricted investment earnings				22,634	167	22,801
Other general revenues				121,482	51	121,533
Total general revenues				<u>3,536,775</u>	<u>218</u>	<u>3,536,993</u>
Changes in net assets				550,784	(7,523)	543,261
Net assets beginning of year				4,076,286	57,768	4,134,054
Net assets end of year				<u>\$ 4,627,070</u>	<u>50,245</u>	<u>4,677,315</u>

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

SEE NOTES TO FINANCIAL STATEMENTS

BAXTER COMMUNITY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2009

	General	Capital Projects	Debt Service	Nonmajor Special Revenue Funds	Total
<b>ASSETS</b>					
Cash and pooled investments:					
ISCAP	\$ 671,237	0	0	0	671,237
Other	585,166	276,302	0	104,092	965,560
Receivables:					
Property tax:					
Delinquent	8,225	0	2,763	1,489	12,477
Succeeding year	952,514	0	279,270	167,367	1,399,151
Income surtax	135,554	0	0	27,111	162,665
Accounts	354	0	0	0	354
ISCAP accrued interest	3,900	0	0	0	3,900
Due from other governments	198,951	50,673	0	0	249,624
<b>TOTAL ASSETS</b>	<b>\$ 2,555,901</b>	<b>326,975</b>	<b>282,033</b>	<b>300,059</b>	<b>3,464,968</b>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Excess of warrants issued over bank balance					
	\$ 0	0	45,606	0	45,606
Accounts payable	25,654	11,574	0	2,494	39,722
Salaries and benefits payable	5,364	0	0	0	5,364
ISCAP payable	662,000	0	0	0	662,000
ISCAP unamortized premium	9,326	0	0	0	9,326
ISCAP accrued interest payable	5,516	0	0	0	5,516
Deferred revenue:					
Succeeding year property tax	952,514	0	279,270	167,367	1,399,151
Income surtax	135,554	0	0	27,111	162,665
Other	13,801	0	0	0	13,801
<b>Total liabilities</b>	<b>1,809,729</b>	<b>11,574</b>	<b>324,876</b>	<b>196,972</b>	<b>2,343,151</b>
Fund balances:					
Reserved for:					
Debt service	0	110,000	(42,843)	0	67,157
Talented and gifted	35,334	0	0	0	35,334
Unreserved	710,838	205,401	0	103,087	1,019,326
<b>Total fund balances</b>	<b>746,172</b>	<b>315,401</b>	<b>(42,843)</b>	<b>103,087</b>	<b>1,121,817</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 2,555,901</b>	<b>326,975</b>	<b>282,033</b>	<b>300,059</b>	<b>3,464,968</b>

SEE NOTES TO FINANCIAL STATEMENTS

BAXTER COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF NET ASSETS  
 JUNE 30, 2009

<b>Total fund balances of governmental funds (page 15)</b>	\$	1,121,817
 <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 the governmental funds.		6,616,691
Accounts receivable income surtax, are not yet available to finance expenditures of the current period.		162,665
Bond issue costs and bond discounts are an expense when incurred in the governmental funds, but are capitalized and amortized over the life of the bonds for the government-wide financial statements.		40,279
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.		(31,382)
Long-term liabilities, including general obligation bonds, revenue bonds and early retirement payable are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		<u>(3,283,000)</u>
<b>Net assets of governmental activities (page 13)</b>	<b>\$</b>	<b><u>4,627,070</u></b>

SEE NOTES TO FINANCIAL STATEMENTS

BAXTER COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2009

	General	Capital Projects	Debt Service	Nonmajor Special Revenue Funds	Total
<b>REVENUES:</b>					
Local sources:					
Local tax	\$ 996,999	221,240	280,985	176,229	1,675,453
Tuition	433,004	0	0	0	433,004
Other	139,680	1,630	4,440	126,174	271,924
State sources	2,092,746	0	0	11	2,092,757
Federal sources	163,183	0	0	0	163,183
Total revenues	<u>3,825,612</u>	<u>222,870</u>	<u>285,425</u>	<u>302,414</u>	<u>4,636,321</u>
<b>EXPENDITURES:</b>					
Current:					
Instruction:					
Regular	1,500,697	0	0	45,819	1,546,516
Special	323,256	0	0	0	323,256
Other	330,260	0	0	116,798	447,058
	<u>2,154,213</u>	<u>0</u>	<u>0</u>	<u>162,617</u>	<u>2,316,830</u>
Support services:					
Student	100,320	0	0	0	100,320
Instructional staff	106,009	0	0	0	106,009
Administration	584,217	0	0	0	584,217
Operation and maintenance of plant	373,931	0	0	53,265	427,196
Transportation	177,380	0	0	340	177,720
	<u>1,341,857</u>	<u>0</u>	<u>0</u>	<u>53,605</u>	<u>1,395,462</u>
Other expenditures:					
Facilities acquisitions	0	79,917	0	30,798	110,715
Long-term debt:					
Principal	0	0	293,986	0	293,986
Interest and fiscal charges	0	1,694	150,379	0	152,073
AEA flowthrough	134,025	0	0	0	134,025
	<u>134,025</u>	<u>81,611</u>	<u>444,365</u>	<u>30,798</u>	<u>690,799</u>
Total expenditures	<u>3,630,095</u>	<u>81,611</u>	<u>444,365</u>	<u>247,020</u>	<u>4,403,091</u>
Excess(deficiency) of revenues over(under) expenditures	195,517	141,259	(158,940)	55,394	233,230
Other financing sources(uses):					
Transfer in	32,737	0	162,289	0	195,026
Transfer out	0	(171,397)	0	(23,629)	(195,026)
Total other financing sources(uses)	<u>32,737</u>	<u>(171,397)</u>	<u>162,289</u>	<u>(23,629)</u>	<u>0</u>
Net change in fund balances	228,254	(30,138)	3,349	31,765	233,230
Fund balance beginning of year	517,918	345,539	(46,192)	71,322	888,587
Fund balance end of year	<u>\$ 746,172</u>	<u>315,401</u>	<u>(42,843)</u>	<u>103,087</u>	<u>1,121,817</u>

SEE NOTES TO FINANCIAL STATEMENTS

BAXTER COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF ACTIVITIES  
 YEAR ENDED JUNE 30, 2009

Net change in fund balances - total governmental funds (page 17) \$ 233,230

*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. Depreciation expense capital outlay expenditures and loss on disposal of capital assets in the current year are as follows:

Expenditures for capital assets	\$ 129,683	
Depreciation expense	(191,450)	
Loss on disposal of capital assets	<u>(12,429)</u>	(74,196)

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. 293,986

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. 3,749

Income surtax accounts receivable is not available to finance expenditures of the current year period in the governmental funds. 24,273

Bond issue costs and bond discounts are reported as expenses in the fund financial statements, but are capitalized and amortized over the life of the bonds for the government-wide financial statements. (3,752)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore are not reported as expenditures in the governmental funds, as follows:

Early Retirement	38,636	
Compensated Absences	<u>34,858</u>	<u>73,494</u>

Changes in net assets of governmental activities (page 14) \$ 550,784

SEE NOTES TO FINANCIAL STATEMENTS

BAXTER COMMUNITY SCHOOL DISTRICT  
 STATEMENT OF NET ASSETS  
 PROPRIETARY FUND  
 JUNE 30, 2009

	<u>School Nutrition</u>
ASSETS	
Cash and pooled investments	\$ 16,044
Inventories	3,358
Capital assets, net of accumulated depreciation	<u>33,590</u>
TOTAL ASSETS	<u>52,992</u>
LIABILITIES	
Unearned revenue	<u>2,747</u>
NET ASSETS	
Invested in capital assets	33,590
Unrestricted	16,655
TOTAL NET ASSETS	<u>\$ 50,245</u>

SEE NOTES TO FINANCIAL STATEMENTS

BAXTER COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2009

	School Nutrition
OPERATING REVENUE:	
Local sources:	
Charges for services	\$ 98,897
Other local revenue	51
TOTAL OPERATING REVENUES	98,948
OPERATING EXPENSES:	
Support services:	
Instructional staff:	
Other	94
Operation and maintenance of plant:	
Services	1,150
Non-instructional programs:	
Food service operations:	
Salaries	47,565
Benefits	16,595
Supplies	103,413
Depreciation	4,092
Total non-instructional programs	171,665
TOTAL OPERATING EXPENSES	172,909
OPERATING LOSS	(73,961)
NON-OPERATING REVENUES:	
State sources	2,343
Federal sources	63,928
Interest income	167
TOTAL NON-OPERATING REVENUES	66,438
Change in net assets	(7,523)
Net assets beginning of year	57,768
Net assets end of year	\$ 50,245

SEE NOTES TO FINANCIAL STATEMENTS

BAXTER COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2009

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 98,029
Cash received from miscellaneous sources	51
Cash payments to employees for services	(64,160)
Cash payments to suppliers for goods or services	(99,670)
Net cash used in operating activities	(65,750)
Cash flows from non-capital financing activities:	
State grants received	2,343
Federal grants received	57,007
Net cash provided by non-capital financing activities	59,350
Cash flows from investing activities:	
Interest on investments	167
Net decrease in cash and cash equivalents	(6,233)
Cash and cash equivalents at beginning of year	22,277
Cash and cash equivalents at end of year	\$ 16,044
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (73,961)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	6,921
Depreciation	4,092
Increase in inventories	(1,934)
Decrease in unearned revenue	(868)
Net cash used in operating activities	\$ (65,750)
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:	
Current assets:	
Cash and pooled investments	\$ 16,044

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2009, the District received Federal commodities valued at \$6,921.

SEE NOTES TO FINANCIAL STATEMENTS

BAXTER COMMUNITY SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUND  
JUNE 30, 2009

	<u>Private Purpose Trust</u>
	<u>Scholarship</u>
ASSETS	
Cash and pooled investments	\$          29,497
LIABILITIES	<u>0</u>
NET ASSETS	
Reserved for scholarships	<u>\$          29,497</u>

SEE NOTES TO FINANCIAL STATEMENTS

BAXTER COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUND  
YEAR ENDED JUNE 30, 2009

	<u>Private Purpose</u> <u>Trust</u> <u>Scholarship</u>
Total additions	<u>0</u>
Deductions:	
Instruction:	
Regular:	
Scholarships awarded	<u>695</u>
Change in net assets	(695)
Net assets beginning of year	<u>30,192</u>
Net assets end of year	<u>\$ 29,497</u>

SEE NOTES TO FINANCIAL STATEMENTS

BAXTER COMMUNITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009

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

The Baxter 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 City of Baxter, Iowa, and the predominate agricultural territory in Jasper and Marshall 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, Baxter 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 Baxter 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 Jasper and Marshall Counties Assessors' Conference Board.

B. Basis of Presentation

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

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

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

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

*Unrestricted net asset* consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

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

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

The District reports the following major governmental funds:

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

The Capital Projects Fund is utilized to account for all resources used in the acquisition and construction of capital facilities, with the exception of those that are financed through enterprise funds.

The Debt Service Fund is utilized to account for the payment of interest and principal on the District's long-term debt.

The District reports the following major proprietary fund:

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

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary fund includes the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements which require income earned to be used to benefit individuals through scholarship awards.

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board

Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

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

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

#### D. Assets, Liabilities and Fund 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, 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 repair 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	\$ 0
Buildings	5,000
Land improvements	5,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	5,000

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

Asset Class	Estimated Useful Lives (In Years)
Buildings	25-50 years
Land improvements	20-30 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 Revenue - 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.

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2009. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

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

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

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

#### E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2009, expenditures in the other expenditures functional area exceeded the amount budgeted.

#### (2) **Cash and Pooled Investments**

The District's deposits in banks at June 30, 2009 were entirely covered by Federal depository insurance or by the State Sinking Funds 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 is as follows:

	Amortized Value
Diversified Portfolio	\$ 13,802

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 both rated Aaa by Moody's Investors Service.

**(3) Transfers**

The detail of transfers for the year ended June 30, 2009 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Special Revenue: Physical Plant and Equipment Levy	\$ 23,629
Debt Service	Capital Projects	138,660
General Fund	Capital Projects	<u>32,737</u>
Total		<u>\$ 195,026</u>

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

The Special Revenue: Physical Plant and Equipment Levy Fund transferred monies to the Debt Service Fund to pay off the bus lease.

The Capital Projects Fund transferred monies to the Debt Service Fund for principal and interest payments on the revenue bonds.

The Capital Projects Fund transferred monies to the General Fund for the purchase of concrete.

**(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. NA 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	\$ 418,295	3,869	413,000	5,431
2009-10A	6/25/09	6/23/10	252,942	31	249,000	85
Total			\$ 671,237	3,900	662,000	5,516

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 25<sup>th</sup> 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 advance activity in the General Fund 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
Business type activities:				
Machinery and equipment	\$ 59,927	0	745	59,182
Less accumulated depreciation	22,245	4,092	745	25,592
Business type activities capital assets, net	\$ 37,682	(4,092)	0	33,590

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 75,602	30,000	0	105,602
Total capital assets not being depreciated	75,602	30,000	0	105,602
Capital assets being depreciated:				
Buildings	7,680,109	0	0	7,680,109
Land improvements	352,711	32,738	0	385,449
Machinery and equipment	624,246	66,945	79,778	611,413
Total capital assets being depreciated	8,657,066	99,683	79,778	8,676,971
Less accumulated depreciation for:				
Buildings	1,292,742	148,355	0	1,441,097
Land improvements	238,112	12,231	0	250,343
Machinery and equipment	510,927	30,864	67,349	474,442
Total accumulated depreciation	2,041,781	191,450	67,349	2,165,882
Total capital assets being depreciated, net	6,615,285	(91,767)	12,429	6,511,089
Governmental activities capital assets, net	\$ 6,690,887	(61,767)	12,429	6,616,691

Depreciation expense was charged by the District as follows:

Governmental activities:		
Instruction:		
Regular		\$ 2,380
Other		983
Support services:		
Student		525
Operation and maintenance of plant		4,899
Transportation		22,077
		<u>30,864</u>
Unallocated depreciation		<u>160,586</u>
Total governmental activities depreciation expense		<u>\$ 191,450</u>
Business type activities:		
Food services		<u>\$ 4,092</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
General Obligation Bonds	\$ 2,775,000	0	160,000	2,615,000	165,000
Revenue Bonds	715,000	0	110,000	605,000	110,000
Bus Lease	23,986	0	23,986	0	0
Early Retirement	101,636	0	38,636	63,000	12,000
Compensated Absences	34,858	0	34,858	0	0
	<u>\$ 3,650,480</u>	<u>0</u>	<u>367,480</u>	<u>3,283,000</u>	<u>287,000</u>

General Obligation Bonds Payable

Details of the District's June 30, 2009 general obligation bonded debt is as follows:

Year Ending June 30,	Bond issue of July 1, 2001			Bond issue of May 1, 2003		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2010	4.25 % \$	0	75,095	3.20 % \$	165,000	27,395
2011	4.25	0	75,095	3.40	170,000	22,115
2012	4.25	0	75,095	3.60	180,000	16,335
2013	4.25	0	75,095	3.80	185,000	10,035
2014	4.25	65,000	75,095	4.30	90,000	3,375
2015-2019	4.40-4.80	685,000	302,878	-	0	0
2020-2024	4.90-5.05	815,000	123,577	-	0	0
Total		<u>\$ 1,565,000</u>	<u>801,930</u>		<u>\$ 790,000</u>	<u>79,255</u>

Year Ending June 30,	Bond issue of June 1, 2006			Total		
	Interest Rates	Principal	Interest	Principal	Interest	Total
2010	4.50 % \$	0	11,700	\$ 165,000	114,190	279,190
2011	4.50	0	11,700	170,000	108,910	278,910
2012	4.50	0	11,700	180,000	103,130	283,130
2013	4.50	0	11,700	185,000	96,830	281,830
2014	4.50	35,000	11,700	190,000	90,170	280,170
2015-2019	4.50	225,000	20,702	910,000	323,580	1,233,580
2020-2024	-	0	0	815,000	123,577	938,577
Total		<u>\$ 260,000</u>	<u>79,202</u>	<u>\$ 2,615,000</u>	<u>960,387</u>	<u>3,575,387</u>

Revenue Bonds Payable

Details of the District's June 30, 2009 statewide sales and services tax revenue bonded indebtedness is as follows:

Year Ending June 30,	Bond issue of July 1, 2004			
	Interest Rates	Principal	Interest	Total
2010	3.75 % \$	110,000	24,700	134,700
2011	4.00	115,000	20,575	135,575
2012	4.10	120,000	15,975	135,975
2013	4.20	125,000	11,055	136,055
2014	4.30	135,000	5,805	140,805
Total		<u>\$ 605,000</u>	<u>78,110</u>	<u>683,110</u>

The District has pledged future statewide sales and services tax revenues to repay the \$1,100,000 in bonds issued July 1, 2004. The bonds were issued for the purpose of defraying a portion of the cost of building improvements at the school. The bonds are payable solely from the proceeds of the statewide sales and services tax revenues received by the District and are payable through 2014. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional limitation of the District. Annual principal and interest payments on the bonds are expected to require approximately 60

percent of the statewide sales and service tax revenues. The total principal and interest remaining to be paid on the notes is \$683,110. For the current year \$138,660 in principal and interest was paid on the bonds and total statewide sales and services tax revenues were \$221,240.

The resolution providing for the issuance of the local option sales and services tax revenue bonds includes the following provisions:

- a) \$110,000 of the proceeds from the issuance of the revenue bonds shall be deposited to the Reserve Account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the Sinking Account. The balance of the proceeds shall be deposited to the Project Account.
- b) All proceeds from the local option sales and services tax shall be placed in a Revenue Account.
- c) Monies in the Revenue Account shall be disbursed to make deposits into a Sinking Account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- d) Any monies remaining in the Revenue Account after the required transfer to the Sinking Account may be transferred to the Project Account to be used for any lawful purpose.

#### Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five and employees must have completed fifteen years of continuous service to the District. Employees must complete an application which is required to be approved by the Board of Education. Early retirement incentives include a cash payment based on a percentage of current salary and the payment by the District of up to \$200 per month for health insurance premiums. At June 30, 2009, the District had obligations to seven participants with a total liability of \$63,000. Early retirement benefits paid during the year ended June 30, 2009 totaled \$38,636. A liability has been recorded in the government-wide financial statements 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 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 \$150,382, \$134,858, and \$120,295, respectively, equal to the required contributions for each year.

**(8) Risk Management**

The District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**(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 \$134,025 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) Deficit Fund Balances**

At June 30, 2009, there was a deficit fund balance in the Debt Service Fund of \$42,843.

**(11) Overexpenditures**

During the year ended June 30, 2009, expenditures in the other expenditures functional area exceeded the amount budgeted.

**(12) 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.

REQUIRED SUPPLEMENTARY INFORMATION

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

	Governmental	Proprietary	Total	Budgeted Amounts		Final to Actual Variance
	Fund Types	Fund Type		Original	Final	
	Actual	Actual				
Revenues:						
Local sources	\$ 2,380,381	99,115	2,479,496	2,434,393	2,434,393	45,103
Intermediate sources	0	0	0	5,800	5,800	(5,800)
State sources	2,092,757	2,343	2,095,100	2,284,428	2,284,428	(189,328)
Federal sources	163,183	63,928	227,111	235,000	235,000	(7,889)
Total revenues	<u>4,636,321</u>	<u>165,386</u>	<u>4,801,707</u>	<u>4,959,621</u>	<u>4,959,621</u>	<u>(157,914)</u>
Expenditures/expenses:						
Instruction	2,316,830	0	2,316,830	2,665,000	2,665,000	348,170
Support services	1,395,462	1,244	1,396,706	2,415,000	2,415,000	1,018,294
Non-instructional programs	0	171,665	171,665	243,000	243,000	71,335
Other expenditures	690,799	0	690,799	555,351	555,351	(135,448)
Total expenditures/expenses	<u>4,403,091</u>	<u>172,909</u>	<u>4,576,000</u>	<u>5,878,351</u>	<u>5,878,351</u>	<u>1,302,351</u>
Excess(deficiency) of revenues over(under) expenditures/expenses	233,230	(7,523)	225,707	(918,730)	(918,730)	1,144,437
Other financing sources, net	0	0	0	4,000	4,000	(4,000)
Excess(deficiency) of revenues and other financing sources over(under) expenditures/expenses	233,230	(7,523)	225,707	(914,730)	(914,730)	1,140,437
Balances beginning of year	888,587	57,768	946,355	924,268	924,268	22,087
Balances end of year	<u>\$ 1,121,817</u>	<u>50,245</u>	<u>1,172,062</u>	<u>9,538</u>	<u>9,538</u>	<u>1,162,524</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

BAXTER 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 a GAAP basis.

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

During the year ended June 30, 2009, expenditures in the other expenditures functional area exceeded the amount budgeted.

OTHER SUPPLEMENTARY INFORMATION

BAXTER COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR SPECIAL REVENUE FUNDS  
 JUNE 30, 2009

	Nonmajor Special Revenue Funds			
	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Total Special Revenue Funds
<b>ASSETS</b>				
Cash and pooled investments	\$ 50,549	52,640	903	104,092
Receivables:				
Property tax:				
Delinquent	1,209	0	280	1,489
Succeeding year property tax	145,000	0	22,367	167,367
Income surtax	0	0	27,111	27,111
<b>TOTAL ASSETS</b>	<b>\$ 196,758</b>	<b>52,640</b>	<b>50,661</b>	<b>300,059</b>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 1,368	1,126	0	2,494
Deferred revenue:				
Succeeding year property tax	145,000	0	22,367	167,367
Income surtax	0	0	27,111	27,111
Total liabilities	146,368	1,126	49,478	196,972
Unreserved fund balances	50,390	51,514	1,183	103,087
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 196,758</b>	<b>52,640</b>	<b>50,661</b>	<b>300,059</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

BAXTER COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 NONMAJOR SPECIAL REVENUE FUNDS  
 YEAR ENDED JUNE 30, 2009

	Nonmajor Special Revenue Funds			
	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Total Special Revenue Funds
REVENUES:				
Local sources:				
Local tax	\$ 125,218	0	51,011	176,229
Other	10,771	115,403	0	126,174
State sources	0	0	11	11
TOTAL REVENUES	135,989	115,403	51,022	302,414
EXPENDITURES:				
Current:				
Instruction:				
Regular	45,819	0	0	45,819
Other	0	116,798	0	116,798
Support services:				
Operation and maintenance of plant	53,265	0	0	53,265
Transportation	340	0	0	340
Other expenditures:				
Facilities acquisition	0	0	30,798	30,798
TOTAL EXPENDITURES	99,424	116,798	30,798	247,020
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	36,565	(1,395)	20,224	55,394
OTHER FINANCING USES:				
Transfer out	0	0	(23,629)	(23,629)
Net change in fund balances	36,565	(1,395)	(3,405)	31,765
Fund balances beginning of year	13,825	52,909	4,588	71,322
Fund balances end of year	\$ 50,390	51,514	1,183	103,087

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

BAXTER 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 Transfer	Balance End of Year
Drama	\$ 462	0	0	0	462
Vocal music	8,868	9,698	12,980	0	5,586
Instrumental music	11,461	7,951	8,981		10,431
Athletics	2,172	9,015	6,875	(627)	3,685
CMB shared athletics	0	10,340	20,905	10,565	0
CMB boys basketball	0	1,116	0	(1,116)	0
CMB football	0	8,974	11,041	2,067	0
CMB baseball	0	3,629	3,816	187	0
CMB boys track	0	3,180	1,240	(1,940)	0
CMB wrestling	0	212	0	(212)	0
CMB girls basketball	0	3,021	1,140	(1,881)	0
CMB volleyball	0	2,147	0	(2,147)	0
CMB softball	0	256	40	(216)	0
CMB girls track	0	1,899	410	(1,489)	0
Cross country	0	106	230	124	0
CMB soccer	0	1,037	0	(1,037)	0
Swalwell athletic donation	7,164	2,433	0	0	9,597
Playground	0	0	185	0	(185)
Cheerleading	2,278	0	0	(2,278)	0
Drill team	408	400	373	0	435
Student council	2,217	3,466	5,374	0	309
Class of 2008	915	1	0	0	916
Class of 2009	265	4,984	4,908	0	341
Class of 2010	0	7,451	6,218	0	1,233
Science club	280	0	242	0	38
Spanish club	0	1,862	1,468	0	394
Historian society	1	0	1	0	0
Honor society	152	0	0	0	152
SAAD	225	0	0	0	225
Weight club	30	0	0	0	30
Sixth grade	36	0	0	0	36
Fourth grade	187	1,785	1,822	0	150
Art club	181	0	33	0	148
Luther football	3,152	16,744	18,152	0	1,744
McKenna basketball	0	760	658	0	102
Padgett	0	580	127	0	453
Interest	360	186	0	(335)	211
Investments	0	115	0	335	450
Yearbook	11,769	11,855	9,569	0	14,055
FFA	0	200	0	0	200
Special activities	326	0	0	0	326
Library	0	0	10	0	(10)
<b>Total</b>	<b>\$ 52,909</b>	<b>115,403</b>	<b>116,798</b>	<b>0</b>	<b>51,514</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

BAXTER 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	\$ 1,675,453	1,507,373	1,538,509	1,407,863	1,254,508	1,264,146
Tuition	433,004	369,585	342,593	333,183	301,927	322,783
Other	271,924	251,382	611,037	303,030	1,005,798	141,647
Intermediate sources	0	1,385	5,267	0	0	0
State sources	2,092,757	2,055,222	1,778,228	1,695,082	1,495,322	1,414,577
Federal sources	163,183	92,714	258,869	510,090	103,111	99,220
<b>Total</b>	<b>\$ 4,636,321</b>	<b>4,277,661</b>	<b>4,534,503</b>	<b>4,249,248</b>	<b>4,160,666</b>	<b>3,242,373</b>
Expenditures:						
Current:						
Instruction:						
Regular	\$ 1,546,516	1,559,368	1,374,303	1,305,718	1,301,060	1,218,443
Special	323,256	326,864	312,220	203,249	184,931	224,890
Other	447,058	394,144	425,547	342,909	359,441	302,734
Support services:						
Student	100,320	99,192	131,502	83,375	78,838	74,863
Instructional staff	106,009	113,186	115,979	122,060	112,324	102,358
Administration	584,217	560,410	550,534	555,113	473,409	442,879
Operation and maintenance of plant	427,196	386,243	436,435	348,217	289,695	271,323
Transportation	177,720	145,105	226,416	155,952	145,956	137,455
Non-instructional programs	0	0	0	0	281	227
Other expenditures:						
Facilities acquisitions	110,715	126,758	149,120	3,567,484	902,055	18,494
Long-term debt:						
Principal	293,986	276,472	283,448	265,788	209,710	118,687
Interest and fiscal charges	152,073	161,774	166,341	160,663	170,417	94,936
AEA flow-through	134,025	123,149	111,514	103,006	92,979	91,946
<b>Total</b>	<b>\$ 4,403,091</b>	<b>4,272,665</b>	<b>4,283,359</b>	<b>7,213,534</b>	<b>4,321,096</b>	<b>3,099,235</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

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

**Certified Public Accountants**

(a professional corporation)

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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  
Baxter 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 Baxter 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 Baxter 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 Baxter Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Baxter 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 Baxter 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 Baxter Community School District's financial statements that is more than inconsequential will not be prevented or detected by Baxter 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 Baxter 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 Baxter 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.

Baxter 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 Baxter 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 Baxter Community School District and other parties to whom Baxter 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 Baxter 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

BAXTER COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2009

Part I: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

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. One individual has control over data processing in general, receipt posting, investing, disbursement journalizing, payroll preparation and bank reconciling.

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 are reviewing our procedures and will consider any changes that are feasible to make every effort to the recommendation.

Conclusion - Response accepted.

CONTROL DEFICIENCIES:

I-B-09 Purchase Orders - We noted during our audit that the District currently uses purchase orders in the purchasing process, however Activity Fund purchase orders were unnumbered and completed after the product had been ordered.

Recommendation -The advantage of using a purchase order system is that approvals of the items being purchased are noted prior to ordering of the items. In addition, when the items are approved and the purchase order is properly generated, it also reflects on the financial records as an outstanding order, which represents the amount as an obligation against the budget. When monitoring actual expenses, it can be helpful to know the outstanding orders which will be subsequently paid, therefore allowing the person who approves purchase orders the insight to know if there is still available funding to make the purchase.

Although districts are not required to use a purchase order system, the benefits to financial management make the system desirable. The District's current purchase order system should be reviewed and necessary changes made so that all disbursements are approved by the appropriate administrator before ordering of supplies takes place.

Response - The District is updating our current procedures and will make every effort to ensure all purchase orders are completed prior to purchase.

Conclusion - Response accepted.

I-C-09 Non-certified Time Sheets - We noted during our audit that the District is not keeping track of hours worked for coaches who are non-certified staff.

Recommendation - In order to comply with the Department of Labor requirements on wage per hour contracts, the District needs to keep track of the hours worked for non-certified staff coaches. The District should also review its payroll procedures to ensure that supporting documentation is kept for all employees who receive checks.

Response - The District is exploring different procedures to make every effort to comply.

Conclusion - Response accepted.

I-D-09 Gate Admissions - It was noted that the District does not use pre-numbered tickets for all events that requires an admission.

Recommendation - The District should have internal control procedures established for handling cash for all activity events, including athletic events and communicate the policies and procedures to the individuals involved. The Board would of course, approve any policies that the District's business office should be involved in developing the detailed procedures. At a minimum the procedures should be:

- a. Cash or change boxes should be established with a specified amount.
- b. The District should use pre-numbered tickets.
- c. Two or more individuals should be involved in the cash collection/ticket sales process. In addition to cash collection/ticket sales procedures, the individuals should be instructed to not leave the cash/change boxes unattended under any circumstances.
- d. At the end of the event, cash should be counted and reconciled (by two or more individuals) to sales/pre-numbered tickets sold including the amount of the beginning cash.
- e. To reconcile, the next unsold ticket number less the beginning ticket number determines the number of tickets sold. This number times the price per ticket equals total sales. Total sales compared to total collected should reconcile. Variances, if any should be minimal.
- f. A reconciliation form should be completed and signed off by the individuals responsible for counting and reconciling the cash.
- g. The cash and change box should be turned into the Athletic Director (AD) or designee responsible for the "accounting" function at the event.
- h. The AD or designee should be required to take the cash collections to the night depository at the bank or at a minimum, lock the cash collections in the District's vault or other secure location at the District's office for deposit on the next working day. District procedures should prohibit individuals from taking cash collections home.
- i. A pre-numbered receipt should be issued by the Business Office the next working day in the amount of the confirmed deposit.
- j. Administrative personnel should periodically review/test the process to ensure procedures are working as prescribed.

Response - Currently, we do not use pre-numbered tickets. We are exploring procedures to ensure correct ticket dispersement should we use the pre-numbered tickets.

Conclusion - Response accepted.

I-E-09 Receipting/Depositing Process - We noted during our audit of the receipting process, that the deposits made were extremely difficult to reconcile back to the receipts. Also, we noted that the deposit slips did not contain a detail listing of the check and cash included in the deposit.

Recommendation - The District should require individuals who are preparing the deposit slips to complete the listing of checks and insert the amount of currency included in the deposit. The District may also consider identifying which receipts are included in that specific deposit, noting in an area of the deposit slip the receipt numbers included in that deposit. The identification of the receipts to the deposit slip, aids in identifying reconciling items when reconciling bank statements each month, as well as serving as a control to help ensure all receipts are deposited.

Response - We will make every effort to detail the deposits and include receipt numbers on the deposit slip.

Conclusion - Response accepted.

BAXTER 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 exceeded the amount budgeted in the other expenditures function.

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

Response - Due to a new Business Manager, the District will make a concerted effort to comply and monitor our budget and expenditures more closely.

Conclusion - Response accepted.

II-B-09 Questionable Disbursements - We noted disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.

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 - No business transactions between the District and District officials were noted.

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>221,240</u>
Expenditures/transfers out:			
School infrastructures:			
Land	\$	30,000	
Equipment		43,513	
Other improvements		9,067	
Debt service for school infrastructure:			
General obligations debt		<u>138,660</u>	<u>221,240</u>
Ending Balance		\$	<u><u>0</u></u>

II-L-09 PPEL/Statewide Sales and Services Tax Expenditures - According to Chapter 298.3 of the Code of Iowa, PPEL monies may be used for a purchase of a single unit of equipment exceeding \$500 per unit. According to the District's revenue purpose statement statewide sales and service tax money can be spent for PPEL type expenditures, thus falling within the same \$500 per unit of equipment restriction. In the current year, we noted furniture purchases totaling \$2,392.08. These expenditures, which are less than \$500 per single unit, are inappropriate from the Capital Projects Fund and PPEL Fund.

Recommendation - The District should make a corrective transfer from the General Fund to the Capital Projects Fund for \$438.00 and from the General Fund to the PPEL Fund for \$1,954.08 for the unallowable cost of equipment.

Response - Corrective transfers have been made.

Conclusion - Response accepted.

II-M-09 Financial Condition - The District had a deficit fund balance of \$42,843 in the Debt Service Fund.

Recommendation - The District should monitor these funds and investigate alternatives to eliminate the deficits.

Response - The District will investigate alternatives to eliminate the deficit balances.

Conclusion - Response accepted.

II-N-09 Signing of All Contracts - We noted during our audit that the Board President was not signing all contracts according to Chapter 291.1 of the Code of Iowa.

Recommendation - The District shall have the Board President sign any and all contracts the District enters into, to comply with Chapter 291.1 of the Code of Iowa.

Response - We will have the Board President sign all contracts as recommended.

Conclusion - Response accepted.

II-O-09 Student Activity Fund - During our audit issues arose about the properness of certain accounts or certain receipts and expenditures collected/paid from the Student Activity Fund. Inappropriate expenditures would include any expenditure more appropriate to

II-O-09 Student Activity Fund - During our audit issues arose about the properness of certain accounts or certain receipts and expenditures collected/paid from the Student Activity Fund. Inappropriate expenditures would include any expenditure more appropriate to other funds. Per Chapter 9 of the LEA Financial Accounting Manual, "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.

Recommendation - The purpose of the Student Activity Fund is to account for financial transactions related to the cocurricular and extracurricular activities offered as a part of the education program for the students established under Iowa Administrative Code 281-12.6(1). More specific examples of these instances of questioned items and recommendations are as follows:

During our audit, we noted that the District was charging students for extracircular or cocircular field trips. If the entire class attends the field trip or the remaining students are required to be in school in the time frame of the trip, the trip would appear to be instructional in nature. The Department of Education has declared that a District may not assess a fee to any student for participating in field trip, if the field trip is during the day and is counted as a day of instruction. The District should explore and develop policies and procedures for planning field trips in accordance with Department of Education Declaratory Ruling. The District could utilize fundraisers to subsidize such field trips in the future and those funds should be accounted for in the General Fund.

We noted during our audit, that the District is not receipting rent received from District and Regional events into the General Fund. The District receives money for use of facilities when hosting district and regional events. Currently the District's practice is to receipt rents for hosting district and regional events into the Activity Fund. Chapter 297.9 of the code of Iowa requires rent to be receipted into the General Fund. In the future, the District should receipt rent collected for facility usage into the General Fund.

Response - The District no longer charge for field trips as recommended. The District is receipting district/regional events proceeds will be posted into the General Fund to comply.

Conclusion - Response accepted.