

BATTLE CREEK-IDA GROVE COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2010

Contents

	<u>Page</u>	
Officials	3	
Independent Auditor's Report	5-6	
Management's Discussion and Analysis (MD&A)	7-16	
Basic Financial Statements:		<u>Exhibit</u>
Government-wide Financial Statements:		
Statement of Net Assets	18	A
Statement of Activities	19	B
Governmental Fund Financial Statements:		
Balance Sheet	20	C
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets	21	D
Statement of Revenues, Expenditures and Changes in Fund Balances	22	E
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	23	F
Proprietary Fund Financial Statements:		
Statement of Net Assets	24	G
Statement of Revenues, Expenses and Changes in Net Assets	25	H
Statement of Cash Flows	26	I
Fiduciary Fund Financial Statements:		
Statement of Fiduciary Net Assets	27	J
Notes to Financial Statements	28-40	
Required Supplementary Information:		
Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances - Budget and Actual - All Governmental Funds and Proprietary Fund	42	
Notes to Required Supplementary Information - Budgetary Reporting	43	
Schedule of Funding Progress for the Retiree Health Plan	44	
Other Supplementary Information:		<u>Schedule</u>
Nonmajor Governmental Funds:		
Combining Balance Sheet	46	1
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	47	2
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	48	3
Capital Projects Funds:		
Combining Balance Sheet	49	4
Schedule of Changes in Fiduciary Assets and Liabilities - Agency Fund	50	5
Schedule of Revenues by Source and Expenditures by Function - All Governmental Fund Types	51	6
Schedule of Expenditures of Federal Awards	52	7
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 <u>Government Auditing Standards</u>	53-54	
Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133	55-56	
Schedule of Findings and Questioned Costs	57-61	

Battle Creek-Ida Grove Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September 2009 Election)		
Duane Hummelgard	President	2011
Mark Bogue	Vice President	2009
Tony Bennett	Board Member	2011
Mike Andrews	Board Member	2011
Dr. Michael Luft	Board Member	2011
Ed Sohm	Board Member	2009
Becky Matthies	Board Member	2009
Board of Education (After September 2009 Election)		
Duane Hummelgard	President	2011
Mark Bogue	Vice President	2013
Tony Bennett	Board Member	2011
Mike Andrews	Board Member	2011
Dr. Michael Luft	Board Member	2011
Bev Bower	Board Member	2013
Jeff Rasmussen	Board Member	2013
School Officials		
Dani Trimble	Superintendent	2010
Kathy Leonard	District Secretary/ Treasurer	2010
Rick Franck	Attorney	2010

Battle Creek - Ida Grove Community School District

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

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Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, business type activities, each major fund and the aggregate remaining fund information of the Battle Creek-Ida Grove Community School District, Ida Grove, Iowa as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business type activities, each major fund, and the aggregate remaining fund information of the Battle Creek-Ida Grove Community School District at June 30, 2010, 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 March 2, 2011 on our consideration of the Battle Creek-Ida Grove Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis, Budgetary Comparison Information, and Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 16 and 42 through 44 are not required parts of the basic financial statements, but are supplementary 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 Battle Creek-Ida Grove Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the six years ended June 30, 2009 (which are not presented herein) and expressed an unqualified opinion on those financial statements. Other supplementary information included in Schedules 1 through 7, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States and Local Governments and Non-Profit Organizations, 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 the 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.

March 2, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

Battle Creek-Ida Grove Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2010. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2010 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$6,373,023 in fiscal 2009 to \$7,206,580 in fiscal 2010, while General Fund expenditures increased from \$6,313,917 in fiscal 2009 to \$6,835,062 in fiscal 2010. This resulted in an increase in the District's General Fund balance from \$536,607 in fiscal 2009 to a balance of \$908,125 in fiscal 2010, a 69.24% increase over the prior year.
- The increase in General Fund revenues was attributable to increases in local tax monies and federal revenue in fiscal 2010. The increase in expenditures was due primarily to an increase in the negotiated salary and benefits.

USING THIS ANNUAL REPORT

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

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

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Battle Creek-Ida Grove Community School District as a whole and present an overall view of the District's finances.

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

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

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

Other Supplementary Information provides detailed information about the nonmajor funds.

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

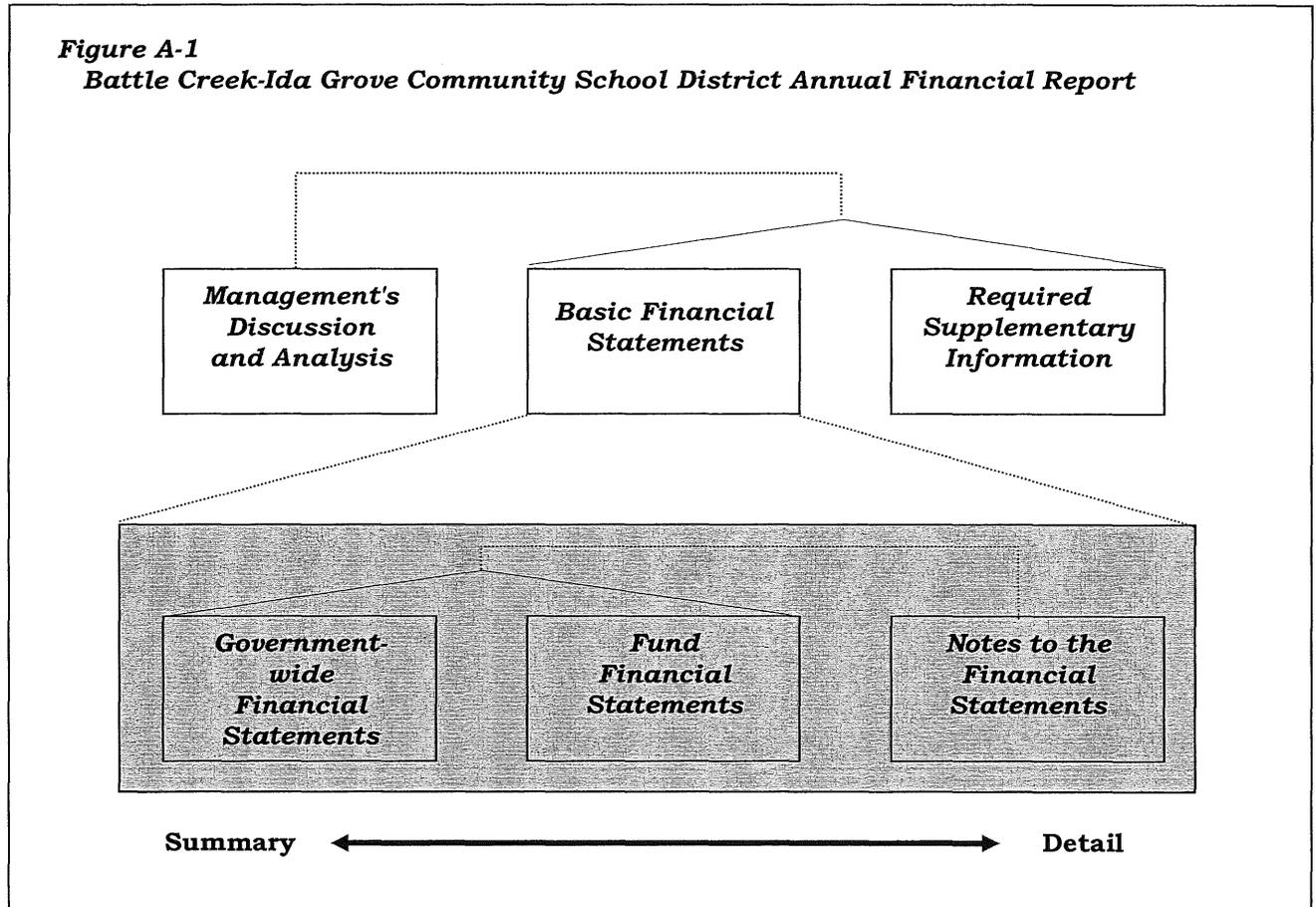


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2 Major Features of the Government-Wide and Fund Financial Statements				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	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"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of revenues, expenses and changes in net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
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.

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

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

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

Fund Financial Statements

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

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

The District has two kinds of funds:

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

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

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

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

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2010 compared to June 30, 2009.

Figure A-3
Condensed Statement of Net Assets

	Governmental		Business type		Total		Total Change June, 30 2009-10
	Activities		Activities		School District		
	June 30, 2010	2009	June 30, 2010	2009	June 30, 2010	2009	
Current and other assets	\$ 6,565,831	6,979,108	71,140	90,666	6,636,971	7,069,774	-6.12%
Capital assets	2,691,727	2,058,975	27,542	16,295	2,719,269	2,075,270	31.03%
Total assets	9,257,558	9,038,083	98,682	106,961	9,356,240	9,145,044	2.31%
Long-term obligations	797,973	26,818	-	-	797,973	26,818	2875.51%
Other liabilities	4,027,667	5,211,297	5,766	7,827	4,033,433	5,219,124	-22.72%
Total liabilities	4,825,640	5,238,115	5,766	7,827	4,831,406	5,245,942	-7.90%
Net assets:							
Invested in capital assets, net of related debt	2,091,727	2,058,975	27,542	16,295	2,119,269	2,075,270	2.12%
Restricted	1,356,984	1,068,037	-	-	1,356,984	1,068,037	27.05%
Unrestricted	983,207	672,954	65,374	82,839	1,048,581	755,793	38.74%
Total net assets	\$ 4,431,918	3,799,966	92,916	99,134	4,524,834	3,899,100	16.05%

The District's combined net assets increased by 16.05%, or \$625,734 over the prior year. The largest portion of the District's net assets is the invested in capital assets, net of related debt. The debt related to the invested in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased \$288,947, or 27.05% over the prior year. The increase was primarily a result of the District increase in the Special Revenue, Management Levy Fund balance.

Unrestricted net assets are the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements - increased \$292,788, or 38.74%. This increase in unrestricted net assets was a result of the District's increase in the General Fund balance.

Figure A-4 shows the changes in net assets for the year ended June 30, 2010 compared to June 30, 2009.

Figure A-4
Changes of Net Assets

	Governmental Activities		Business type Activities		Total School District		Total Change
	2010	2009	2010	2009	2010	2009	2009-10
Revenues:							
Program revenues:							
Charges for services	\$ 1,361,701	664,757	134,950	130,403	1,496,651	795,160	88.22%
Operating grants and contributions and restricted interest	1,322,403	1,120,152	154,360	153,278	1,476,763	1,273,430	15.97%
Capital grants and contributions and restricted interest	-	48,676	-	-	-	48,676	-100.00%
General revenues:							
Property tax	2,642,397	2,336,060	-	-	2,642,397	2,336,060	13.11%
Income surtax	268,367	229,506	-	-	268,367	229,506	16.93%
Statewide sales and services tax	481,601	344,735	-	-	481,601	344,735	39.70%
Unrestricted state grants	2,213,237	2,539,251	-	-	2,213,237	2,539,251	-12.84%
Other	43,321	141,290	136	1,534	43,457	142,824	-69.57%
Total revenues	8,333,027	7,424,427	289,446	285,215	8,622,473	7,709,642	11.84%
Program expenses:							
Governmental activities:							
Instruction	5,235,113	4,678,820	12,309	16,283	5,247,422	4,695,103	11.76%
Support services	2,030,738	1,919,957	2,131	998	2,032,869	1,920,955	5.83%
Non-instructional programs	-	-	281,224	274,650	281,224	274,650	2.39%
Other expenses	435,224	444,602	-	-	435,224	444,602	-2.11%
Total expenses	7,701,075	7,043,379	295,664	291,931	7,996,739	7,335,310	9.02%
Changes in net assets	631,952	381,048	(6,218)	(6,716)	625,734	374,332	67.16%
Beginning net assets	3,799,966	3,418,918	99,134	105,850	3,899,100	3,524,768	10.62%
Ending net assets	\$ 4,431,918	3,799,966	92,916	99,134	4,524,834	3,899,100	16.05%

Property tax, income surtax, statewide sales and services tax and unrestricted state grants account for 67.27% of the revenue from governmental activities. The District's expenses primarily relate to instruction and support services which account for 91.04% of the total expenses. Charges for services and operating grants and contributions accounted for 99.95% of the revenue for the business type activities.

The District's total revenue was \$8,622,473, of which \$8,333,027 was for governmental activities and \$289,446 was for business type activities.

As shown, in Figure A-4, the District as a whole experienced 11.84% increase in revenues and an increase of 9.02% in expenditures. Property tax increased by \$306,336 and other revenues increased by \$553,842 to fund increases in expenses. The increases in expenses related to increases in the negotiated salaries and benefits.

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

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

Governmental Activities

Revenues for governmental activities were \$8,333,027 and expenses were \$7,701,075.

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		
	2010	2009	Change 2009-10	2010	2009	Change 2009-10
Instruction	\$ 5,235,113	4,678,820	11.89%	2,831,804	3,165,259	-10.53%
Support services	2,030,738	1,919,957	5.77%	2,013,966	1,893,140	6.38%
Other expenses	435,224	444,602	-2.11%	171,201	151,395	13.08%
Totals	\$ 7,701,075	7,043,379	9.34%	5,016,971	5,209,794	-3.70%

For the year ended June 30, 2010:

- The cost financed by users of the District's programs was \$1,361,701.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,322,403.
- The net cost of governmental activities was financed with \$2,642,397 in property tax, \$268,367 in income surtax, \$481,601 in statewide sales and services tax, \$2,213,237 in unrestricted state grants, \$19,460 in interest income and \$23,861 in other general revenue.

Business type Activities

Revenues of the District's business type activities were \$289,446 and expenses were \$295,664. The District's business type activities include the School Nutrition Fund and Day Care Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balances of \$2,319,040, over last year's ending fund balances of a \$1,563,625. The primary reason for the increase in combined fund balances in fiscal 2010 is due to the increase in the General Fund fund balance.

Governmental Fund Highlights

- The District's General Fund financial position increased from \$536,607 at June 30, 2009 to \$908,125 at June 30, 2010 and is the product of many factors. Increase in all revenue sources during the year resulted in an increase in revenues. The increase in negotiated salary and benefits settlement, as well as existing expenditure commitments of the District, resulted in an increase in expenditures.
- The Special Revenue: Management Levy Fund balance increased from \$323,052 in fiscal 2009 to \$345,825 in fiscal 2010. The fund balance increased by \$22,773 or 7.05%.
- The Special Revenue: Physical Plant and Equipment Levy Fund balance increased from \$204,992 at June 30, 2009 to \$236,706 at June 30, 2010. The fund balance increased by \$31,174 or 15.47%.
- The Capital Projects Fund balance increased from \$413,642 in fiscal 2009 to \$697,756 in fiscal 2010. The District issued \$600,000 in revenue bonds during the year ended June 30, 2010 for the construction of the High School addition. The project was completed by June 30, 2010.

Proprietary Fund Highlights

The School Nutrition Fund net assets decreased from \$92,402 at June 30, 2009 to \$84,658 at June 30, 2010, representing a decrease of 8.38%. The Day Care Fund net assets increased from \$6,732 at June 30, 2009 to \$8,258 at June 30, 2010, representing an increase of 22.67%.

BUDGETARY HIGHLIGHTS

The District's revenues were \$9,937 more than budgeted revenues, a variance of .12%. The most significant variance resulted from the District receiving less in state sources than originally anticipated.

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

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2010, the District had invested \$2,719,269, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net increase of 31.03% over last year. More detailed information about capital assets is available in Note 6 to the financial statements. Depreciation expense for the year was \$286,800.

The original cost of the District's capital assets was \$7,536,136. Governmental funds account for \$7,447,180 with the remainder of \$88,956 in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress totaled \$0 at June 30,

2010, compared to \$91,153 reported at June 30, 2009. This decrease resulted from the completion of the addition of the high school classrooms and central office project.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental Activities		Business type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2010	2009	2010	2009	2010	2009	2009-10
Land	\$ 124,260	124,260	-	-	124,260	124,260	0.00%
Construction in progress	-	91,153	-	-	-	91,153	-100.00%
Buildings	1,822,080	1,115,940	-	-	1,822,080	1,115,940	63.28%
Land improvements	272,295	248,939	-	-	272,295	248,939	9.38%
Machinery and equipment	473,092	478,683	27,542	16,295	500,634	494,978	1.14%
Total	\$ 2,691,727	2,058,975	27,542	16,295	2,719,269	2,075,270	31.03%

Long-Term Debt

At June 30, 2010, the District had \$797,973 in other long-term debt outstanding. This represents a increase of 2,875.51% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 7 to the financial statements.

The District also had outstanding Revenue Bonds payable from the Capital Projects Fund of \$600,000 at June 30, 2010.

The District had total outstanding Early Retirement payable from the Special Revenue, Management Levy Fund of \$180,076 at June 30, 2010.

The District had a net OPEB liability payable of \$17,897 as of June 30, 2010.

Figure A-7
Outstanding Long-Term Obligations

	Total School District		Total Change
	June 30,		June 30,
	2010	2009	2009-10
Revenue Bonds	\$ 600,000	-	100.00%
Early Retirement	180,076	26,818	571.47%
OPEB Liability	17,897	-	100.00%
Total	\$ 797,973	26,818	2875.51%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- The district experienced a 10% Across the Board cut from state funds in 2009-2010. No immediate reductions were made at the time. Due to conservative fiscal spending and careful planning, the district was able to use available resources to absorb impact of the cuts.
- The district has experienced declining enrollment for several years (40 students in the last 3 school years) and while district projections show enrollment leveling off for a few years, declining enrollment in a rural district such as BCIG is always a concern.

-
- The Budget Guarantee (whereby districts are guaranteed 100% of their current budget for the upcoming year) is being phased out over a ten year period which began in fiscal year 2005.
 - Low allowable growth over several years and enrollment decreases negatively impacted the district's spending authority. In 2009-2010, the district showed a slight increase in spending authority but contractual increases and program changes still cannot be made without thorough consideration of our unspent balance.
 - In 2009-2010 the district entered the first year of a whole grade sharing agreement with Odebolt-Arthur for grades 7-12. Both districts have seen financial savings due to efficiencies in staff and shared costs as well as increased academic offerings for students.
 - The district shares a Maintenance Director (50/50) and Transportation Supervisor (80/20) with the Odebolt-Arthur Community School District. This generates state incentive money for sharing and saves approximately \$43,000 in payroll costs.
 - Effective 2009-2010, the district began sharing a superintendent with Odebolt-Arthur. In addition to receiving state incentive money for sharing, the district saved approximately \$52,000 in payroll costs.
 - Due to early retirements and subsequent staff realignment, the FTE for certified staff was reduced by 1.75 in 2009-2010 resulting in salary and benefits savings of approximately \$35,000.
 - The district realized transportation savings in the first year of whole grade sharing by realigning and combining bus routes and utilizing vehicles from both districts in an effort to minimize miles traveled and wear and tear on vehicles.
 - The board developed a plan whereby the Early Childhood building has been closed and currently there is a purchase agreement pending. Discussion has been held whereas another attendance center will be closed within two years. This will provide additional savings to the General Fund. The central office and community daycare moved from the ECC in June 2010 so additional savings in utilities and maintenance are anticipated in 2010-2011. Headstart and Northwest AEA continue to rent space from the district in different attendance centers.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Kathy Leonard, District Secretary/Treasurer, Battle Creek-Ida Grove Community School District, 900 John Montgomery Drive, Ida Grove, Iowa, 51445.

BASIC FINANCIAL STATEMENTS

BATTLE CREEK-IDA GROVE COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2010

	Governmental Activities	Business type Activities	Total
ASSETS			
Cash and pooled investments	\$ 2,908,925	89,422	2,998,347
Receivables:			
Property tax:			
Delinquent	24,250	-	24,250
Succeeding year	2,771,108	-	2,771,108
Income surtax	226,749	-	226,749
Interfund	27,918	(27,918)	-
Accounts	20,899	-	20,899
Due from other governments	585,982	-	585,982
Inventories	-	9,636	9,636
Capital assets, net of accumulated depreciation	2,691,727	27,542	2,719,269
TOTAL ASSETS	9,257,558	98,682	9,356,240
LIABILITIES			
Accounts payable	558,927	222	559,149
Salaries and benefits payable	643,396	1,875	645,271
Interest payable	7,625	-	7,625
Deferred revenue:			
Succeeding year property tax	2,771,108	-	2,771,108
Other	46,611	-	46,611
Unearned revenue	-	3,669	3,669
Long-term liabilities:			
Portion due within one year:			
Early retirement payable	180,076	-	180,076
Revenue bonds payable	200,000	-	200,000
Portion due after one year:			
Revenue bonds payable	400,000	-	400,000
Net OPEB liability	17,897	-	17,897
TOTAL LIABILITIES	4,825,640	5,766	4,831,406
NET ASSETS			
Invested in capital assets, net of related debt	2,091,727	27,542	2,119,269
Restricted for:			
Categorical funding	126,145	-	126,145
Capital projects	697,757	-	697,757
Management levy	165,749	-	165,749
Physical plant and equipment levy	236,706	-	236,706
Other special revenue purposes	130,628	-	130,628
Unrestricted	983,206	65,374	1,048,580
TOTAL NET ASSETS	\$ 4,431,918	92,916	4,524,834

SEE NOTES TO FINANCIAL STATEMENTS

BATTLE CREEK-IDA GROVE COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2010

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
Functions/Programs:							
Governmental activities:							
Instruction:							
Regular	\$ 3,411,900	961,238	831,851	-	(1,618,811)	-	(1,618,811)
Special	858,261	103,380	99,013	-	(655,868)	-	(655,868)
Other	964,952	280,969	126,858	-	(557,125)	-	(557,125)
	5,235,113	1,345,587	1,057,722	-	(2,831,804)	-	(2,831,804)
Support services:							
Student	160,926	-	-	-	(160,926)	-	(160,926)
Instructional staff	324,484	-	-	-	(324,484)	-	(324,484)
Administration	579,457	-	-	-	(579,457)	-	(579,457)
Operation and maintenance of plant	608,077	-	-	-	(608,077)	-	(608,077)
Transportation	357,794	16,114	658	-	(341,022)	-	(341,022)
	2,030,738	16,114	658	-	(2,013,966)	-	(2,013,966)
Other expenditures:							
Facilities acquisitions	60,873	-	-	-	(60,873)	-	(60,873)
Long-term debt interest	12,125	-	-	-	(12,125)	-	(12,125)
AEA flowthrough	264,023	-	264,023	-	-	-	-
Depreciation(unallocated)*	98,203	-	-	-	(98,203)	-	(98,203)
	435,224	-	264,023	-	(171,201)	-	(171,201)
Total governmental activities	7,701,075	1,361,701	1,322,403	-	(5,016,971)	-	(5,016,971)
Business Type activities:							
Instruction:							
Regular	12,309	8,660	5,175	-	-	1,526	1,526
Support services:							
Operation and maintenance of plant	2,131	-	-	-	-	(2,131)	(2,131)
	2,131	-	-	-	-	(2,131)	(2,131)
Non-instructional programs:							
Nutrition	281,224	126,290	149,185	-	-	(5,749)	(5,749)
Total business type activities	295,664	134,950	154,360	-	-	(6,354)	(6,354)
Total	\$ 7,996,739	1,496,651	1,476,763	-	(5,016,971)	(6,354)	(5,023,325)
General Revenues:							
Local tax for:							
General purposes					\$ 2,490,344	-	2,490,344
Capital outlays					152,053	-	152,053
Income surtax					268,367	-	268,367
Statewide sales and services tax					481,601	-	481,601
Unrestricted state grants					2,213,237	-	2,213,237
Unrestricted investment earnings					19,460	94	19,554
Other general revenues					23,861	42	23,903
Total general revenues					5,648,923	136	5,649,059
Changes in net assets					631,952	(6,218)	625,734
Net assets beginning of year					3,799,966	99,134	3,899,100
Net assets end of year					\$ 4,431,918	92,916	4,524,834

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

SEE NOTES TO FINANCIAL STATEMENTS

BATTLE CREEK-IDA GROVE COMMUNITY SCHOOL DISTRICT
 BALANCE SHEET
 GOVERNMENTAL FUNDS
 JUNE 30, 2010

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
ASSETS				
Cash and pooled investments	\$ 1,511,228	671,556	726,141	2,908,925
Receivables:				
Property tax:				
Delinquent	21,784	-	2,466	24,250
Succeeding year	2,491,099	-	280,009	2,771,108
Income surtax	161,964	-	64,785	226,749
Interfund	28,392	-	-	28,392
Accounts	20,899	-	-	20,899
Due from other governments	353,894	232,088	-	585,982
TOTAL ASSETS	\$ 4,589,260	903,644	1,073,401	6,566,305
LIABILITIES AND FUND BALANCES				
Liabilities:				
Interfund payable	\$ -	-	474	474
Accounts payable	338,065	205,888	14,974	558,927
Salaries and benefits payable	643,396	-	-	643,396
Deferred revenue:				
Succeeding year property tax	2,491,099	-	280,009	2,771,108
Income surtax	161,964	-	64,785	226,749
Other	46,611	-	-	46,611
Total liabilities	3,681,135	205,888	360,242	4,247,265
Fund balances:				
Reserved for:				
Categorical funding	126,145	-	-	126,145
Unreserved	781,980	697,756	713,159	2,192,895
Total fund balances	908,125	697,756	713,159	2,319,040
TOTAL LIABILITIES AND FUND BALANCES	\$ 4,589,260	903,644	1,073,401	6,566,305

SEE NOTES TO FINANCIAL STATEMENTS

BATTLE CREEK-IDA GROVE COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET ASSETS
 JUNE 30, 2010

Total fund balances of governmental funds (page 20)		\$ 2,319,040
 <i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in in the governmental funds.		2,691,727
Accounts receivable income surtax, are not yet available to finance expenditures of the current period.		226,749
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.		(7,625)
Long-term liabilities, including bonds payable, early retirement and other postemployment benefits payable, are not due and payable in the current period and, therefore are not reported in governmental funds.		<u>(797,973)</u>
Net assets of governmental activities (page 18)		<u><u>\$ 4,431,918</u></u>

BATTLE CREEK-IDA GROVE COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2010

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
REVENUES:				
Local sources:				
Local tax	\$ 2,546,595	481,601	341,604	3,369,800
Tuition	371,539	-	-	371,539
Other	792,963	-	280,677	1,073,640
State sources	2,920,947	-	-	2,920,947
Federal sources	574,536	-	-	574,536
Total revenues	<u>7,206,580</u>	<u>481,601</u>	<u>622,281</u>	<u>8,310,462</u>
EXPENDITURES:				
Current:				
Instruction:				
Regular	3,246,024	-	32,251	3,278,275
Special	849,285	-	-	849,285
Other	747,684	-	197,682	945,366
	<u>4,842,993</u>	<u>-</u>	<u>229,933</u>	<u>5,072,926</u>
Support services:				
Student	136,572	-	24,354	160,926
Instructional staff	229,194	10,552	73,540	313,286
Administration	554,170	-	778	554,948
Operation and maintenance of plant	524,629	6,000	75,290	605,919
Transportation	283,481	-	97,619	381,100
	<u>1,728,046</u>	<u>16,552</u>	<u>271,581</u>	<u>2,016,179</u>
Other expenditures:				
Facilities acquisitions	-	776,435	20,984	797,419
Long-term debt:				
Interest	-	-	4,500	4,500
AEA flowthrough	264,023	-	-	264,023
	<u>264,023</u>	<u>776,435</u>	<u>25,484</u>	<u>1,065,942</u>
Total expenditures	<u>6,835,062</u>	<u>792,987</u>	<u>526,998</u>	<u>8,155,047</u>
Excess(deficiency) of revenues over(under) expenditures	371,518	(311,386)	95,283	155,415
Other financing sources(uses):				
Issuance of bonds	-	600,000	-	600,000
Transfers in	-	-	4,500	4,500
Transfers out	-	(4,500)	-	(4,500)
Total other financing sources(uses)	<u>-</u>	<u>595,500</u>	<u>4,500</u>	<u>600,000</u>
Net change in fund balances	371,518	284,114	99,783	755,415
Fund balance beginning of year	536,607	413,642	613,376	1,563,625
Fund balance end of year	<u>\$ 908,125</u>	<u>697,756</u>	<u>713,159</u>	<u>2,319,040</u>

SEE NOTES TO FINANCIAL STATEMENTS

BATTLE CREEK-IDA GROVE COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 JUNE 30, 2010

Net change in fund balances - total governmental funds (page 22) \$ 755,415

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

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	\$ 916,308	
Depreciation expense	<u>(283,556)</u>	632,752

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.

Current year repayments exceeded issues, as follows:

Issued	<u>(600,000)</u>	(600,000)
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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. (7,625)

Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds. 22,565

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

Early retirement	(153,258)	
Other postemployment benefits	<u>(17,897)</u>	(171,155)

Changes in net assets of governmental activities (page 19) \$ 631,952

BATTLE CREEK-IDA GROVE COMMUNITY SCHOOL DISTRICT
 STATEMENT OF NET ASSETS
 PROPRIETARY FUNDS
 JUNE 30, 2010

	School Nutrition	Day Care	Total
Assets			
Cash and pooled investments	\$ 79,289	10,133	89,422
Inventories	9,636	-	9,636
Capital assets, net of accumulated depreciation	27,542	-	27,542
Total assets	116,467	10,133	126,600
Liabilities			
Interfund payable	27,918	-	27,918
Accounts payable	222	-	222
Salaries and benefits payable	-	1,875	1,875
Unearned revenue	3,669	-	3,669
TOTAL LIABILITIES	31,809	1,875	33,684
Net Assets			
Invested in capital assets	27,542	-	27,542
Unrestricted	57,116	8,258	65,374
Total net assets	\$ 84,658	8,258	92,916

SEE NOTES TO FINANCIAL STATEMENTS

BATTLE CREEK-IDA GROVE COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2010

	School Nutrition	Day Care	Total
OPERATING REVENUE:			
Local sources:			
Charges for services	\$ 126,290	8,660	134,950
Other miscellaneous revenue	42	-	42
TOTAL OPERATING REVENUES	126,332	8,660	134,992
OPERATING EXPENSES:			
Instruction:			
Regular:			
Salaries	-	10,770	10,770
Benefits	-	1,539	1,539
	-	12,309	12,309
Support services:			
Operation and maintenance of plant:			
Services	2,131	-	2,131
	2,131	-	2,131
Non-instructional programs:			
Food service operations:			
Salaries	109,640	-	109,640
Benefits	15,662	-	15,662
Services	4,077	-	4,077
Supplies	148,601	-	148,601
Depreciation	3,244	-	3,244
	281,224	-	281,224
TOTAL OPERATING EXPENSES	283,355	12,309	295,664
OPERATING LOSS	(157,023)	(3,649)	(160,672)
NON-OPERATING REVENUES:			
State sources	2,995	5,175	8,170
Federal sources	146,190	-	146,190
Interest on investments	94	-	94
TOTAL NON-OPERATING REVENUES	149,279	5,175	154,454
Changes in net assets	(7,744)	1,526	(6,218)
Net assets beginning of year	92,402	6,732	99,134
Net assets end of year	\$ 84,658	8,258	92,916

SEE NOTES TO FINANCIAL STATEMENTS

BATTLE CREEK-IDA GROVE COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2010

	School Nutrition	Day Care	Total
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	\$ 126,036	-	126,036
Cash received from miscellaneous	42	8,715	8,757
Cash payments to employees for services	(125,302)	(12,952)	(138,254)
Cash payments to suppliers for goods or services	(129,368)	-	(129,368)
Net cash used in operating activities	<u>(128,592)</u>	<u>(4,237)</u>	<u>(132,829)</u>
Cash flows from non-capital financing activities:			
Borrowings from the General Fund	2,080	-	2,080
State grants received	2,995	5,175	8,170
Federal grants received	124,934	-	124,934
Net cash provided by non-capital financing activities	<u>130,009</u>	<u>5,175</u>	<u>135,184</u>
Cash flows from capital and related financing activities:			
Acquisition of capital assets	(14,491)	-	(14,491)
Cash flows from investing activities:			
Interest on investments	94	-	94
Net increase(decrease) in cash and cash equivalents	(12,980)	938	(12,042)
Cash and cash equivalents at beginning of year	92,269	9,195	101,464
Cash and cash equivalents at end of year	<u>\$ 79,289</u>	<u>10,133</u>	<u>89,422</u>
Reconciliation of operating loss to net cash used in operating activities:			
Operating loss	\$ (157,023)	(3,649)	(160,672)
Adjustments to reconcile operating loss to net cash used in operating activities:			
Commodities consumed	21,256	-	21,256
Depreciation	3,244	-	3,244
Decrease in inventories	5,349	-	5,349
Decrease in accounts receivable	-	55	55
Decrease in accounts payable	(1,164)	-	(1,164)
Decrease in salaries and benefits payable	-	(643)	(643)
Decrease in unearned revenue	(254)	-	(254)
Net cash used in operating activities	<u>\$ (128,592)</u>	<u>(4,237)</u>	<u>(132,829)</u>

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2010, the District received Federal commodities valued at \$21,256.

SEE NOTES TO FINANCIAL STATEMENTS

MISSOURI VALLEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2010

	<u>Private Purpose Trust Scholarship</u>
Additions:	
Local sources:	
Interest	\$ -
Contributions	1,250
Total additions	<u>1,250</u>
Deductions:	
Scholarships awarded	<u>1,250</u>
Change in net assets	-
Net assets beginning of year	<u>-</u>
Net assets end of year	<u>\$ -</u>

SEE NOTES TO FINANCIAL STATEMENTS.

BATTLE CREEK-IDA GROVE COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

(1) Summary of Significant Accounting Policies

The Battle Creek-Ida Grove Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the Cities of Battle Creek and Ida Grove, Iowa, and the predominate agricultural territory in Woodbury, Crawford and Ida Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Battle Creek-Ida Grove Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The Battle Creek-Ida Grove Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Woodbury, Crawford and Ida Counties Assessors' Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues,

are reported separately from business type activities, which rely to a significant extent on fees and charges for support.

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

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

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

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

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

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

The District reports the following major governmental funds:

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

The District reports the following proprietary fund:

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

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

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

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

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

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

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

Proprietary funds distinguish operating revenues and expenses

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

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

D. Assets, Liabilities and Fund Balances

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

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

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2008 assessed property valuations; is for the tax accrual period July 1, 2009 through June 30, 2010 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2009.

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 and intangibles are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 1,500
Buildings	1,500
Land improvements	1,500
Intangibles	30,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	1,500

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

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Land improvements	20 years
Intangibles	2 or more
Machinery and equipment	5-20 years

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

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

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

Deferred revenue on the statement of net assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied. Unearned Revenues - Unearned revenues are monies collected for lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The lunch account balances are reflected on the Statement of Net Assets in the Proprietary, School Nutrition Fund.

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

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

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

E. Budgeting and Budgetary Control

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

(2) Cash and Pooled Investments

The District's deposits at June 30, 2010 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

At June 30, 2010, the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$214,841 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) Interfund Receivables and Payables

Individual interfund receivable and payable balances at June 30, 2009 are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Special Revenue: Student Activity	\$ 474
General Fund	Nutrition Fund	<u>27,918</u>
Total		<u>\$ 28,392</u>

The Special Revenue, Student Activity Fund is repaying the General Fund for activity expenses that were paid by the General Fund. The balance will be repaid by June 30, 2011.

The Enterprise, School Nutrition Fund is repaying the General fund for salaries and benefits, which were paid by the General Fund. The balance will be repaid by June 30, 2011.

(4) Transfers

The detail of transfers for the year ended June 30, 2010 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects	<u>\$ 4,500</u>

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

(5) Iowa School Cash Anticipation Program (ISCAP)

The District participates in the Iowa Schools 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. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. Bankers Trust Co. NA is the trustee for the program.

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. The District must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. The interest rate on the Series 2009-10A warrants was 2.50%. The interest rate on the Series 2009-10B warrants is a variable rate, calculated on a daily basis upon the Bankers Trust Co. NA prime rate plus 50 basis points with a minimum interest rate 4.50%. During the year ended June 30, 2010 the District had no borrowings or repayments.

During the year ended June 30, 2010, the District paid \$7,278 of interest on the ISCAP warrants.

(6) Capital Assets

Capital assets activity for the year ended June 30, 2010 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 124,260	-	-	124,260
Construction in progress	91,153	480,845	571,998	-
Total capital assets not being depreciated	215,413	480,845	571,998	124,260
Capital assets being depreciated:				
Buildings	4,123,601	781,464	-	4,905,065
Land improvements	473,942	46,235	-	520,177
Machinery and equipment	1,901,815	179,762	183,899	1,897,678
Total capital assets being depreciated	6,499,358	1,007,461	183,899	7,322,920
Less accumulated depreciation for:				
Buildings	3,007,661	75,324	-	3,082,985
Land improvements	225,003	22,879	-	247,882
Machinery and equipment	1,423,132	185,353	183,899	1,424,586
Total accumulated depreciation	4,655,796	283,556	183,899	4,755,453
Total capital assets being depreciated, net	1,843,562	723,905	-	2,567,467
Governmental activities capital assets, net	\$ 2,058,975	1,204,750	571,998	2,691,727
	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business type activities:				
Machinery and equipment	\$ 74,465	14,491	-	88,956
Less accumulated depreciation	58,170	3,244	-	61,414
Business type activities capital assets, net	\$ 16,295	11,247	-	27,542

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 47,905
Special	8,976
Other	29,639
Support services:	
Instructional staff	10,781
Administrative	6,537
Operation and maintenance of plant	11,888
Transportation	69,627
	185,353
Unallocated depreciation	98,203
Total governmental activities depreciation expense	\$ 283,556
Business type activities:	
Food services	\$ 3,244

(7) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2010 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Revenue bonds	\$ -	600,000	-	600,000	200,000
Early retirement	26,818	180,076	26,818	180,076	180,076
OPEB liability	-	17,897	-	17,897	-
Total	\$ 26,818	797,973	26,818	797,973	380,076

Revenue Bonds

Details of the District's June 30, 2010 statewide sales, services and use tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Interest Rate	October 1, 2009		
		Principal	Interest	Total
2011	2.75 %	\$ 200,000	15,250	215,250
2012	3.00	200,000	9,500	209,500
2013	3.25	200,000	3,250	203,250
		\$ 600,000	28,000	628,000

The District has pledged future statewide sales, services and use tax revenues to repay the \$600,000. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District in accordance with Chapter 423E of the Code of Iowa and are payable through 2012. The bonds are not a general obligation of the District. The debt, however, is subject to the constitutional debt limitations of the District. The total principal and interest paid remaining to be paid is \$628,000. For the current year \$4,500 in interest was paid on the bonds and total statewide sales and services tax revenues were \$481,601.

The resolution providing for the issuance of the statewide sales, services and use tax revenue bonds includes the following provisions:

- a. The bonds will only be redeemed from future earnings of the statewide sales, services and use tax revenues received by the District and the bond holders hold a lien on the future revenues received.
- b. All proceeds from the statewide sales, services and use 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

Annually, the District reviews and decides if it will offer a voluntary early retirement plan to its employees and the number of plans that will be offered. Eligible employees must be at least age fifty-five and employees must have completed twenty years of continuous service to the District. Employees must complete an application which is required to be approved by the Board of Education. The early retirement incentive for each eligible employee is equal to a percent of their current year salary. The District paid \$26,818 in early retirement benefits during the year ended June 30, 2010. A liability has been recorded in the Statement of Net Assets representing the District's commitment to fund non-current early retirement.

(8) Other Postemployment Benefits (OPEB)

The District implemented GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits other Than Pensions during the year ended June 30, 2010.

Plan Description - The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 43 active and 4 retired members in the plan. Participants must be age 55 or older at retirement. Employees must be at least age 55 with 20 or more years of service to be eligible for the District's cash benefit.

The District pays a cash benefit based on 60% of the retiree's final salary. The cash benefit is shown as an explicit subsidy and an OPEB liability.

The medical/prescription drug coverage is provided through Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

Funding Policy - The contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation - The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2010, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 26,016
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost	<u>26,016</u>
Contributions made	<u>(8,119)</u>
Increase in net OPEB obligation	17,897
Net OPEB obligation beginning of year	-
Net OPEB obligation end of year	<u><u>\$ 17,897</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2010.

For the year ended June 30, 2010, the District contributed \$8,119 to the medical and explicit plans. Plan members eligible for benefits contributed \$0, or 0% of the premium costs.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2010 are summarized as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2010	\$ 26,016	-31.21%	\$ 17,897

Funded Status and Funding Progress - As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2009 through June 30, 2010, the actuarial accrued liability was \$349,870, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$349,870. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$1,890,594, and the ratio of the UAAL to covered payroll was 18.5%. As of June 30, 2010, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information in the section following the Notes to Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include

techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2009 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions includes a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 11.0%. The ultimate medical trend rate is 5%. The medical trend rate is reduced by .5% each year until reaching the 5% ultimate trend rate.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2007 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2007.

Projected claim costs of the medical plan are for the \$344 per month for retirees who have attained age 60. The salary increase rate was assumed to be 3.5% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(9) 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 4.30% of their annual covered salary and the District is required to contribute 6.65% of annual covered payroll for the years ended June 30, 2010, 2009 and 2008. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2010, 2009, and 2008 were \$285,561, \$279,344, and \$261,931, respectively, equal to the required contributions for each year.

(10) Risk Management

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

(11) 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 \$264,023 for the year ended June 30, 2010 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(12) Categorical Funding

The District's ending balances for categorical funding by project as of the year ended June 30, 2010 are as follows:

Project	Amount
LEP weighting	\$ 10,152
Home school assistance program	2,100
Talented and gifted	2,508
Salary Improvement Program	37,115
Market Factor	3,656
Statewide Voluntary Preschool Program	21,087
Professional Development for Model Core Curriculum	22,151
Professional Development	25,446
Market factor incentives	1,930
Total	<u>\$ 126,145</u>

REQUIRED SUPPLEMENTARY INFORMATION

BATTLE CREEK-IDA GROVE COMMUNITY SCHOOL DISTRICT
 BUDGETARY COMPARISON OF REVENUES, EXPENDITURES/EXPENSES AND
 CHANGES IN BALANCES -
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
 AND PROPRIETARY FUNDS
 REQUIRED SUPPLEMENTARY INFORMATION
 YEAR ENDED JUNE 30, 2010

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to
	Fund Types	Fund Type		Original	Final	Actual
	Actual	Actual				Variance
Revenues:						
Local sources	\$ 4,814,979	135,086	4,950,065	4,422,570	4,422,570	527,495
State sources	2,920,947	8,170	2,929,117	3,721,401	3,721,401	(792,284)
Federal sources	574,536	146,190	720,726	446,000	446,000	274,726
Total revenues	<u>8,310,462</u>	<u>289,446</u>	<u>8,599,908</u>	<u>8,589,971</u>	<u>8,589,971</u>	<u>9,937</u>
Expenditures/expenses:						
Instruction	5,072,926	12,309	5,085,235	5,217,446	5,217,446	132,211
Support services	2,016,179	2,131	2,018,310	2,834,240	2,834,240	815,930
Non-instructional programs	-	281,224	281,224	451,677	451,677	170,453
Other expenditures	1,065,942	-	1,065,942	1,181,250	1,181,250	115,308
Total expenditures/expenses	<u>8,155,047</u>	<u>295,664</u>	<u>8,450,711</u>	<u>9,684,613</u>	<u>9,684,613</u>	<u>1,233,902</u>
Excess(deficiency) of revenues over(under) expenditures/expenses	155,415	(6,218)	149,197	(1,094,642)	(1,094,642)	1,243,839
Other financing sources, net	600,000	-	600,000	-	-	600,000
Excess(deficiency) of revenues and other financing sources over(under) expenditures/expenses	755,415	(6,218)	749,197	(1,094,642)	(1,094,642)	1,843,839
Balance beginning of year	1,563,625	99,134	1,662,759	1,483,459	1,483,459	179,300
Balance end of year	<u>\$ 2,319,040</u>	<u>92,916</u>	<u>2,411,956</u>	<u>388,817</u>	<u>388,817</u>	<u>2,023,139</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

BATTLE CREEK-IDA GROVE COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2010

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparison for the General Fund and each major Special Revenue Fund.

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

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

BATTLE CREEK-IDA GROVE COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN
 REQUIRED SUPPLEMENTARY INFORMATION

For Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	\$ -	\$ 349,870	\$ 349,870	0.0%	\$ 1,890,594	18.5%

See Note 8 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

OTHER SUPPLEMENTARY INFORMATION

BATTLE CREEK-IDA GROVE COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2010

	Nonmajor Special Revenue Funds			
	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Total Special Revenue Funds
ASSETS				
Cash and pooled investments	\$ 344,676	136,816	244,649	726,141
Receivables:				
Property tax:				
Delinquent	1,149	-	1,317	2,466
Succeeding year	125,000	-	155,009	280,009
Income surtax	-	-	64,785	64,785
TOTAL ASSETS	\$ 470,825	136,816	465,760	1,073,401
LIABILITIES AND FUND BALANCES				
Liabilities:				
Interfund payable	\$ -	474	-	474
Accounts payable	-	5,714	9,260	14,974
Deferred revenue:				
Succeeding year property tax	125,000	-	155,009	280,009
Income surtax	-	-	64,785	64,785
Total liabilities	125,000	6,188	229,054	360,242
Fund balances:				
Unreserved:				
Undesignated	345,825	130,628	236,706	713,159
Total fund balances	345,825	130,628	236,706	713,159
TOTAL LIABILITIES AND FUND BALANCES	\$ 470,825	136,816	465,760	1,073,401

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

BATTLE CREEK-IDA GROVE COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2010

	Nonmajor Special Revenue Funds					Total Other Nonmajor Governmental Funds
	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Total Special Revenue Funds	Debt Service	
REVENUES:						
Local sources:						
Local tax	\$ 124,766	-	216,838	341,604	-	341,604
Other	13,245	267,332	100	280,677	-	280,677
TOTAL REVENUES	138,011	267,332	216,938	622,281	-	622,281
EXPENDITURES:						
Current:						
Instruction:						
Regular	32,251	-	-	32,251	-	32,251
Other	-	197,682	-	197,682	-	197,682
Support services:						
Student services	-	24,354	-	24,354	-	24,354
Instructional	-	-	73,540	73,540	-	73,540
Administration services	778	-	-	778	-	778
Operation and maintenance of plant	75,290	-	-	75,290	-	75,290
Student transportation	6,919	-	90,700	97,619	-	97,619
Other expenditures:						
Facilities acquisitions	-	-	20,984	20,984	-	20,984
Long-term debt:						
Interest	-	-	-	-	4,500	4,500
TOTAL EXPENDITURES	115,238	222,036	185,224	522,498	4,500	526,998
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	22,773	45,296	31,714	99,783	(4,500)	95,283
OTHER FINANCING SOURCES:						
Transfers in	-	-	-	-	4,500	4,500
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES	22,773	45,296	31,714	99,783	-	99,783
FUND BALANCE BEGINNING OF YEAR	323,052	85,332	204,992	613,376	-	613,376
FUND BALANCE END OF YEAR	\$ 345,825	130,628	236,706	713,159	-	713,159

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

BATTLE CREEK-IDA GROVE COMMUNITY SCHOOL DISTRICT
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
YEAR ENDED JUNE 30, 2010

Account	Balance Beginning of Year	Revenues	Expendi- tures	Intra- Fund Transfers	Balance End of Year
Coed athletics	\$ 23,321	898	9,234	(290)	14,695
Cross country	214	-	734	693	173
Falcons boy's basketball	459	1,344	1,406	-	397
Falcon football	1,956	1,502	1,048	700	3,110
HS Falcon baseball	658	-	-	-	658
Falcons boys track	698	198	1,302	503	97
Falcon High School Bowling	1,618	1,681	1,334	-	1,965
Falcon boys golf	50	409	407	175	227
Falcon wrestling	2,111	3,599	4,806	750	1,654
Falcon girls basketball	1,826	-	890	-	936
Falcon volleyball	474	1,830	648	-	1,656
Falcon girls softball	1,437	3,349	2,282	-	2,504
Falcon girls track	805	198	608	(347)	48
Falcon girls golf	191	-	-	175	366
Tag scholarship	-	-	-	180	180
Tag video	-	-	-	641	641
Outdoor classroom	1,856	-	1,856	-	-
Concessions	288	29,627	21,796	(8,119)	-
Interest	-	179	-	-	179
Class of 2010	1,400	972	1,905	-	467
Class of 2011	-	16,273	14,663	63	1,673
Class of 2012	294	376	201	-	469
Class of 2013	215	-	-	-	215
Class of 2014	259	-	-	-	259
Class of 2015	170	-	-	-	170
Class of 2016	64	-	-	-	64
OA/BCIG coed athletics	-	95,345	70,705	2,336	26,976
IGE fundraising	-	-	14	14	-
IG elementary book fair	1,178	3,197	4,375	-	-
MS sports	8,314	-	2,718	-	5,596
Intermediate special pop	936	-	936	-	-
Intermediate carnival	1,841	-	787	(14)	1,040
MS art club	30	-	-	-	30
MS book fair club	820	1,599	2,419	-	-
MS student council	2,029	-	77	-	1,952
HS drama	4,234	-	-	(4,234)	-
HS vocal	283	500	611	648	820
HS band	2,732	7,265	6,741	522	3,778
HS Band equipment	1,204	-	1,204	-	-
Cheerleaders	3,782	466	2,102	(2,095)	51
Drill team	5,323	-	5,107	2,201	2,417
Senior memories	529	3,474	2,826	-	1,177
Quiz bowl fund	901	-	180	113	834
HS Art club	696	775	1	113	1,583
Future leaders of america	855	3,173	3,025	(16)	987
National Honor Society	2,696	-	(51)	(673)	2,074
Spanish club	2,078	-	2,100	450	428
HS book fair	424	-	424	-	-
HS student council	4,083	5,346	4,569	689	5,549
FFA	-	49,673	24,353	282	25,602
OA/BCIG cheerleaders	-	3,744	1,836	2,657	4,565
OA/BCIG drama	-	5,705	1,045	4,008	8,668
OA/BCIG dance team	-	14,885	10,990	(1,676)	2,219
OA/BCIG NHS	-	9,750	7,822	(449)	1,479
Total	\$ 85,332	267,332	222,036	-	130,628

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

BATTLE CREEK-IDA GROVE COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 CAPITAL PROJECTS FUNDS
 JUNE 30, 2010

	Statewide Sales and Service Tax		
	Woodbury County	Ida and Crawford Counties	Total Capital Projects Funds
ASSETS			
Cash and pooled investments	\$ 35,816	635,740	671,556
Receivables:			
Interfund	-	-	-
Due from other governments	761	231,327	232,088
TOTAL ASSETS	\$ 36,577	867,067	903,644
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ -	205,888	205,888
Fund balances:			
Unreserved	36,577	661,179	697,756
Total fund balances	36,577	661,179	697,756
TOTAL LIABILITIES AND FUND BALANCES	\$ 36,577	867,067	903,644

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

BATTLE CREEK-IDA GROVE COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 CAPITAL PROJECTS FUNDS
 YEAR ENDED JUNE 30, 2010

	Statewide Sales and Service Tax		
	Woodbury County	Ida and Crawford Counties	Total Capital Projects Funds
REVENUES:			
Local sources:			
Local tax	\$ 5,301	476,300	481,601
TOTAL REVENUES	<u>5,301</u>	<u>476,300</u>	<u>481,601</u>
EXPENDITURES:			
Current:			
Support services:			
Instructional staff	-	10,552	10,552
Operation and maintainance of plant	-	6,000	6,000
Other expenditures:			
Facilities acquisitions	-	776,435	776,435
TOTAL EXPENDITURES	<u>-</u>	<u>792,987</u>	<u>792,987</u>
Excess (deficiency) of revenues over (under) expenditures	5,301	(316,687)	(311,386)
Other financing sources(uses):			
Issuance of bonds	-	600,000	600,000
Transfer out	-	(4,500)	(4,500)
Total other financing sources(uses)	<u>-</u>	<u>595,500</u>	<u>595,500</u>
Net change in fund balances	5,301	278,813	284,114
Fund balance beginning of year	<u>31,276</u>	<u>382,366</u>	<u>413,642</u>
Fund balance end of year	<u>\$ 36,577</u>	<u>661,179</u>	<u>697,756</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

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

	Modified Accrual Basis						
	Years Ended June 30,						
	2010	2009	2008	2007	2006	2005	2004
Revenues:							
Local sources:							
Local tax	\$ 3,369,800	2,898,063	2,672,242	2,616,624	2,564,373	2,299,301	2,123,977
Tuition	371,539	393,603	383,799	380,045	300,685	323,148	316,081
Other	1,073,640	480,107	409,600	468,740	430,455	402,431	307,577
State sources	2,920,947	3,418,749	3,350,240	3,233,158	3,166,741	3,091,914	3,046,556
Federal sources	574,536	231,666	170,078	175,486	214,114	190,284	206,952
Total	<u>\$ 8,310,462</u>	<u>7,422,188</u>	<u>6,985,959</u>	<u>6,874,053</u>	<u>6,676,368</u>	<u>6,307,078</u>	<u>6,001,143</u>
Expenditures:							
Current:							
Instruction:							
Regular	\$ 3,278,275	2,885,135	2,834,221	2,791,135	2,685,879	2,554,133	2,516,048
Special	849,285	833,349	830,788	788,325	823,163	889,485	892,439
Other	945,366	886,965	723,737	715,866	706,376	493,172	467,234
Support services:							
Student	160,926	113,074	113,476	159,825	150,047	137,394	137,103
Instructional staff	313,285	359,992	330,225	313,868	293,904	263,161	214,155
Administration	554,948	603,513	637,155	649,696	646,404	628,141	619,820
Operation and maintenance of plant	605,919	620,908	690,685	683,858	674,114	607,453	547,542
Transportation	381,100	319,064	361,473	366,948	358,952	265,725	284,302
Other expenditures:							
Facilities acquisitions	797,419	425,984	266,409	315,829	172,932	207,088	29,538
Long-term debt:							
Interest	4,500	-	-	-	-	-	-
AEA flow-through	264,023	244,531	239,274	233,619	227,081	226,110	231,726
Total	<u>\$ 8,155,046</u>	<u>7,292,515</u>	<u>7,027,443</u>	<u>7,018,969</u>	<u>6,738,852</u>	<u>6,271,862</u>	<u>5,939,907</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

BATTLE CREEK-IDA GROVE COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2010

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	PROGRAM EXPENDITURES
INDIRECT:			
DEPARTMENT OF AGRICULTURE:			
IOWA DEPARTMENT OF EDUCATION:			
SCHOOL NUTRITION CLUSTER PROGRAMS:			
SCHOOL BREAKFAST PROGRAM	10.553	FY 10	14,264
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY 10	131,024 *
			145,288
COOPERATIVE EXTENSION SERVICE	10.500	FY 10	902
DEPARTMENT OF EDUCATION:			
IOWA DEPARTMENT OF EDUCATION:			
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	FY 10	83,627
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES, RECOVERY ACT	84.389	FY 09	9,243
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES, RECOVERY ACT	84.389	FY 10	27,729
			120,599
ARRA - STATE FISCAL STABILIZATION FUND (SFSF) - EDUCATION STATE GRANTS, RECOVERY ACT	84.394	FY 10	300,433
SAFE AND DRUG-FREE SCHOOLS AND COMMUNITIES - STATE GRANTS	84.186	FY 10	2,207
IMPROVING TEACHER QUALITY STATE GRANTS (TITLE IIA)	84.367	FY 10	27,659
GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES (TITLE VI A)	84.369	FY 10	4,459
AREA EDUCATION AGENCY:			
SPECIAL EDUCATION - GRANTS TO STATES (PART B)	84.027	FY 10	33,524
SPECIAL EDUCATION - PRESCHOOL GRANTS	84.173	FY 10	1,255
SPECIAL EDUCATION - GRANTS TO STATES (PART B), RECOVERY ACT	84.391	FY 09	18,333
SPECIAL EDUCATION - GRANTS TO STATES (PART B), RECOVERY ACT	84.391	FY 10	45,901
			99,013
CAREER AND TECHNICAL EDUCATION - BASIC GRANTS TO STATES	84.048	FY 10	625
TOTAL			\$ 701,185

* -Includes \$21,255 in non-cash awards.

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of the Battle Creek-Ida Grove Community School District and is presented in conformity with the accrual or modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

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Telephone (641) 792-1910

Independent Auditor's Report on Internal Control over Financial Reporting and
on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

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

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Battle Creek-Ida Grove Community School District as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 2, 2011. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Battle Creek-Ida Grove Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Battle Creek-Ida Grove Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Battle Creek-Ida Grove Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting we consider to be a material weakness and other deficiencies we consider to be significant deficiencies.

A deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-A-10 to be a material weakness.

A significant deficiency is a deficiency or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part II of the accompanying Schedule of Findings and Questioned costs as items II-B-10 and II-C-10 to be a significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Battle Creek-Ida Grove Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2010 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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

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

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Battle Creek-Ida Grove Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.


NOLTE, CORNMAN & JOHNSON, P.C.

March 2, 2011

NOLTE, CORNMAN & JOHNSON P.C.
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Independent Auditor's Report on Compliance with Requirements Applicable
to Each Major Program and on Internal Control over Compliance
in Accordance with OMB Circular A-133

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

Compliance

We have audited the compliance of Battle Creek-Ida Grove Community School District with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2010. Battle Creek-Ida Grove Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Battle Creek-Ida Grove Community School District's management. Our responsibility is to express an opinion on Battle Creek-Ida Grove Community School District's compliance based on our audit.

We conducted our audit on compliance in accordance with U.S. generally accepted accounting standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Battle Creek-Ida Grove Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Battle Creek-Ida Grove Community School District's compliance with those requirements.

In our opinion, Battle Creek-Ida Grove Community School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

The management of Battle Creek-Ida Grove Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Battle Creek-Ida Grove Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Battle Creek-Ida Grove Community School District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as discussed below, we identified a deficiency in internal control over compliance that we consider to be a material weakness.

A deficiency in the District's internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-A-10 to be a material weakness.

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

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


NOLTE, CORNMAN & JOHNSON, P.C.

March 2, 2011

BATTLE CREEK-IDA GROVE COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2010

Part I: Summary of the Independent Auditor's Results

- (a) Unqualified opinions were issued on the financial statements.
- (b) A significant deficiency and material weakness in internal control over financial reporting was disclosed by the audit of the financial statements.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) A material weakness in internal control over major programs was disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit did not disclose any audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).

(g) Major program was as follows:

CDFA Number 84.389 - ARRA - State Fiscal Stabilization Fund(SFSF) State Grants, Recovery Act

Clustered Programs:

CFDA Number 10.555 - National School Lunch Program

CFDA Number 10.553 - School Breakfast Program

- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Battle Creek-Ida Grove Community School District did not qualify as a low-risk auditee.

Part II: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

II-A-10 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal were all done by the same person.

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

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

Conclusion - Response accepted.

II-B-10 Gate Admissions - It was noted that the District does not utilize 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 - The administration and activities director will meet to establish procedures for ticket taking and handling of cash at activity events.

Conclusion - Response accepted.

II-C-10 Student Activity Fund-Fundraisers- We noted during our audit that the National Honor Society and High School Student Council matched student raised donations for Haitian Relief.

Recommendation- Money in student fundraised accounts can only be used for the purpose that it was fundraised for. If these organizations wish to donate to these groups then they need to fundraise for that purpose.

Response - Procedures for fundraisers have been reviewed. The superintendent now reviews all fund raiser forms and the building principals have been made aware of the policies that monitor fund raising activities.

Conclusion - Response accepted.

OTHER MATTERS:

II-D-10 Student Activity Fund-Fundraisers - We noted during our audit that the District maintains fundraisers in the Student Activity Fund. All fundraisers are currently approved by the principal; however, we recommend that all fundraisers be approved by Board.

Recommendation - The District should review procedures in place. The board should approve fundraisers.

Response - In the process of reviewing fundraising forms, the superintendent now maintains a list of ongoing fundraising activities and will present this information to the board.

Conclusion - Response accepted.

II-E-10 Student Activity Fund - We noted during our audit that the Student Activity Fund earned interest. However, this interest was not allocated out the various accounts at year end.

Recommendation- Interest in the Student Activity Fund should be allocated among the various accounts by the end of the year.

Response - Interest in the student activity fund will be allocated prior to fiscal year end.

Conclusion - Response accepted.

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

CFDA Number 10.553 - School Breakfast Program
CFDA Number 10.555 - National School Lunch Program Education
Federal Award Year: 2010
U.S. Department of Agriculture
Passed through the Iowa Department of Education

CFDA Number 84.394: ARRA - State Fiscal Stabilization Fund (SFSF) Education State Grants,
Recovery Act
Federal Award Year: 2010
Department of Education
Passed through the Iowa Department of Education

III-A-10 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal were all done by the same person.

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

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

Conclusion - Response accepted.

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-10 Certified Budget - District disbursements for the year ended June 30, 2010, did not exceed the amount budgeted.

IV-B-10 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.

IV-C-10 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.

IV-D-10 Business Transactions - Business transactions between the District and District officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Jack Weber, Custodian Owner, Jack's Radiator Repair	Parts and repairs	\$ 112
Roger Walter, General Maintenance Director Owner, Walter Construction	Renovation projects	\$ 20,355
Eric Wells, Band Director	DJ Services	\$ 600

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

IV-E-10 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

IV-F-10 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

IV-G-10 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.

IV-H-10 Supplementary Weighting - No variance regarding the supplementary weighting certified to the Iowa Department of Education were noted.

IV-I-10 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.

IV-J-10 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.

IV-K-10 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.

IV-L-10 Statewide Sales and Services Tax - No instances of non-compliance with the use of the statewide sales and services tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

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, 2010, the District's financial activity and other required information for the statewide sales and services tax are as follows:

Beginning Balance		\$	-
Statewide sales and services tax revenue			<u>481,601</u>
Expenditures/transfers out:			
School infrastructures:			
Buildings	\$	343,807	
Equipment		133,294	
Debt service for school infrastructure:			
Revenue debt		<u>4,500</u>	481,601
Ending Balance		\$	<u><u>-</u></u>

As a result of the statewide sales, services and use tax revenue received during the year ended June 30, 2010 the District reduced the following levies:

	<u>Per \$1,000 of Taxable Valuation</u>	<u>Property Tax Dollars</u>
Physical Plant and Equipment Levy	\$ 0.92387	\$ 179,270