

BATTLE CREEK-IDA GROVE COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2011

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Battle Creek-Ida Grove Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
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	2011
Kathy Leonard	District Secretary/ Business Manager	2011
Rick Franck	Attorney	2011

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, business type activities, each major fund and the aggregate remaining fund information of the Battle Creek-Ida Grove Community School District, Ida Grove, Iowa as of and for the year ended June 30, 2011, 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, 2011, and the respective changes in financial position and cash flows, where applicable, for the year ended in conformity with U.S. generally accepted accounting principles.

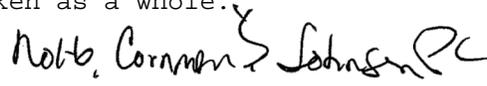
In accordance with Government Auditing Standards, we have also issued our report dated February 22, 2012 on our consideration of the Battle Creek-Ida Grove Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, 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

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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 seven years ended June 30, 2010 (which are not presented herein) and expressed an unqualified opinion on those financial statements. Other supplementary information included in Schedules 1 through 6, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in 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.

February 22, 2012

Battle Creek - Ida Grove Community School District

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, 2011. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2011 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$7,206,580 in fiscal 2010 to \$7,613,872 in fiscal 2011, while General Fund expenditures increased from \$6,835,062 in fiscal 2010 to \$7,058,198 in fiscal 2011. This resulted in an increase in the District's General Fund balance from \$908,125 in fiscal 2010 to a balance of \$1,463,799 in fiscal 2011, a 61.19% increase over the prior year.
- The fiscal year 2011 General Fund revenue increase was attributable to increases in local and state sources revenues. The increase in expenditures was due primarily to increases in the regular and special instruction and support services functional areas.
- The District's solvency ratio increased from 10.85% at June 30, 2010 to 16.80% at June 30, 2011.

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 governmental funds.

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

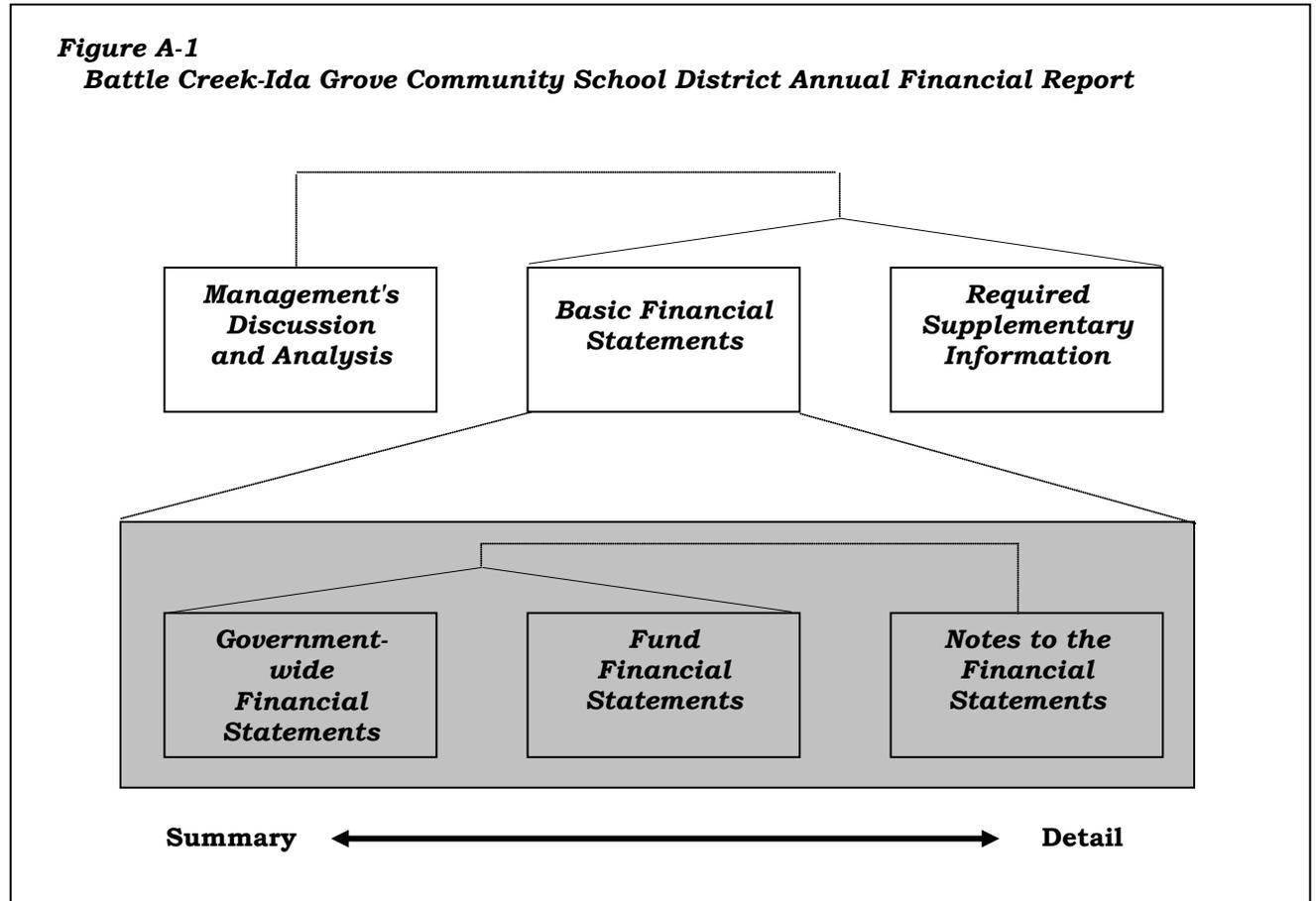


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2011 compared to June 30, 2010.

Figure A-3
Condensed Statement of Net Assets

	Governmental		Business type		Total		Total Change June, 30 2010-11
	Activities		Activities		School District		
	June 30,		June 30,		June 30,		
	2011	2010	2011	2010	2011	2010	
Current and other assets	\$ 6,983,388	6,565,831	56,059	71,140	7,039,447	6,636,971	6.06%
Capital assets	2,523,416	2,691,727	24,298	27,542	2,547,714	2,719,269	-6.31%
Total assets	9,506,804	9,257,558	80,357	98,682	9,587,161	9,356,240	2.47%
Long-term obligations	471,447	797,973	-	-	471,447	797,973	-40.92%
Other liabilities	4,067,147	4,027,667	6,783	5,766	4,073,930	4,033,433	1.00%
Total liabilities	4,538,594	4,825,640	6,783	5,766	4,545,377	4,831,406	-5.92%
Net assets:							
Invested in capital assets, net of related debt	2,123,416	2,091,727	24,298	27,542	2,147,714	2,119,269	1.34%
Restricted	1,352,211	1,356,984	-	-	1,352,211	1,356,984	-0.35%
Unrestricted	1,492,583	983,207	49,276	65,374	1,541,859	1,048,581	47.04%
Total net assets	\$ 4,968,210	4,431,918	73,574	92,916	5,041,784	4,524,834	11.42%

The District's combined net assets increased by 11.42%, or \$516,950 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 decreased \$4,773, or 0.35% over the prior year. The decrease was primarily a result of the District decrease in the Special Revenue, Management Levy Fund, and the Capital Projects Funds 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 \$493,278, or 47.04%. 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, 2011 compared to June 30, 2010.

Figure A-4
Changes of Net Assets

	Governmental		Business type		Total		Total
	Activities		Activities		School District		Change
	2011	2010	2011	2010	2011	2010	2010-11
Revenues:							
Program revenues:							
Charges for services	\$ 1,287,788	1,361,701	139,819	134,950	1,427,607	1,496,651	-4.61%
Operating grants and contributions and restricted interest	701,627	1,322,403	168,607	154,360	870,234	1,476,763	-41.07%
Capital grants, contributions and restricted interest	2,400	-	-	-	2,400	-	100.00%
General revenues:							
Property tax	2,747,469	2,642,397	-	-	2,747,469	2,642,397	3.98%
Income surtax	248,803	268,367	-	-	248,803	268,367	-7.29%
Statewide sales and services tax	337,613	481,601	-	-	337,613	481,601	-29.90%
Unrestricted state grants	2,960,335	2,213,237	-	-	2,960,335	2,213,237	33.76%
Nonspecific program federal grants	131,152	-	-	-	131,152	-	100.00%
Unrestricted investment earnings	3,824	19,460	72	94	3,896	19,554	-80.08%
Other	135,383	23,861	1,587	42	136,970	23,903	473.02%
Total revenues	8,556,394	8,333,027	310,085	289,446	8,866,479	8,622,473	2.83%
Program expenses:							
Governmental activities:							
Instruction	5,274,318	5,235,113	17,883	12,309	5,292,201	5,247,422	0.85%
Support services	2,364,785	2,030,738	1,197	2,131	2,365,982	2,032,869	16.39%
Non-instructional programs	-	-	310,347	281,224	310,347	281,224	10.36%
Other expenses	380,999	435,224	-	-	380,999	435,224	-12.46%
Total expenses	8,020,102	7,701,075	329,427	295,664	8,349,529	7,996,739	4.41%
Changes in net assets	536,292	631,952	(19,342)	(6,218)	516,950	625,734	-17.39%
Beginning net assets, as restated	4,431,918	3,799,966	92,916	99,134	4,524,834	3,899,100	16.05%
Ending net assets	\$ 4,968,210	4,431,918	73,574	92,916	5,041,784	4,524,834	11.42%

In fiscal 2011, Property tax, income surtax, statewide sales and services tax, nonspecific program federal grants, and unrestricted state grants account for 75.09% of the revenue from governmental activities. The District's expenses primarily relate to instruction and support services which account for 91.72% of the total expenses. Charges for services and operating grants and contributions accounted for 99.46% of the revenue for the business type activities.

The District's total revenue was \$8,866,479, of which \$8,556,394 was for governmental activities and \$310,085 was for business type activities.

As shown, in Figure A-4, the District as a whole experienced 2.83% increase in revenues and an increase of 4.41% in expenditures. The increases in revenues were related to the unrestricted state grants which increased by \$747,098. The increases in expenditures can be attributed to increases in the negotiated salaries and benefits.

Governmental Activities

Revenues for governmental activities were \$8,556,394 and expenses were \$8,020,102 for the year ended June 30, 2011.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses, for the year ended June 30, 2011 compared to the year ended June 30, 2010.

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2011	2010	Change 2010-11	2011	2010	Change 2010-11
Instruction	\$ 5,274,318	5,235,113	0.75%	3,616,731	2,831,804	27.72%
Support services	2,364,785	2,030,738	16.45%	2,296,887	2,013,966	14.05%
Other expenses	380,999	435,224	-12.46%	114,669	171,201	-33.02%
Totals	<u>\$ 8,020,102</u>	<u>7,701,075</u>	<u>4.14%</u>	<u>6,028,287</u>	<u>5,016,971</u>	<u>20.16%</u>

For the year ended June 30, 2011:

- The cost financed by users of the District's programs was \$1,287,788.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$704,027.
- The net cost of governmental activities was financed with \$2,747,469 in property tax, \$248,803 in income surtax, \$337,613 in statewide sales and services tax, \$2,960,335 in unrestricted state grants, \$131,152 in nonspecific program federal grants, \$3,824 in interest income and \$135,383 in other general revenue.

Business type Activities

Revenues of the District's business type activities were \$310,085 and expenses were \$329,427. 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 \$2,669,017, over last year's ending fund balances of a \$2,319,040. The primary reason for the increase in combined fund balances in fiscal 2011 is due to the increase in the General Fund.

Governmental Fund Highlights

- The District's General Fund financial position increased from \$908,125 at June 30, 2010 to \$1,463,799 at June 30, 2011 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.
- Due to the reclassification by GASB 54, the Capital Projects Fund now includes the Physical Plant and Equipment Levy Fund as well as the Statewide Sales, Services and Use Tax Fund. The Statewide Sales, Services and Use Tax Fund balance decreased from

\$697,756 at June 30, 2010, to \$650,375 at June 30, 2011. The Physical Plant and Equipment Levy Fund balance decreased from \$236,706 at June 30, 2010 to \$181,913 at June 30, 2011.

Proprietary Fund Highlights

The School Nutrition Fund net assets decreased from \$84,658 at June 30, 2010 to \$63,002 at June 30, 2011, representing a decrease of 25.58%. The Day Care Fund net assets increased from \$8,258 at June 30, 2010 to \$10,572 at June 30, 2011, representing an increase of 28.02%.

BUDGETARY HIGHLIGHTS

The District's revenues were \$383,047 less than budgeted revenues, a variance of 4.15%. The most significant variance resulted from the District receiving less in local and state revenue 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, 2011, the District had invested \$2,547,714, 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 decrease of 6.31% over last year. More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$253,519.

The original cost of the District's capital assets was \$7,594,121. Governmental funds account for \$7,505,165 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 machinery and equipment category. The District's machinery and equipment totaled \$378,051 at June 30, 2011, compared to \$500,634 reported at June 30, 2010. This decrease resulted from the current year depreciation expense.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental		Business type		Total		Total Change
	Activities		Activities		School District		
	June 30,		June 30,		June 30,		
	2011	2010	2011	2010	2011	2010	2010-11
Land	\$ 124,260	124,260	-	-	124,260	124,260	0.00%
Buildings	1,795,987	1,822,080	-	-	1,795,987	1,822,080	-1.43%
Land improvements	249,416	272,295	-	-	249,416	272,295	-8.40%
Machinery and equipment	353,753	473,092	24,298	27,542	378,051	500,634	-24.49%
Total	\$ 2,523,416	2,691,727	24,298	27,542	2,547,714	2,719,269	-6.31%

Long-Term Debt

At June 30, 2011, the District had \$471,447 in other long-term debt outstanding. This represents a decrease of 40.92% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 6 to the financial statements.

The District also had outstanding Revenue Bonds payable from the Capital Projects Fund of \$400,000 at June 30, 2011.

The District had early retirement payable of \$37,587 at June 30, 2011.

The District had a net OPEB liability payable of \$33,860 as of June 30, 2011.

Figure A-7
Outstanding Long-Term Obligations

	Total School District		Total Change
	June 30,		June 30,
	2011	2010	2010-11
Revenue Bonds	\$ 400,000	600,000	-33.33%
Early Retirement	37,587	180,076	-79.13%
OPEB Liability	33,860	17,897	89.19%
Total	\$ 471,447	797,973	-40.92%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- The District has experienced declining enrollment for several years and while district projections show enrollment leveling off for a few years, declining or no increase in enrollment in a rural district such as Battle Creek Ida Grove 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 have negatively impacted the district's spending authority in the past. Even though the District showed an increase in unspent budget authority for a second consecutive year, contractual increases and program changes cannot be made without thorough consideration of our unspent budget authority.
- In 2010-2011 the district was in its second 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 \$40,000 in payroll costs.
- In 2010-2011, the District was in its second year of sharing a superintendent with Odebolt-Arthur. In addition to receiving state incentive money for sharing, the District saved approximately \$50,000 in payroll costs.

-
- The board developed a plan whereby the Early Childhood building has been closed. The board voted to close the Battle Creek attendance center effective the end of the 2011-2012 school year. This will provide additional savings to the General Fund and strengthen the education program by housing all Pre-Kindergarten to 5th grade students in one attendance center. Headstart and Northwest AEA continue to rent space from the District in different attendance centers generating additional general fund revenue.
 - The administration and the board are constantly re-evaluating programs in an effort to reduce expenditures and yet maintain a quality education program. The board voted in February 2-11 to include sixth grade as part of the whole grade sharing agreement to generate more sharing incentive money from the state and create more staff efficiencies.
 - The increase in general fund revenue in 2010-2011 can also be attributed to increase in property tax, state foundation aid; preschool state aid and approximately \$116,700 received from the Microsoft Settlement. (The Microsoft money enabled the District to purchase additional technology at all grade levels.)
 - The Board of Directors called for the development of a reorganization petition at the April 26, 2011 regular meeting. The petition would ask for the reorganization election with Odebolt-Arthur to be held September 13, 2011 with effective date of July 1, 2012.

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, 2011

	Governmental Activities	Business type Activities	Total
Assets			
Cash and pooled investments	\$ 3,342,246	75,835	3,418,081
Receivables:			
Property tax:			
Delinquent	38,970	-	38,970
Succeeding year	2,888,260	-	2,888,260
Income surtax	253,474	-	253,474
Interfund	28,144	(28,144)	-
Accounts	12,281	-	12,281
Due from other governments	420,013	-	420,013
Inventories	-	8,368	8,368
Capital assets, net of accumulated depreciation	2,523,416	24,298	2,547,714
Total assets	9,506,804	80,357	9,587,161
Liabilities			
Accounts payable	382,925	244	383,169
Salaries and benefits payable	706,301	2,913	709,214
Interest payable	6,250	-	6,250
Deferred revenue:			
Succeeding year property tax	2,888,260	-	2,888,260
Other	83,411	-	83,411
Unearned revenue	-	3,626	3,626
Long-term liabilities:			
Portion due within one year:			
Early retirement payable	37,587	-	37,587
Revenue bonds payable	200,000	-	200,000
Portion due after one year:			
Revenue bonds payable	200,000	-	200,000
Net OPEB liability	33,860	-	33,860
Total liabilities	4,538,594	6,783	4,545,377
Net assets			
Invested in capital assets, net of related debt	2,123,416	24,298	2,147,714
Restricted for:			
Categorical funding	184,580	-	184,580
Management levy	181,682	-	181,682
Student activities	153,661	-	153,661
School infrastructure	650,375	-	650,375
Physical plant and equipment levy	181,913	-	181,913
Unrestricted	1,492,583	49,276	1,541,859
Total net assets	\$ 4,968,210	73,574	5,041,784

SEE NOTES TO FINANCIAL STATEMENTS

BATTLE CREEK-IDA GROVE COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2011

	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	\$ 3,432,758	866,097	101,942	-	(2,464,719)	-	(2,464,719)
Special	954,584	103,826	89,016	-	(761,742)	-	(761,742)
Other	886,976	254,786	241,920	-	(390,270)	-	(390,270)
	<u>5,274,318</u>	<u>1,224,709</u>	<u>432,878</u>	<u>-</u>	<u>(3,616,731)</u>	<u>-</u>	<u>(3,616,731)</u>
Support services:							
Student	168,576	-	-	-	(168,576)	-	(168,576)
Instructional staff	444,564	-	2,076	-	(442,488)	-	(442,488)
Administration	523,584	-	-	-	(523,584)	-	(523,584)
Operation and maintenance of plant	850,152	33,950	-	2,400	(813,802)	-	(813,802)
Transportation	377,909	29,129	343	-	(348,437)	-	(348,437)
	<u>2,364,785</u>	<u>63,079</u>	<u>2,419</u>	<u>2,400</u>	<u>(2,296,887)</u>	<u>-</u>	<u>(2,296,887)</u>
Other expenses:							
Long-term debt interest	13,875	-	-	-	(13,875)	-	(13,875)
AEA flowthrough	266,330	-	266,330	-	-	-	-
Depreciation(unallocated)*	100,794	-	-	-	(100,794)	-	(100,794)
	<u>380,999</u>	<u>-</u>	<u>266,330</u>	<u>-</u>	<u>(114,669)</u>	<u>-</u>	<u>(114,669)</u>
Total governmental activities	8,020,102	1,287,788	701,627	2,400	(6,028,287)	-	(6,028,287)
Business Type activities:							
Instruction:							
Regular	17,883	13,058	7,139	-	-	2,314	2,314
Support services:							
Operation and maintenance of plant	1,197	-	-	-	-	(1,197)	(1,197)
Non-instructional programs:							
Nutrition	310,347	126,761	161,468	-	-	(22,118)	(22,118)
Total business type activities	329,427	139,819	168,607	-	-	(21,001)	(21,001)
Total	\$ 8,349,529	1,427,607	870,234	2,400	(6,028,287)	(21,001)	(6,049,288)
General Revenues:							
Local tax for:							
General purposes					\$ 2,599,907	-	2,599,907
Capital outlays					147,562	-	147,562
Income surtax					248,803	-	248,803
Statewide sales and services tax					337,613	-	337,613
Unrestricted state grants					2,960,335	-	2,960,335
Nonspecific program federal grants					131,152	-	131,152
Unrestricted investment earnings					3,824	72	3,896
Other general revenues					135,383	1,587	136,970
Total general revenues					<u>6,564,579</u>	<u>1,659</u>	<u>6,566,238</u>
Changes in net assets					536,292	(19,342)	516,950
Net assets beginning of year					<u>4,431,918</u>	<u>92,916</u>	<u>4,524,834</u>
Net assets end of year					<u>\$ 4,968,210</u>	<u>73,574</u>	<u>5,041,784</u>

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

SEE NOTES TO FINANCIAL STATEMENTS

BATTLE CREEK-IDA GROVE COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2011

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
Assets				
Cash and pooled investments	\$ 2,197,062	767,737	377,447	3,342,246
Receivables:				
Property tax:				
Delinquent	35,138	2,055	1,777	38,970
Succeeding year	2,567,227	196,033	125,000	2,888,260
Income surtax	181,053	72,421	-	253,474
Interfund	28,144	-	-	28,144
Accounts	11,725	-	556	12,281
Due from other governments	339,639	80,374	-	420,013
Total assets	\$ 5,359,988	1,118,620	504,780	6,983,388
Liabilities and Fund Balances				
Liabilities				
Accounts payable	358,197	17,878	6,850	382,925
Salaries and benefits payable	706,301	-	-	706,301
Deferred revenue:				
Succeeding year property tax	2,567,227	196,033	125,000	2,888,260
Income surtax	181,053	72,421	-	253,474
Other	83,411	-	-	83,411
Total liabilities	3,896,189	286,332	131,850	4,314,371
Fund balances:				
Restricted for:				
Categorical funding	184,580	-	-	184,580
Management levy purposes	-	-	219,269	219,269
Student activities	-	-	153,661	153,661
School infrastructure	-	650,375	-	650,375
Physical plant and equipment	-	181,913	-	181,913
Unassigned	1,279,219	-	-	1,279,219
Total fund balances	1,463,799	832,288	372,930	2,669,017
Total liabilities and fund balances	\$ 5,359,988	1,118,620	504,780	6,983,388

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, 2011

Total fund balances of governmental funds(page 20)	\$ 2,669,017
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in in the governmental funds.	2,523,416
Accounts receivable income surtax, are not yet available to finance expenditures of the current period.	253,474
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.	(6,250)
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>(471,447)</u>
Net assets of governmental activities(page 18)	<u><u>\$ 4,968,210</u></u>

BATTLE CREEK-IDA GROVE COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2011

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
Revenues:				
Local sources:				
Local tax	\$ 2,633,374	548,626	125,160	3,307,160
Tuition	350,538	-	-	350,538
Other	855,506	2,400	245,543	1,103,449
State sources	3,405,209	-	-	3,405,209
Federal sources	363,313	-	-	363,313
Total revenues	<u>7,607,940</u>	<u>551,026</u>	<u>370,703</u>	<u>8,529,669</u>
Expenditures:				
Current:				
Instruction:				
Regular	3,329,872	-	199,952	3,529,824
Special	950,589	-	-	950,589
Other	673,893	-	195,718	869,611
	<u>4,954,354</u>	<u>-</u>	<u>395,670</u>	<u>5,350,024</u>
Support services:				
Student	143,011	-	25,565	168,576
Instructional staff	374,161	79,003	-	453,164
Administration	510,044	-	16,854	526,898
Operation and maintenance of plant	501,445	-	29,423	530,868
Transportation	308,853	1,000	6,714	316,567
	<u>1,837,514</u>	<u>80,003</u>	<u>78,556</u>	<u>1,996,073</u>
Other expenditures:				
Facilities acquisitions	-	363,594	-	363,594
Long-term debt:				
Principal	-	-	200,000	200,000
Interest and fiscal charges	-	-	15,250	15,250
AEA flowthrough	266,330	-	-	266,330
	<u>266,330</u>	<u>363,594</u>	<u>215,250</u>	<u>845,174</u>
Total expenditures	<u>7,058,198</u>	<u>443,597</u>	<u>689,476</u>	<u>8,191,271</u>
Excess(deficiency) of revenues over(under) expenditures	549,742	107,429	(318,773)	338,398
Other financing sources(uses):				
Sale of equipment	5,932	5,647	-	11,579
Transfers in	-	-	215,250	215,250
Transfers out	-	(215,250)	-	(215,250)
Total other financing sources(uses)	<u>5,932</u>	<u>(209,603)</u>	<u>215,250</u>	<u>11,579</u>
Net change in fund balances	555,674	(102,174)	(103,523)	349,977
Fund balance beginning of year, as restated	908,125	934,462	476,453	2,319,040
Fund balance end of year	<u>\$ 1,463,799</u>	<u>832,288</u>	<u>372,930</u>	<u>2,669,017</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
 YEAR ENDED JUNE 30, 2011

Net change in fund balances - total governmental funds(page 22) \$ 349,977

**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	\$ 81,964	
Depreciation expense	<u>(250,275)</u>	(168,311)

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. 200,000

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. 1,375

Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds. 26,725

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	142,489	
Other postemployment benefits	<u>(15,963)</u>	<u>126,526</u>

Changes in net assets of governmental activities(page 19) \$ 536,292

BATTLE CREEK-IDA GROVE COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2011

	School Nutrition	Day Care	Total
Assets			
Cash and pooled investments	\$ 62,350	13,485	75,835
Inventories	8,368	-	8,368
Capital assets, net of accumulated depreciation	24,298	-	24,298
Total assets	95,016	13,485	108,501
Liabilities			
Interfund payable	28,144	-	28,144
Accounts payable	244	-	244
Salaries and benefits payable	-	2,913	2,913
Unearned revenue	3,626	-	3,626
Total liabilities	32,014	2,913	34,927
Net Assets			
Invested in capital assets	24,298	-	24,298
Unrestricted	38,704	10,572	49,276
Total net assets	\$ 63,002	10,572	73,574

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, 2011

	School Nutrition	Day Care	Total
Operating revenues:			
Local sources:			
Charges for services	\$ 126,761	13,058	139,819
Miscellaneous	1,587	-	1,587
Total operating revenue	<u>128,348</u>	<u>13,058</u>	<u>141,406</u>
Operating expenses:			
Instruction:			
Regular:			
Salaries	-	15,599	15,599
Benefits	-	2,284	2,284
	<u>-</u>	<u>17,883</u>	<u>17,883</u>
Support services:			
Operation and maintenance of plant Services	1,197	-	1,197
Non-instructional programs:			
Food service operations:			
Salaries	118,255	-	118,255
Benefits	17,241	-	17,241
Services	2,670	-	2,670
Supplies	168,904	-	168,904
Other	33	-	33
Depreciation	3,244	-	3,244
	<u>310,347</u>	<u>-</u>	<u>310,347</u>
Total operating expenses	<u>311,544</u>	<u>17,883</u>	<u>329,427</u>
Operating loss	<u>(183,196)</u>	<u>(4,825)</u>	<u>(188,021)</u>
Non-operating revenues:			
State sources	2,923	7,139	10,062
Federal sources	158,545	-	158,545
Interest on investments	72	-	72
Total non-operating revenues	<u>161,540</u>	<u>7,139</u>	<u>168,679</u>
Changes in net assets	(21,656)	2,314	(19,342)
Net assets beginning of year	<u>84,658</u>	<u>8,258</u>	<u>92,916</u>
Net assets end of year	<u>\$ 63,002</u>	<u>10,572</u>	<u>73,574</u>

SEE NOTES TO FINANCIAL STATEMENTS

BATTLE CREEK-IDA GROVE COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2011

	School Nutrition	Day Care	Total
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	\$ 126,718	-	126,718
Cash received from miscellaneous	1,587	13,058	14,645
Cash payments to employees for services	(135,270)	(16,845)	(152,115)
Cash payments to suppliers for goods or services	(145,921)	-	(145,921)
Net cash used in operating activities	<u>(152,886)</u>	<u>(3,787)</u>	<u>(156,673)</u>
Cash flows from non-capital financing activities:			
Borrowings from the General Fund	-	-	-
State grants received	2,923	7,139	10,062
Federal grants received	132,952	-	132,952
Net cash provided by non-capital financing activities	<u>135,875</u>	<u>7,139</u>	<u>143,014</u>
Cash flows from investing activities:			
Interest on investments	72	-	72
Net increase(decrease) in cash and cash equivalents	(16,939)	3,352	(13,587)
Cash and cash equivalents at beginning of year	79,289	10,133	89,422
Cash and cash equivalents at end of year	<u>\$ 62,350</u>	<u>13,485</u>	<u>75,835</u>
Reconciliation of operating loss to net cash used in operating activities:			
Operating loss	\$ (183,196)	(4,825)	(188,021)
Adjustments to reconcile operating loss to net cash used in operating activities:			
Commodities consumed	25,593	-	25,593
Depreciation	3,244	-	3,244
Decrease in inventories	1,268	-	1,268
Increase in accounts payable	22	-	22
Increase in salaries and benefits payable	226	1,038	1,264
Decrease in unearned revenue	(43)	-	(43)
Net cash used in operating activities	<u>\$ (152,886)</u>	<u>(3,787)</u>	<u>(156,673)</u>
Non-cash investing, capital and related financing activities:			
During the year ended June 30, 2011, the District received Federal commodities valued at \$25,593.			

SEE NOTES TO FINANCIAL STATEMENTS

BATTLE CREEK-IDA GROVE COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

(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. Combining schedules are also included for the Capital Project Fund accounts.

The District reports the following major governmental funds:

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

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

The District reports the following proprietary fund:

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications - committed, assigned and then unassigned fund balances.

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, 2009 assessed property valuations; is for the tax accrual period July 1, 2010 through June 30, 2011 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2010.

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

Fund Equity - In the governmental fund financial statements, fund balances are classified as follows:

Restricted - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Unassigned - All amounts not included in other spendable classifications.

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, 2011 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, 2011, the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$217,992 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) Due From and Due to Other Funds

Individual interfund receivable and payable balances at June 30, 2011 are as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Nutrition Fund	\$ 28,144

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, 2012.

(4) Interfund Transfers

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

Transfer to	Transfer from	Amount
Debt Service	Capital Projects: Statewide Sales, Services and Use Tax	\$ 215,250

The transfer from the Capital Projects: Statewide Sales, Services, and Use Tax to the Debt Service Fund was needed as part of the principal and interest payments on the District's revenue bond.

(5) Capital Assets

Capital assets activity for the year ended June 30, 2011 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business type activities:				
Machinery and equipment	\$ 88,956	-	-	88,956
Less accumulated depreciation	61,414	3,244	-	64,658
Business type activities capital assets, net	\$ 27,542	(3,244)	-	24,298

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 124,260	-	-	124,260
Total capital assets not being depreciated	<u>124,260</u>	<u>-</u>	<u>-</u>	<u>124,260</u>
Capital assets being depreciated:				
Buildings	4,905,065	51,822	-	4,956,887
Land improvements	520,177	-	-	520,177
Machinery and equipment	1,897,678	30,142	23,979	1,903,841
Total capital assets being depreciated	<u>7,322,920</u>	<u>81,964</u>	<u>23,979</u>	<u>7,380,905</u>
Less accumulated depreciation for:				
Buildings	3,082,985	77,915	-	3,160,900
Land improvements	247,882	22,879	-	270,761
Machinery and equipment	1,424,586	149,481	23,979	1,550,088
Total accumulated depreciation	<u>4,755,453</u>	<u>250,275</u>	<u>23,979</u>	<u>4,981,749</u>
Total capital assets being depreciated, net	<u>2,567,467</u>	<u>(168,311)</u>	<u>-</u>	<u>2,399,156</u>
Governmental activities capital assets, net	<u>\$ 2,691,727</u>	<u>(168,311)</u>	<u>-</u>	<u>2,523,416</u>

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 39,509
Special	3,995
Other	17,365
Support services:	
Instructional staff	9,831
Administrative	7,422
Operation and maintenance of plant	10,702
Transportation	60,657
	<u>149,481</u>
Unallocated depreciation	<u>100,794</u>
Total governmental activities depreciation expense	<u>\$ 250,275</u>
Business type activities:	
Food services	<u>\$ 3,244</u>

(6) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2011 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Revenue bonds	\$ 600,000	-	200,000	400,000	200,000
Early retirement	180,076	37,587	180,076	37,587	37,587
OPEB liability	17,897	15,963	-	33,860	-
Total	\$ 797,973	53,550	380,076	471,447	237,587

Revenue Bonds

Details of the District's June 30, 2011 statewide sales, services and use tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Interest Rate	October 1, 2009		
		Principal	Interest	Total
2012	3.00 %	\$ 200,000	9,500	209,500
2013	3.25	200,000	3,250	203,250
		\$ 400,000	12,750	412,750

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 \$412,750. For the current year, \$200,000 in principal and \$15,250 in interest was paid on the bonds and total statewide sales and services tax revenues were \$337,613.

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 \$180,076 in early retirement benefits during the year ended June 30, 2011. A liability has been recorded in the Statement of Net Assets representing the District's commitment to fund non-current early retirement.

(7) Other Postemployment Benefits (OPEB)

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, 2011, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$	27,896
Interest on net OPEB obligation		447
Adjustment to annual required contribution		(2,152)
Annual OPEB cost		<u>26,191</u>
Contributions made		<u>(10,228)</u>
Increase in net OPEB obligation		15,963
Net OPEB obligation beginning of year		17,897
Net OPEB obligation end of year	\$	<u><u>33,860</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, 2011.

For the year ended June 30, 2011, the District contributed \$10,228 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, 2011 are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2010	\$ 26,016	31.21%	\$ 17,897
2011	\$ 26,191	39.05%	\$ 33,860

Funded Status and Funding Progress - As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2010 through June 30, 2011, 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 \$2,094,555, and the ratio of the UAAL to covered payroll was 16.7%. As of June 30, 2011, 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, 2009 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2009.

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.

(8) 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 4.50% of their annual covered salary and the District is required to contribute 6.95% of annual covered salary. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2011, 2010, and 2009 were \$280,686, \$285,561, and \$279,344, respectively, equal to the required contributions for each year.

(9) 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.

(10) 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 \$266,330 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.

(11) Categorical Funding

The District's ending restricted balances for categorical funding at June 30, 2011 are comprised of the following projects:

Project	Amount
Home school assistance program	9,793
Talented and gifted	25,398
Salary Improvement Program	36,483
Market Factor	3,655
Statewide Voluntary Preschool Program	56,957
Professional Development for Model Core Curriculum	25,281
Professional Development	26,143
Market factor incentives	870
Total	<u>\$ 184,580</u>

(12) Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, was implemented during the year ended June 30, 2011. The effect of fund type reclassifications is as follows:

	Capital Projects	Special Revenue, Physical Plant and Equipment Levy
Balances June 30, 2010, as previously reported	\$ 697,756	236,706
Change in fund type classification per implementation of GASB Statement No. 54	236,706	(236,706)
Balances July 1, 2010, as restated	<u>\$ 934,462</u>	<u>-</u>

Battle Creek - Ida Grove Community School District

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, 2011

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to
	Fund Types	Fund Type		Original	Final	Actual
	Actual	Actual				Variance
Revenues:						
Local sources	\$ 4,761,147	141,478	4,902,625	5,111,207	5,111,207	(208,582)
State sources	3,405,209	10,062	3,415,271	3,756,594	3,756,594	(341,323)
Federal sources	363,313	158,545	521,858	355,000	355,000	166,858
Total revenues	<u>8,529,669</u>	<u>310,085</u>	<u>8,839,754</u>	<u>9,222,801</u>	<u>9,222,801</u>	<u>(383,047)</u>
Expenditures/expenses:						
Instruction	5,350,024	17,883	5,367,907	6,004,265	6,004,265	636,358
Support services	1,996,073	1,197	1,997,270	2,667,500	2,667,500	670,230
Non-instructional programs	-	310,347	310,347	358,002	358,002	47,655
Other expenditures	845,174	-	845,174	1,166,567	1,166,567	321,393
Total expenditures/expenses	<u>8,191,271</u>	<u>329,427</u>	<u>8,520,698</u>	<u>10,196,334</u>	<u>10,196,334</u>	<u>1,675,636</u>
Excess(deficiency) of revenues over(under) expenditures/expenses	338,398	(19,342)	319,056	(973,533)	(973,533)	1,292,589
Other financing sources, net	<u>11,579</u>	<u>-</u>	<u>11,579</u>	<u>-</u>	<u>-</u>	<u>11,579</u>
Excess(deficiency) of revenues and other financing sources over(under) expenditures/expenses	349,977	(19,342)	330,635	(973,533)	(973,533)	1,304,168
Balance beginning of year	<u>2,319,040</u>	<u>92,916</u>	<u>2,411,956</u>	<u>1,381,958</u>	<u>1,381,958</u>	<u>1,029,998</u>
Balance end of year	<u>\$ 2,669,017</u>	<u>73,574</u>	<u>2,742,591</u>	<u>408,425</u>	<u>408,425</u>	<u>2,334,166</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, 2011

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 (UAAAL) (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%
2011	July 1, 2009	-	349,870	349,870	0.0%	2,094,555	16.7%

See Note 7 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, 2011

	Special Revenue		
	Manage- ment Levy	Student Activity	Total
Assets:			
Cash and pooled investments	\$ 217,492	159,955	377,447
Receivables:			
Property tax:			
Delinquent	1,777	-	1,777
Succeeding year	125,000	-	125,000
Accounts	-	556	556
Total assets	\$ 344,269	160,511	504,780
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	-	6,850	6,850
Deferred revenue:			
Succeeding year property tax	125,000	-	125,000
Total liabilities	125,000	6,850	131,850
Fund balances:			
Restricted for:			
Management levy purposes	219,269	-	219,269
Student activities	-	153,661	153,661
Total fund balances	219,269	153,661	372,930
Total liabilities and fund balances	\$ 344,269	160,511	504,780

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, 2011

	Special Revenue		Total Special Revenue Funds	Debt Service	Total Non Major Governmental Funds
	Manage- ment Levy	Student Activity			
Revenues:					
Local sources:					
Local tax	\$ 125,160	-	125,160	-	125,160
Other	1,227	244,316	245,543	-	245,543
Total Revenues	126,387	244,316	370,703	-	370,703
Expenditures:					
Current:					
Instruction:					
Regular	199,952	-	199,952	-	199,952
Other	-	195,718	195,718	-	195,718
Support services:					
Student services	-	25,565	25,565	-	25,565
Administration services	16,854	-	16,854	-	16,854
Operation and maintenance of plant	29,423	-	29,423	-	29,423
Transportation	6,714	-	6,714	-	6,714
Other expenditures:					
Long-term debt:					
Principal	-	-	-	200,000	200,000
Interest	-	-	-	15,250	15,250
Total expenditures	252,943	221,283	474,226	215,250	689,476
Excess (deficiency) of revenues over (under) expenditures	(126,556)	23,033	(103,523)	(215,250)	(318,773)
Other financing sources (uses):					
Transfers in	-	-	-	215,250	215,250
Excess (deficiency) of revenues and other financing sources over (under) expenditures	(126,556)	23,033	(103,523)	-	(103,523)
Fund balances beginning of year, as restated	345,825	130,628	476,453	-	476,453
Fund balances end of year	\$ 219,269	153,661	372,930	-	372,930

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

BATTLE CREEK-IDA GROVE COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 CAPITAL PROJECT ACCOUNTS
 JUNE 30, 2011

	Capital Projects			Total
	Statewide Sales, Services and Use Tax- Woodbury County	Statewide Sales, Services and Use Tax- Ida and Crawford Counties	Physical Plant and Equipment Levy	
Assets				
Cash and pooled investments	\$ 41,256	545,966	180,515	767,737
Receivables:				
Property tax:				
Delinquent	-	-	2,055	2,055
Succeeding year	-	-	196,033	196,033
Income surtax	-	-	72,421	72,421
Due from other governments	919	79,455	-	80,374
Total assets	\$ 42,175	625,421	451,024	1,118,620
Liabilities and Fund Balances				
Liabilities				
Accounts payable	-	17,221	657	17,878
Deferred revenue:				
Succeeding year property tax	-	-	196,033	196,033
Income surtax	-	-	72,421	72,421
Total liabilities	-	17,221	269,111	286,332
Fund balances:				
Restricted for:				
School infrastructure	42,175	608,200	-	650,375
Physical plant and equipment	-	-	181,913	181,913
Total fund balances	42,175	608,200	181,913	832,288
Total liabilities and fund balances	\$ 42,175	625,421	451,024	1,118,620

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

BATTLE CREEK-IDA GROVE COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 CAPITAL PROJECT ACCOUNTS
 YEAR ENDED JUNE 30, 2011

	Capital Projects			Total
	Statewide Sales, Services and Use Tax- Woodbury County	Statewide Sales, Services and Use Tax- Ida and Crawford Counties	Physical Plant and Equipment Levy	
Revenues:				
Local sources:				
Local tax	\$ 5,598	332,015	211,013	548,626
Other	-	-	2,400	2,400
Total revenues	<u>5,598</u>	<u>332,015</u>	<u>213,413</u>	<u>551,026</u>
Expenditures:				
Instructional staff	-	-	79,003	79,003
Transportation	-	1,000	-	1,000
Other expenditures:				
Facilities acquisitions	-	168,744	194,850	363,594
Total expenditures	<u>-</u>	<u>169,744</u>	<u>273,853</u>	<u>443,597</u>
Excess (deficiency) of revenues over (under) expenditures	5,598	162,271	(60,440)	107,429
Other financing sources (uses):				
Sale of equipment	-	-	5,647	5,647
Transfer out	-	(215,250)	-	(215,250)
Total other financing sources (uses)	<u>-</u>	<u>(215,250)</u>	<u>5,647</u>	<u>(209,603)</u>
Net change in fund balances	5,598	(52,979)	(54,793)	(102,174)
Fund balances beginning of year, as restated	<u>36,577</u>	<u>661,179</u>	<u>236,706</u>	<u>934,462</u>
Fund balances end of year	<u>\$ 42,175</u>	<u>608,200</u>	<u>181,913</u>	<u>832,288</u>

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, 2011

Account	Balance Beginning of Year	Revenues	Expendi- tures	Intra- Fund Transfers	Balance End of Year
Coed athletics	\$ 14,695	-	14,695	-	-
Cross country	173	-	-	1,772	1,945
Falcons boy's basketball	397	7,049	1,553	-	5,893
Falcon football	3,110	7,488	1,947	-	8,651
HS Falcon baseball	658	1,912	-	317	2,887
Falcons boys track	97	-	97	-	-
Falcon High School Bowling	1,965	420	-	-	2,385
Falcon boys golf	227	-	-	185	412
Falcon wrestling	1,654	6,260	6,557	-	1,357
Falcon girls basketball	936	4,733	-	1,545	7,214
Falcon volleyball	1,656	7,107	3,230	-	5,533
Falcon girls softball	2,504	3,518	1,749	-	4,273
Falcon girls track	48	-	48	-	-
Falcon girls golf	366	-	-	135	501
Tag scholarship	180	-	180	-	-
Tag video	641	-	641	-	-
Concessions	-	39,030	33,122	-	5,908
Interest	179	183	362	-	-
Class of 2010	467	-	467	-	-
Class of 2011	1,673	2,655	3,949	-	379
Class of 2012	469	18,218	16,550	-	2,137
Class of 2013	215	-	-	618	833
Class of 2014	259	164	45	-	378
Class of 2015	170	-	-	-	170
Class of 2016	64	-	-	-	64
OA/BCIG coed athletics	26,976	90,182	66,015	(5,555)	45,588
MS sports	5,596	-	5,596	-	-
Intermediate carnival	1,040	-	1,040	-	-
MS art club	30	-	30	-	-
MS student council	1,952	-	1,952	-	-
HS vocal	820	125	-	60	1,005
HS band	3,778	3,189	2,124	-	4,843
Chearleaders	51	-	51	-	-
Drill team	2,417	-	2,417	-	-
Senior memories	1,177	2,961	2,625	-	1,513
Quiz bowl fund	834	-	-	198	1,032
HS Art club	1,583	1,278	2,861	-	-
Future leaders of america	987	-	-	-	987
National Honor Society	2,074	-	2,074	-	-
Spanish club	428	-	-	270	698
HS student council	5,549	3,463	1,415	-	7,597
FFA	25,602	20,958	25,955	-	20,605
OA/BCIG cheerleaders	4,565	238	3,567	-	1,236
OA/BCIG drama	8,668	4,804	4,303	-	9,169
OA/BCIG dance team	2,219	16,855	14,066	-	5,008
OA/BCIG NHS	1,479	1,526	-	455	3,460
Total	\$ 130,628	244,316	221,283	-	153,661

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 EIGHT YEARS

	Modified Accrual Basis							
	Years Ended June 30,							
	2011	2010	2009	2008	2007	2006	2005	2004
Revenues:								
Local sources:								
Local tax	\$ 3,307,160	3,369,800	2,898,063	2,672,242	2,616,624	2,564,373	2,299,301	2,123,977
Tuition	350,538	371,539	393,603	383,799	380,045	300,685	323,148	316,081
Other	1,103,449	1,073,640	480,107	409,600	468,740	430,455	402,431	307,577
State sources	3,405,209	2,920,947	3,418,749	3,350,240	3,233,158	3,166,741	3,091,914	3,046,556
Federal sources	363,313	574,536	231,666	170,078	175,486	214,114	190,284	206,952
Total	\$ 8,529,669	8,310,462	7,422,188	6,985,959	6,874,053	6,676,368	6,307,078	6,001,143
Expenditures:								
Current:								
Instruction:								
Regular	\$ 3,529,824	3,278,275	2,885,135	2,834,221	2,791,135	2,685,879	2,554,133	2,516,048
Special	950,589	849,285	833,349	830,788	788,325	823,163	889,485	892,439
Other	869,611	945,366	886,965	723,737	715,866	706,376	493,172	467,234
Support services:								
Student	168,576	160,926	113,074	113,476	159,825	150,047	137,394	137,103
Instructional staff	453,164	313,285	359,992	330,225	313,868	293,904	263,161	214,155
Administration	526,898	554,948	603,513	637,155	649,696	646,404	628,141	619,820
Operation and maintenance of plant	530,868	605,919	620,908	690,685	683,858	674,114	607,453	547,542
Transportation	316,567	381,100	319,064	361,473	366,948	358,952	265,725	284,302
Other expenditures:								
Facilities acquisitions	363,594	797,419	425,984	266,409	315,829	172,932	207,088	29,538
Long-term debt:								
Principal	200,000	-	-	-	-	-	-	-
Interest	15,250	4,500	-	-	-	-	-	-
AEA flow-through	266,330	264,023	244,531	239,274	233,619	227,081	226,110	231,726
Total	\$ 8,191,271	8,155,046	7,292,515	7,027,443	7,018,969	6,738,852	6,271,862	5,939,907

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

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

To the Board of Education of the
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, 2011, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated February 22, 2012. 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, 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 I of the accompanying Schedule of Findings as item I-A-11 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 as items II-B-11 and II-C-11 to be 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. However, we noted certain immaterial instances of non-compliance or other matters which are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2011 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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

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

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



NOLTE, CORNMAN & JOHNSON, P.C.

February 22, 2012

BATTLE CREEK-IDA GROVE COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2011

Part I: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

I-A-11 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal were all done by the same person.

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

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

Conclusion - Response accepted.

I-B-11 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 events.

Conclusion - Response accepted.

I-C-11 Payroll Procedures - We noted during our audit that the District is not keeping track of hours worked for coaches and other non-certified employees.

Recommendation - In compliance with the Department of Labor requirements on wage per hour contracts, the District needs to keep track of the hours worked for non-certified staff coaches, and determine that the wage paid is in compliance with minimum wage requirements as well as any overtime issues.

Response - The administration will meet with the activities director to review the policy and develop the documentation needed to start tracking the hours of non-certified staff coaches.

Conclusion - Response accepted.

BATTLE CREEK-IDA GROVE COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF FINDINGS
 YEAR ENDED JUNE 30, 2011

Part II: Other Findings Related to Required Statutory Reporting:

II-A-11 Certified Budget - District disbursements for the year ended June 30, 2010, did not exceed the amount budgeted.

II-B-11 Questionable Disbursements - We noted during our audit that the District allows up to a \$200 clothing allowance for each custodian without turning receipt of purchases into the District. IRS publications indicate nonaccountable plans for clothing should be reported as additional compensation on the employee's W-2.

Recommendation - The District should report the allowance amount as additional compensation on employees' W2's or have employees turn receipts into the District office for reimbursement of required clothing. The District should review IRS publication 15B with regard to taxable benefits.

Response - Effective calendar year 2012, the District will report the annual amount of compensation each employee expended for their clothing allowance and report on the W-2 forms.

Conclusion - Response accepted.

II-C-11 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

II-D-11 Business Transactions - Business transactions between the District and District officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Roger Walter, General Maintenance Director Owner, Walter Construction	Renovation projects	\$ 14,500

In accordance with the Attorney General's opinion dated July 2, 1990, the above transactions with Roger Walter who is the owner of a business do not appear to represent a conflict of interest. However, since Mr. Walter's has the title as General Maintenance Director, the District may want to consider additional approval which would allow for transparency of the transactions.

II-E-11 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

II-F-11 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

II-G-11 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.

II-H-11 Supplementary Weighting - No variance regarding the supplementary weighting certified to the Iowa Department of Education were noted.

- II-I-11 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- II-J-11 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely, and we noted no significant deficiencies in the amounts reported.
- II-K-11 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.
- II-L-11 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, services, and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2011, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR.

Beginning Balance		\$	697,756
Revenues:			
Sales tax revenues			<u>337,613</u>
Expenditures/transfers out:			
School infrastructures construction	\$	168,744	
Equipment		1,000	
Transfer to other funds:			
Debt service fund		<u>215,250</u>	<u>384,994</u>
Ending Balance		\$	<u><u>650,375</u></u>

For the year ended June 30, 2011, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of Code of Iowa.