

BAXTER COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2011

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Baxter Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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**Board of Education
(After September 2010 Reorganizational Meeting)**

Curt Hansen	President	2011
Joyce Christianson	Vice President	2011
Colette Kunkel	Board Member	2011
Jeff Fuchs	Board Member	2013
Jon Northrup	Board Member	2013

School Officials

Neil K. Seales	Superintendent	2011
Julie McWhirter	District Secretary/Treasurer and Business Manager	2011

BAXTER COMMUNITY SCHOOL DISTRICT

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

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

Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the
Baxter Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the Baxter Community School District, Baxter, Iowa as of and for the year ended June 30, 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, the business type activities, each major fund, and the aggregate remaining fund information of the Baxter 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 January 17, 2012 on our consideration of the Baxter Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis, Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 15 and 44 through 46 are not required parts of the basic financial statements, but are supplementary information

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required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Baxter Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the five years ended June 30, 2010 (which are not presented herein) and expressed an unqualified opinion on those financial statements. Another auditor previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the two years ended June 30, 2005 (which are not presented herein) and expressed an unqualified opinion on those financial statements. Other supplementary information included in Schedules 1 through 6, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

NOLTE, CORNMAN & JOHNSON, P.C.

January 17, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

Baxter Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 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 \$3,689,204 in fiscal 2010 to \$4,120,366 in fiscal 2011, while General Fund expenditures increased from \$3,713,723 in fiscal 2010 to \$4,017,536 in fiscal 2011. This resulted in an increase in the District's General Fund balance from \$721,653 in fiscal 2010 to a balance of \$824,483 in fiscal 2011.
- The increase in General Fund revenues was attributable to receiving more in state and local sources as compared to the previous year. The increase in expenditures was due primarily to increases in salaries and benefits for District employees during fiscal 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 Baxter Community School District as a whole and present an overall view of the District's finances.

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

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

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Other Supplementary Information provides detailed information about the nonmajor funds governmental funds.

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

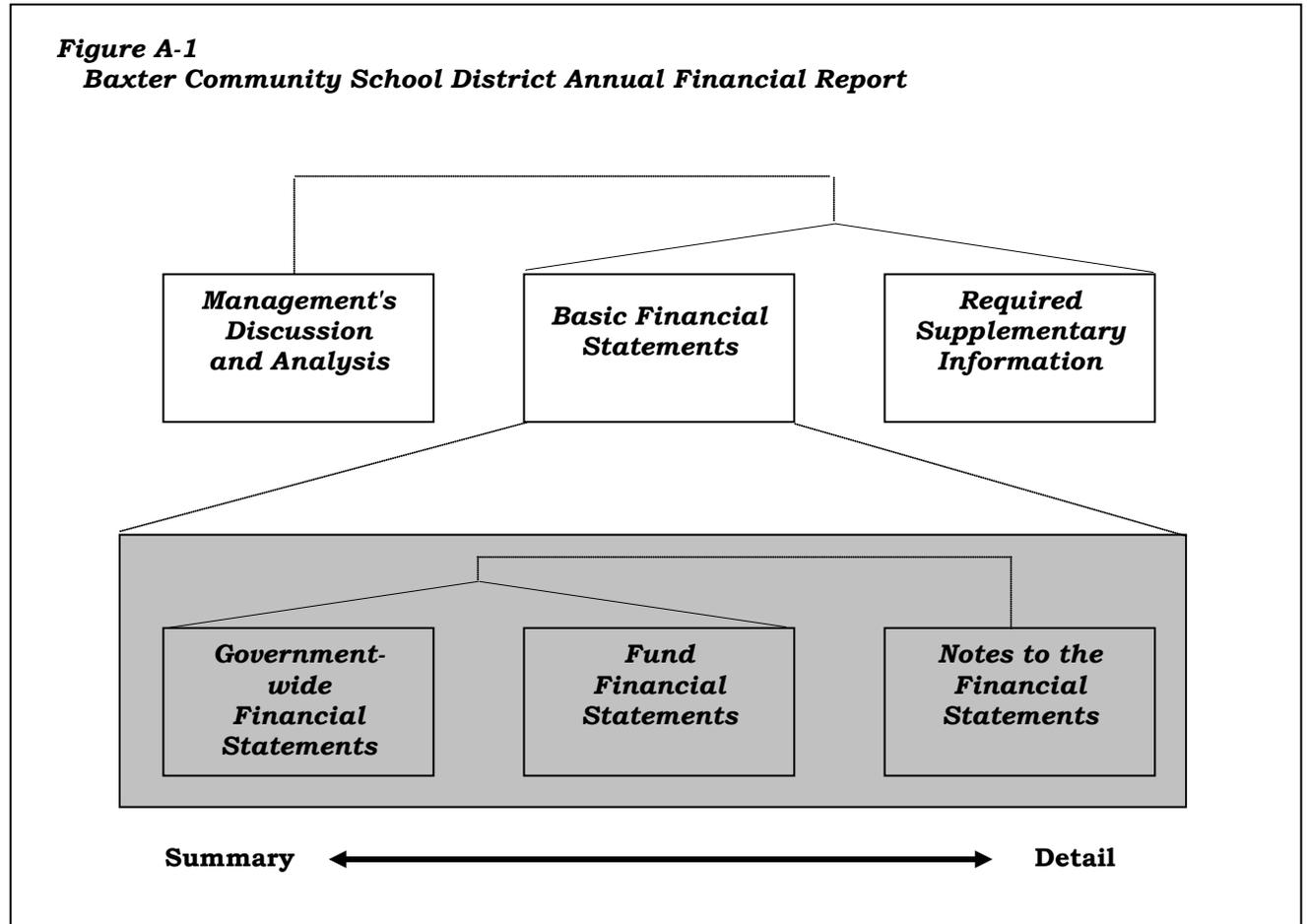


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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 three kinds of funds:

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

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

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

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

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

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

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Figure A-3
Condensed Statement of Net Assets

	Governmental Activities		Business type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2011	2010	2011	2010	2011	2010	2010-11
Current and other assets	\$ 2,990,745	2,958,332	21,525	13,747	3,012,270	2,972,079	1.35%
Capital assets	6,286,086	6,468,873	25,948	29,717	6,312,034	6,498,590	-2.87%
Total assets	9,276,831	9,427,205	47,473	43,464	9,324,304	9,470,669	-1.55%
Long-term obligations	2,737,927	3,005,760	506	0	2,738,433	3,005,760	-8.89%
Other liabilities	1,445,582	1,661,739	2,801	1,465	1,448,383	1,663,204	-12.92%
Total liabilities	4,183,509	4,667,499	3,307	1,465	4,186,816	4,668,964	-10.33%
Net assets:							
Invested in capital assets, net of related debt	3,626,086	3,523,873	25,948	29,717	3,652,034	3,553,590	2.77%
Restricted	576,418	415,498	0	0	576,418	415,498	38.73%
Unrestricted	890,818	820,335	18,218	12,282	909,036	832,617	9.18%
Total net assets	\$ 5,093,322	4,759,706	44,166	41,999	5,137,488	4,801,705	6.99%

The District's combined net assets increased by 6.99%, or \$335,783 over the prior year. The largest portion of the District's net assets is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased by \$160,920, or 38.73% over the prior year. The majority of the increase in restricted net assets was due to an increase in carryover categorical funding in the General Fund as compared to the previous year as well as an increase in the fund balance of the Capital Projects accounts due to the reclassification of the Physical Plant and Equipment Levy as a Capital Project Fund as defined by GASB Statement 54.

Unrestricted net assets are the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased by \$76,419, or 9.18%. The majority of the increase in unrestricted net assets was due to the increase in the fund balance of the General Fund

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
	June 30,	June 30,	June 30,	June 30,	June 30,	June 30,	2010-11
	2011	2010	2011	2010	2011	2010	
Revenues and Transfers:							
Program revenues:							
Charges for services	\$ 605,896	525,816	103,665	100,285	709,561	626,101	13.33%
Operating grants and contributions and restricted interest	631,740	716,985	87,359	70,562	719,099	787,547	-8.69%
Capital grants and contributions and restricted interest	0	9,848	0	0	0	9,848	-100.00%
General revenues:							
Property tax	1,525,826	1,395,854	0	0	1,525,826	1,395,854	9.31%
Income surtax	154,883	154,712	0	0	154,883	154,712	0.11%
Statewide sales, services, and use tax	224,033	182,651	0	0	224,033	182,651	22.66%
Nonspecific program federal grants	106,038	0	0	0	106,038	0	100.00%
Unrestricted state grants	1,528,984	1,371,373	0	0	1,528,984	1,371,373	11.49%
Unrestricted investment earnings	9,376	27,239	59	75	9,435	27,314	-65.46%
Other general revenues	165,711	98,803	4,517	309	170,228	99,112	71.75%
Transfers	30,535	0	0	0	30,535	0	100.00%
Total revenues and transfers	4,983,022	4,483,281	195,600	171,231	5,178,622	4,654,512	11.26%
Program expenses:							
Governmental activities:							
Instruction	2,598,305	2,322,125	0	0	2,598,305	2,322,125	11.89%
Support services	1,613,839	1,481,813	704	1,305	1,614,543	1,483,118	8.86%
Non-instructional programs	0	0	192,729	178,172	192,729	178,172	8.17%
Other expenditures	437,262	546,707	0	0	437,262	546,707	-20.02%
Total expenses	4,649,406	4,350,645	193,433	179,477	4,842,839	4,530,122	6.90%
Change in net assets	333,616	132,636	2,167	(8,246)	335,783	124,390	169.94%
Net assets beginning of year, as restated	4,759,706	4,627,070	41,999	50,245	4,801,705	4,677,315	2.66%
Net assets end of year	\$ 5,093,322	4,759,706	44,166	41,999	5,137,488	4,801,705	6.99%

In fiscal 2011, property tax, charges for services, operating grants, contributions, and restricted interest, and unrestricted state grants account for 86.14% of the revenue from governmental activities while charges for service and operating grants and contributions and restricted interest account for 97.66% of the revenue from business type activities.

The District's total revenues were \$5,178,622 of which \$4,983,022 was for governmental activities and \$195,600 was for business type activities.

As shown in Figure A-4, the District as a whole experienced an 11.26% increase in revenues and a 6.90% increase in expenses. Property taxes increased \$129,972 to fund increases in expenditures. The increase in expenses was related to increases in the negotiated salary and benefits.

Governmental Activities

Revenues net of transfers for governmental activities were \$4,983,022 and expenses were \$4,649,406.

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	\$ 2,598,305	2,322,125	11.89%	1,614,270	1,211,806	33.21%
Support services	1,613,839	1,481,813	8.91%	1,502,959	1,481,813	1.43%
Other expenses	437,262	546,707	-20.02%	294,541	404,377	-27.16%
Totals	\$ 4,649,406	4,350,645	6.87%	3,411,770	3,097,996	10.13%

For the year ended June 30, 2011:

- The cost financed by users of the District's programs was \$605,896.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$631,740.
- The net cost of governmental activities was financed with \$1,525,826 in property tax, \$154,883 in income surtax, \$224,033 in statewide sales and services tax, \$106,038 in nonspecific program federal grants, \$1,528,984 in unrestricted state grants, \$30,535 in transfers, and \$175,087 in other general revenues.

Business type Activities

Revenues of the District's business type activities were \$195,600 and expenses were \$193,433. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$1,379,808, above last year's ending fund balances of \$1,128,894.

Governmental Fund Highlights

- The District's increase in General Fund financial position from \$721,653 at June 30, 2010 to \$824,483 at June 30, 2011 is the product of many factors. An increase in state and local revenues during the year combined with a minimal increase in expenditures resulted in a net increase of \$102,830.

- The District's Debt Service Fund financial position increased from \$158,998 at June 30, 2010 to \$161,690 at June 30, 2011. The majority of the increase was due to an increase in property tax and interest earned during the year.

Proprietary Fund Highlights

The School Nutrition Fund net assets increased from \$41,999 at June 30, 2010 to \$44,166 at June 30, 2011, representing an increase of 5.16%.

BUDGETARY HIGHLIGHTS

The District's revenues were \$94,192 less than budgeted revenues, a variance of 1.80%. The most significant variance resulted from the District receiving less in state source revenues than originally anticipated.

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

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2011, the District had invested \$6,312,034, 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 2.87% from last year. More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$198,567.

The original cost of the District's capital assets was \$8,865,667. Governmental funds account for \$8,806,485 with the remaining of \$59,182 in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the machinery and equipment category. The District's machinery and equipment was \$179,456 at June 30, 2010, compared to \$141,956 at June 30, 2011. This decrease was attributable to depreciation expense taken during the year.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental Activities		Business type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2011	2010	2011	2010	2011	2010	2010-11
Land	\$ 105,602	105,602	0	0	105,602	105,602	0.00%
Buildings	5,953,833	6,090,657	0	0	5,953,833	6,090,657	-2.25%
Land improvements	110,643	122,875	0	0	110,643	122,875	-9.95%
Machinery and equipment	116,008	149,739	25,948	29,717	141,956	179,456	-20.90%
Total	\$ 6,286,086	6,468,873	25,948	29,717	6,312,034	6,498,590	-2.87%

Long-Term Debt

At June 30, 2011, the District had \$2,738,433 in general obligation, revenue obligation and other long-term debt outstanding. This represents a decrease of 8.89% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 5 to the financial statements.

The District had total outstanding General Obligation Bonds payable of \$2,280,000 at June 30, 2011.

The District had total outstanding Revenue Bonds payable of \$380,000 at June 30, 2011.

The District had total outstanding Early Retirement payable from the Special Revenue – Management Levy Fund of \$62,291 at June 30, 2011.

The District had net OPEB liability payable of \$16,142 at June 30, 2011. \$15,636 attributable to governmental activities and \$506 to business type activities.

Figure A-7 Outstanding Long-Term Obligations							
	Governmental Activities June 30,		Business Activities June 30,		Total District June 30,		Total Change June 30, 2010-11
	2011	2010	2011	2010	2011	2010	2010-11
General Obligation Bonds	\$ 2,280,000	2,450,000	0	0	2,280,000	2,450,000	-6.94%
Revenue Bonds	380,000	495,000	0	0	380,000	495,000	-23.23%
Early Retirement	62,291	51,000	0	0	62,291	51,000	22.14%
Net OPEB Liability	15,636	9,760	506	0	16,142	9,760	65.39%
	<u>\$ 2,737,927</u>	<u>3,005,760</u>	<u>506</u>	<u>0</u>	<u>2,738,433</u>	<u>3,005,760</u>	<u>-8.89%</u>

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- On July 1, 2007 IPERS implemented an employers' contribution increase over a 4-year period. The employers' portion of IPERS increased from 5.75% to 6.05% on July 1, 2007, and will increase to 6.35% on July 1, 2008, to 6.65% on July 1, 2009 and finally to 6.95% on July 1, 2010. On July 1, 2011 IPERS rate increased again to 8.07%. This will increase Baxter Community Schools' employer benefit costs significantly over the next few years.
- Low allowable growth over several years is negatively impacting the District's spending authority. Contractual increases and program changes cannot be made without thorough consideration of our unspent authorized budget.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

BAXTER COMMUNITY SCHOOL DISTRICT

BASIC FINANCIAL STATEMENTS

BAXTER COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2011

	Governmental Activities	Business type Activities	Total
Assets			
Cash and pooled investments:			
Other	\$ 1,287,053	17,527	1,304,580
Receivables:			
Property tax:			
Delinquent	11,100	0	11,100
Succeeding year	1,345,751	0	1,345,751
Income surtax	157,756	0	157,756
Due from other governments	118,041	0	118,041
Inventories	0	3,998	3,998
Prepaid expenses	38,269	0	38,269
Bond discounts and bond issue costs	32,775	0	32,775
Capital assets, net of accumulated depreciation	6,286,086	25,948	6,312,034
Total assets	9,276,831	47,473	9,324,304
Liabilities			
Accounts payable	72,815	0	72,815
Salaries and benefits payable	1,724	0	1,724
Interest payable	25,176	0	25,176
Unearned revenue	0	2,801	2,801
Deferred revenue:			
Succeeding year property tax	1,345,751	0	1,345,751
Other	116	0	116
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	180,000	0	180,000
Revenue bonds payable	120,000	0	120,000
Early retirement payable	30,691	0	30,691
Portion due after one year:			
General obligation bonds payable	2,100,000	0	2,100,000
Revenue bonds payable	260,000	0	260,000
Early retirement payable	31,600	0	31,600
Net OPEB liability	15,636	506	16,142
Total liabilities	4,183,509	3,307	4,186,816
Net assets			
Invested in capital assets, net of related debt	3,626,086	25,948	3,652,034
Restricted for:			
Categorical funding	83,384	0	83,384
Debt service	161,690	0	161,690
Management levy	78,545	0	78,545
School activities	94,920	0	94,920
School infrastructure	67,096	0	67,096
Physical plant and equipment levy	60,248	0	60,248
Support trust	30,535	0	30,535
Unrestricted	890,818	18,218	909,036
Total net assets	\$ 5,093,322	44,166	5,137,488

SEE NOTES TO FINANCIAL STATEMENTS

**BAXTER COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2011**

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Operating Grants, Charges Contributions for and Restricted Services Interest		Govern- mental Activities	Business Type Activities	Total
Functions/Programs:						
Governmental activities:						
Instruction:						
Regular	\$ 1,764,236	368,945	187,181	(1,208,110)	0	(1,208,110)
Special	351,381	89,158	110,519	(151,704)	0	(151,704)
Other	482,688	147,793	80,439	(254,456)	0	(254,456)
	<u>2,598,305</u>	<u>605,896</u>	<u>378,139</u>	<u>(1,614,270)</u>	<u>0</u>	<u>(1,614,270)</u>
Support services:						
Student	153,733	0	4,135	(149,598)	0	(149,598)
Instructional staff	148,248	0	106,576	(41,672)	0	(41,672)
Administration	603,462	0	0	(603,462)	0	(603,462)
Operation and maintenance of plant	525,413	0	0	(525,413)	0	(525,413)
Transportation	182,983	0	169	(182,814)	0	(182,814)
	<u>1,613,839</u>	<u>0</u>	<u>110,880</u>	<u>(1,502,959)</u>	<u>0</u>	<u>(1,502,959)</u>
Other expenses:						
Long-term debt interest	133,474	0	0	(133,474)	0	(133,474)
AEA flowthrough	142,721	0	142,721	0	0	0
Depreciation(unallocated)*	161,067	0	0	(161,067)	0	(161,067)
	<u>437,262</u>	<u>0</u>	<u>142,721</u>	<u>(294,541)</u>	<u>0</u>	<u>(294,541)</u>
Total governmental activities	4,649,406	605,896	631,740	(3,411,770)	0	(3,411,770)
Business Type activities:						
Support services:						
Operation and maintenance of plant	704	0	0	0	(704)	(704)
Non-instructional programs:						
Nutrition services	192,729	103,665	87,359	0	(1,705)	(1,705)
Total business type activities	<u>193,433</u>	<u>103,665</u>	<u>87,359</u>	<u>0</u>	<u>(2,409)</u>	<u>(2,409)</u>
Total	<u>\$ 4,842,839</u>	<u>709,561</u>	<u>719,099</u>	<u>(3,411,770)</u>	<u>(2,409)</u>	<u>(3,414,179)</u>
General Revenues and Transfers:						
Property tax for:						
General purposes				\$ 1,214,897	0	1,214,897
Debt service				282,650	0	282,650
Capital outlay				28,279	0	28,279
Income surtax				154,883	0	154,883
Statewide sales, services and use tax				224,033	0	224,033
Nonspecific program federal grants				106,038	0	106,038
Unrestricted state grants				1,528,984	0	1,528,984
Unrestricted investment earnings				9,376	59	9,435
Other general revenues				165,711	4,517	170,228
Transfers				30,535	0	30,535
Total general revenues and transfers				<u>3,745,386</u>	<u>4,576</u>	<u>3,749,962</u>
Changes in net assets				333,616	2,167	335,783
Net assets beginning of year				<u>4,759,706</u>	<u>41,999</u>	<u>4,801,705</u>
Net assets end of year				<u>\$ 5,093,322</u>	<u>44,166</u>	<u>5,137,488</u>

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

SEE NOTES TO FINANCIAL STATEMENTS

BAXTER COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2011

	General	Debt Service	Other Nonmajor Governmental Funds	Total
Assets				
Cash and pooled investments:				
Other	\$ 786,591	159,764	340,698	1,287,053
Receivables:				
Property tax:				
Delinquent	8,056	1,926	1,118	11,100
Succeeding year	926,956	290,710	128,085	1,345,751
Income surtax	131,463	0	26,293	157,756
Prepaid expenses	0	0	38,269	38,269
Due from other governments	101,829	0	16,212	118,041
Total assets	\$ 1,954,895	452,400	550,675	2,957,970
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	70,153	0	2,662	72,815
Salaries and benefits payable	1,724	0	0	1,724
Deferred revenue:				
Succeeding year property tax	926,956	290,710	128,085	1,345,751
Income surtax	131,463	0	26,293	157,756
Other	116	0	0	116
Total liabilities	1,130,412	290,710	157,040	1,578,162
Fund balances:				
Nonspendable	0	0	38,269	38,269
Restricted for:				
Categorical funding	83,384	0	0	83,384
Debt service	0	161,690	0	161,690
Management levy purposes	0	0	140,836	140,836
School activities	0	0	94,920	94,920
School infrastructure	0	0	67,096	67,096
Physical plant and equipment	0	0	21,979	21,979
Support trust	0	0	30,535	30,535
Unassigned	741,099	0	0	741,099
Total fund balances	824,483	161,690	393,635	1,379,808
Total liabilities and fund balances	\$ 1,954,895	452,400	550,675	2,957,970

SEE NOTES TO FINANCIAL STATEMENTS

BAXTER 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)	\$	1,379,808
 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 the governmental funds.		6,286,086
Accounts receivable income surtax, are not yet available to finance expenditures of the current period.		157,756
Bond issue costs and bond discounts are an expense when incurred in the governmental funds, but are capitalized and amortized over the life of the bonds for the government-wide financial statements.		32,775
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.		(25,176)
Long-term liabilities, including general obligation bonds payable, revenue bonds payable, early retirement payable, and other postemployment benefits are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		<u>(2,737,927)</u>
Net assets of governmental activities(page 18)	\$	<u><u>5,093,322</u></u>

SEE NOTES TO FINANCIAL STATEMENTS

BAXTER COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2011

	General	Debt Service	Other Nonmajor Governmental Funds	Total
Revenues:				
Local sources:				
Local tax	\$ 1,217,879	282,650	406,069	1,906,598
Tuition	447,630	0	0	447,630
Other	189,352	953	144,292	334,597
State sources	1,958,539	0	13	1,958,552
Federal sources	306,966	0	0	306,966
Total revenues	<u>4,120,366</u>	<u>283,603</u>	<u>550,374</u>	<u>4,954,343</u>
Expenditures:				
Current:				
Instruction:				
Regular	1,694,059	0	54,257	1,748,316
Special	351,381	0	0	351,381
Other	376,703	0	105,003	481,706
	<u>2,422,143</u>	<u>0</u>	<u>159,260</u>	<u>2,581,403</u>
Support services:				
Student	153,220	0	0	153,220
Administration	601,104	0	0	601,104
Operation and maintenance of plant	404,421	0	42,049	446,470
Transportation	146,021	0	11,457	157,478
	<u>1,452,672</u>	<u>0</u>	<u>53,506</u>	<u>1,506,178</u>
Other expenditures:				
Facilities acquisitions	0	0	85,676	85,676
Long-term debt:				
Principal	0	285,000	0	285,000
Interest and fiscal charges	0	131,486	1,500	132,986
AEA flowthrough	142,721	0	0	142,721
	<u>142,721</u>	<u>416,486</u>	<u>87,176</u>	<u>646,383</u>
Total expenditures	<u>4,017,536</u>	<u>416,486</u>	<u>299,942</u>	<u>4,733,964</u>
Excess(Deficiency) of revenues over(under) expenditures	102,830	(132,883)	250,432	220,379
Other financing sources(uses):				
Transfer in	0	135,575	30,535	166,110
Transfer out	0	0	(135,575)	(135,575)
Total other financing sources(uses)	<u>0</u>	<u>135,575</u>	<u>(105,040)</u>	<u>30,535</u>
Net change in fund balances	102,830	2,692	145,392	250,914
Fund balance beginning of year, as restated	721,653	158,998	248,243	1,128,894
Fund balance end of year	<u>\$ 824,483</u>	<u>161,690</u>	<u>393,635</u>	<u>1,379,808</u>

SEE NOTES TO FINANCIAL STATEMENTS

BAXTER COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 YEAR ENDED JUNE 30, 2011

Net change in fund balances - total governmental funds(page 22)	\$	250,914
 Amounts reported for governmental activities in the statement of activities are different because:		
 Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Depreciation expense exceeded capital outlay expenditures in the current year as follows:		
Expenditures for capital assets	\$ 12,011	
Depreciation expense	<u>(194,798)</u>	(182,787)
 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.		
		285,000
 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.		
		3,264
 Income surtax accounts receivable is not available to finance expenditures of the current year period in the governmental funds.		
		(1,856)
 Bond issue costs and bond discounts are reported as expenses in the fund financial statements, but are capitalized and amortized over the life of the bonds for the government-wide financial statements.		
		(3,752)
 Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore are not reported as expenditures in the governmental funds, as follows:		
Early retirement	(11,291)	
Other postemployment benefits	<u>(5,876)</u>	<u>(17,167)</u>
 Changes in net assets of governmental activities(page 19)	 \$	 <u><u>333,616</u></u>

SEE NOTES TO FINANCIAL STATEMENTS

BAXTER COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2011

	<u>School Nutrition</u>
Assets	
Cash and pooled investments	\$ 17,527
Inventories	3,998
Capital assets, net of accumulated depreciation	<u>25,948</u>
Total assets	<u><u>47,473</u></u>
Liabilities	
Unearned revenue	2,801
Net OPEB liability	<u>506</u>
Total liabilities	<u><u>3,307</u></u>
Net assets	
Invested in capital assets	25,948
Unrestricted	<u>18,218</u>
Total net assets	<u><u>\$ 44,166</u></u>

SEE NOTES TO FINANCIAL STATEMENTS

BAXTER COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2011

	School Nutrition
Operating revenues:	
Local sources:	
Charges for services	\$ 103,665
Other local revenue	4,517
Total operating revenues	108,182
Operating expenses:	
Support services:	
Operation and maintenance of plant:	
Services	704
Non-instructional programs:	
Food service operations:	
Salaries	52,077
Benefits	22,965
Services	41
Supplies	113,877
Depreciation	3,769
Total operating expenses	193,433
Operating loss	(85,251)
Non-operating revenues:	
State sources	2,079
Federal sources	85,280
Interest income	59
Total non-operating revenues	87,418
Change in net assets	2,167
Net assets beginning of year	41,999
Net assets end of year	\$ 44,166

SEE NOTES TO FINANCIAL STATEMENTS

BAXTER COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2011

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 105,001
Cash received from miscellaneous sources	4,517
Cash payments to employees for services	(74,536)
Cash payments to suppliers for goods or services	(107,291)
Net cash used in operating activities	(72,309)
Cash flows from non-capital financing activities:	
State grants received	2,079
Federal grants received	75,903
Net cash provided by non-capital financing activities	77,982
Cash flows from investing activities:	
Interest on investments	59
Net increase in cash and cash equivalents	5,732
Cash and cash equivalents at beginning of year	11,795
Cash and cash equivalents at end of year	\$ 17,527
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (85,251)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	9,377
Depreciation	3,769
Increase in inventories	(2,046)
Increase in unearned revenue	1,336
Increase in other postemployment benefits	506
Net cash used in operating activities	\$ (72,309)
Non-cash investing, capital and related financing activities:	
During the year ended June 30, 2011, the District received Federal commodities valued at \$9,377.	

SEE NOTES TO FINANCIAL STATEMENTS

BAXTER COMMUNITY SCHOOL DISTRICT
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 FIDUCIARY FUND
 YEAR ENDED JUNE 30, 2011

	Private Purpose Trust
	Scholarship
Additions:	\$ 0
Deductions:	0
Other financing uses:	
Transfer out	(30,535)
Fund balances beginning of year	30,535
Fund balances end of year	\$ 0

SEE NOTES TO FINANCIAL STATEMENTS

BAXTER COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

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

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

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

A. Reporting Entity

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

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

B. Basis of Presentation

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

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

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

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

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

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

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds. 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 Debt Service Fund is utilized to account for the payment of interest and principal on the District's long-term debt.

The District reports the following proprietary fund:

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

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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 non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as 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, 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, 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 repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 0
Buildings	5,000
Land improvements	5,000
Intangibles	50,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	5,000

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

Asset Class	Estimated Useful Lives (In Years)
Buildings	25-50 years
Land improvements	20-30 years
Intangibles	2 or more years
Machinery and equipment	5-20 years

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

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

Deferred revenue on the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

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

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2011. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

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

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

Nonspendable - Amounts that include prepaid items from Capital Projects: Physical Plant and Equipment Levy for a school bus the District had not received as of June 30, 2011.

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 in banks at June 30, 2011 were entirely covered by Federal depository insurance or by the State Sinking Funds in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district. At June 30, 2011, the District had no investments.

(3) **Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2011 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
	Capital Projects:	
	Statewide Sales,	
Debt Service	Services and Use Tax	\$ 135,575
Support Trust	Private Purpose Trust	<u>30,535</u>
		<u>\$ 166,110</u>

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

The transfer from the Private Purpose Trust to the Support Trust was needed for reclassification. The donor of funds for the trust intended for the district to use funds to support the activity fund program for the district rather than a scholarship trust as had been represented in the previous year's audit report.

(4) 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
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 105,602	0	0	105,602
Total capital assets not being depreciated	105,602	0	0	105,602
Capital assets being depreciated:				
Buildings	7,680,109	12,011	0	7,692,120
Land improvements	385,449	0	0	385,449
Machinery and equipment	623,314	0	0	623,314
Total capital assets being depreciated	8,688,872	12,011	0	8,700,883
Less accumulated depreciation for:				
Buildings	1,589,452	148,835	0	1,738,287
Land improvements	262,574	12,232	0	274,806
Machinery and equipment	473,575	33,731	0	507,306
Total accumulated depreciation	2,325,601	194,798	0	2,520,399
Total capital assets being depreciated, net	6,363,271	(182,787)	0	6,180,484
Governmental activities capital assets, net	\$ 6,468,873	(182,787)	0	6,286,086
	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business type activities:				
Machinery and equipment	\$ 59,182	0	0	59,182
Less accumulated depreciation	29,465	3,769	0	33,234
Business type activities capital assets, net	\$ 29,717	(3,769)	0	25,948

Depreciation expense was charged by the District as follows:

Governmental activities:			
Instruction:			
Regular			\$ 2,380
Other			982
Support services:			
Operation and maintenance of plant			4,899
Transportation			25,470
			<u>33,731</u>
Unallocated depreciation			161,067
Total governmental activities depreciation expense			<u>\$ 194,798</u>
Business type activities:			
Food services			<u>\$ 3,769</u>

(5) 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
Governmental activities:					
General obligation bonds	\$ 2,450,000	0	170,000	2,280,000	180,000
Revenue bonds	495,000	0	115,000	380,000	120,000
Early retirement	51,000	21,091	9,800	62,291	30,691
Net OPEB liability	9,760	5,876	0	15,636	0
	<u>\$ 3,005,760</u>	<u>26,967</u>	<u>294,800</u>	<u>2,737,927</u>	<u>330,691</u>
Business type activities:					
Net OPEB liability	\$ 0	506	0	506	0

General Obligation Bonds Payable

Details of the District's June 30, 2011 general obligation bonded debt is as follows:

Year Ending June 30,	Bond issue of July 1, 2004			Bond issue of May 1, 2003		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2012	4.25%	\$ 0	75,095	3.60%	% \$ 180,000	16,335
2013	4.25	0	75,095	3.80	185,000	10,035
2014	4.25	65,000	75,095	4.00	90,000	3,375
2015	4.40	125,000	72,333	-	-	-
2016	4.50	130,000	66,833	-	-	-
2017-2021	4.60-5.00	750,000	237,635	-	-	-
2022-2024	5.00-5.05	495,000	49,659	-	-	-
Total		<u>\$ 1,565,000</u>	<u>651,745</u>		<u>\$ 455,000</u>	<u>29,745</u>

Year Ending June 30,	Bond issue of June 1, 2006			Total		
	Interest Rates	Principal	Interest	Principal	Interest	Total
2012	4.50%	\$ 0	11,700	180,000	103,130	283,130
2013	4.50	0	11,700	185,000	96,830	281,830
2014	4.50	35,000	11,700	190,000	87,408	277,408
2015	4.50	70,000	10,126	195,000	76,959	271,959
2016	4.50	75,000	6,976	205,000	73,809	278,809
2017-2021	4.50	80,000	3,600	830,000	241,235	1,071,235
2022-2024	-	-	-	495,000	49,659	544,659
Total		<u>\$ 260,000</u>	<u>55,802</u>	<u>\$ 2,280,000</u>	<u>729,030</u>	<u>3,009,030</u>

Revenue Bonds Payable

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

Year Ending June 30,	Bond issue of July 1, 2004			
	Interest Rates	Principal	Interest	Total
2012	4.10%	\$ 120,000	15,975	135,975
2013	4.20	125,000	11,055	136,055
2014	4.30	135,000	5,805	140,805
Total		\$ 380,000	32,835	412,835

The District has pledged future statewide sales, services and use tax revenues to repay the \$1,100,000 in bonds issued July 1, 2004. The bonds were issued for the purpose of defraying a portion of the cost of building improvements at the school. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2014. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional limitation of the District. Annual principal and interest payments on the bonds are expected to require approximately 61 percent of the statewide sales and service tax revenues. The total principal and interest remaining to be paid on the notes is \$412,835. For the current year \$115,000 in principal and \$20,575 in interest was paid on the bonds and total statewide sales, services, and use tax revenues were \$224,033.

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

- a) \$110,000 of the proceeds from the issuance of the revenue bonds shall be deposited to the Reserve Account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the Sinking Account. The balance of the proceeds shall be deposited to the Project Account.
- b) All proceeds from the 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

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five and employees must have completed fifteen years of continuous service to the District. Employees must complete an application which is required to be approved by the Board of Education. Early retirement incentives include a cash payment

based on a percentage of current salary and the payment by the District of up to \$200 per month for health insurance premiums. At June 30, 2011, the District had obligations to six participants with a total liability of \$62,291. Early retirement benefits paid during the year ended June 30, 2011 totaled \$9,800. A liability has been recorded in the government-wide financial statements representing the District's commitment to fund non-current early retirement.

(6) 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 salary and the District is required to contribute 6.95% of annual covered payroll. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2011, 2010 and 2009 were \$173,508, \$159,847, and \$150,382, respectively, equal to the required contributions for each year.

(7) Other Post-employment 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 29 active and 5 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which result in an implicit rate 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 which, if paid on an ongoing basis, is projected to cover normal cost each year and amortize and unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's 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	\$ 29,356
Interest on net OPEB obligation	244
Adjustment to annual required contribution	(2,101)
Annual OPEB cost	<u>27,499</u>
Contributions made	<u>(21,117)</u>
Increase in net OPEB obligation	6,382
Net OPEB obligation beginning of year	<u>9,760</u>
 Net OPEB obligation end of year	 <u><u>\$ 16,142</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 \$21,117 to the medical plan. Plan members eligible for benefits contributed \$0, or 0% of the premium costs.

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

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2010	\$ 28,704	66.00%	\$ 9,760
2011	27,499	76.79%	16,142

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 \$267,402, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$267,402. The covered payroll (annual payroll of active employees covered by the plan) was \$2,144,386, and the ratio of the UAAL to covered payroll was 12.47%. 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 event 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 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 6%.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were based upon national termination studies performed by the Society of Actuaries.

Projected claim costs of the medical plan are \$503.01 for single and \$1,257.53 for family, for retirees less than age 65 and \$4,024.07 per month for retirees who have attained age 65. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(8) Risk Management

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

(9) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$142,721 for the year ended June 30, 2011 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(10) Categorical Funding

The District's ending balances for state categorical funding by project as of the year ended June 30, 2011 are as follows:

Project	Amount
At-Risk Supplemental Weighting	7,777
Gifted and Talented	54,099
Professional Development, Educator Quality	3,402
Statewide Voluntary Preschool	17,906
Iowa Arts Council	200
Total	\$ 83,384

(11) 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:

	<u>Capital Projects</u>	<u>Special Revenue, Physical Plant and Equipment Levy</u>
Balances June 30, 2010 as previously reported	\$ 68,724	3,458
Changes in fund type classification per implementation of GASB Statement No. 54	<u>3,458</u>	<u>(3,458)</u>
Balances July 1, 2010, as restated	<u>\$ 72,182</u>	<u>0</u>

BAXTER COMMUNITY SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

BAXTER COMMUNITY SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENDITURES/EXPENSES AND
 CHANGES IN BALANCES -
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
 AND PROPRIETARY FUND
 REQUIRED SUPPLEMENTARY INFORMATION
 YEAR ENDED JUNE 30, 2011

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to Actual Variance
	Fund Types	Fund Type		Original	Final	
	Actual	Actual				
Revenues:						
Local sources	\$ 2,688,825	108,241	2,797,066	2,867,440	2,867,440	(70,374)
State sources	1,958,552	2,079	1,960,631	2,107,695	2,107,695	(147,064)
Federal sources	306,966	85,280	392,246	269,000	269,000	123,246
Total revenues	4,954,343	195,600	5,149,943	5,244,135	5,244,135	(94,192)
Expenditures/expenses:						
Instruction	2,581,403	0	2,581,403	3,500,800	3,500,800	919,397
Support services	1,506,178	704	1,506,882	1,845,200	1,845,200	338,318
Non-instructional programs	0	192,729	192,729	270,000	270,000	77,271
Other expenditures	646,383	0	646,383	718,787	718,787	72,404
Total expenditures/expenses	4,733,964	193,433	4,927,397	6,334,787	6,334,787	1,407,390
Excess(Deficiency) of revenues over(under) expenditures/expenses	220,379	2,167	222,546	(1,090,652)	(1,090,652)	1,313,198
Other financing sources, net	30,535	0	30,535	0	0	30,535
Excess(Deficiency) of revenues and other financing sources over(under) expenditures/expenses	250,914	2,167	253,081	(1,090,652)	(1,090,652)	1,343,733
Balances beginning of year	1,128,894	41,999	1,170,893	1,092,417	1,092,417	78,476
Balances end of year	\$ 1,379,808	44,166	1,423,974	1,765	1,765	1,422,209

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

BAXTER 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 a GAAP basis.

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

BAXTER COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FUNDING PROGRESS FOR THE
RETIREE HEALTH PLAN
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2011

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	\$ 0	\$ 267,402	\$ 267,402	0.00%	\$ 2,391,245	11.18%
2011	July 1, 2009	0	267,402	267,402	0.00%	2,144,386	12.47%

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

BAXTER COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2011

	Special Revenue Funds					Total
	Manage- ment Levy	Student Activity	Support Trust	Total Special Revenue Funds	Capital Projects	Other Nonmajor Governmental Funds
Assets						
Cash and pooled investments	\$ 139,911	95,157	30,535	265,603	75,095	340,698
Receivables:						
Property tax:						
Delinquent	925	0	0	925	193	1,118
Succeeding year	100,000	0	0	100,000	28,085	128,085
Income surtax	0	0	0	0	26,293	26,293
Prepaid expenses	0	0	0	0	38,269	38,269
Due from other governments	0	0	0	0	16,212	16,212
Total assets	\$ 240,836	95,157	30,535	366,528	184,147	550,675
Liabilities and Fund Balances						
Liabilities:						
Accounts payable	\$ 0	237	0	237	2,425	2,662
Deferred revenue:						
Succeeding year property tax	100,000	0	0	100,000	28,085	128,085
Income surtax	0	0	0	0	26,293	26,293
Total liabilities	100,000	237	0	100,237	56,803	157,040
Fund Balances:						
Nonspendable	0	0	0	0	38,269	38,269
Restricted for:						
Management levy purposes	140,836	0	0	140,836	0	140,836
Student activities	0	94,920	0	94,920	0	94,920
School infrastructure	0	0	0	0	67,096	67,096
Physical plant and equipment	0	0	0	0	21,979	21,979
Support trust	0	0	30,535	30,535	0	30,535
Total fund balances	140,836	94,920	30,535	266,291	127,344	393,635
Total liabilities and fund balances	240,836	95,157	30,535	366,528	184,147	550,675

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

BAXTER COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2011

	Special Revenue Funds				Total	Other Nonmajor Governmental Funds
	Manage- ment Levy	Student Activity	Support Trust	Total Special Revenue Funds	Capital Projects	
Revenues:						
Local sources:						
Local tax	\$ 125,259	0	0	125,259	280,810	406,069
Other	0	144,292	0	144,292	0	144,292
State sources	0	0	0	0	13	13
Total revenues	<u>125,259</u>	<u>144,292</u>	<u>0</u>	<u>269,551</u>	<u>280,823</u>	<u>550,374</u>
Expenditures:						
Current:						
Instruction:						
Regular	54,257	0	0	54,257	0	54,257
Other	0	105,003	0	105,003	0	105,003
Support services:						
Operation and maintenance of plant	42,049	0	0	42,049	0	42,049
Transportation	8,547	0	0	8,547	2,910	11,457
Other expenditures:						
Facilities acquisition	0	0	0	0	85,676	85,676
Long-term debt:						
Interest and fiscal charges	0	0	0	0	1,500	1,500
Total expenditures	<u>104,853</u>	<u>105,003</u>	<u>0</u>	<u>209,856</u>	<u>90,086</u>	<u>299,942</u>
Excess of revenues over expenditures	20,406	39,289	0	59,695	190,737	250,432
Other financing sources (uses):						
Transfer in	0	0	30,535	30,535	0	30,535
Transfer out	0	0	0	0	(135,575)	(135,575)
Total other financing sources (uses)	<u>0</u>	<u>0</u>	<u>30,535</u>	<u>30,535</u>	<u>(135,575)</u>	<u>(105,040)</u>
Net change in fund balances	20,406	39,289	30,535	90,230	55,162	145,392
Fund balances beginning of year, as restated	<u>120,430</u>	<u>55,631</u>	<u>0</u>	<u>176,061</u>	<u>72,182</u>	<u>248,243</u>
Fund balances end of year	<u>\$ 140,836</u>	<u>94,920</u>	<u>30,535</u>	<u>266,291</u>	<u>127,344</u>	<u>393,635</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

BAXTER COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 CAPITAL PROJECT ACCOUNTS
 JUNE 30, 2011

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Assets			
Cash and pooled investments	\$ 53,309	21,786	75,095
Receivables:			
Property tax:			
Delinquent	0	193	193
Succeeding year	0	28,085	28,085
Income surtax	0	26,293	26,293
Prepaid expenses	0	38,269	38,269
Due from other governments	16,212	0	16,212
Total assets	\$ 69,521	114,626	184,147
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 2,425	0	2,425
Deferred revenue:			
Succeeding year property tax	0	28,085	28,085
Income surtax	0	26,293	26,293
Total liabilities	2,425	54,378	56,803
Fund Balances:			
Nonspendable	0	38,269	38,269
Restricted for:			
School infrastructure	67,096	0	67,096
Physical plant and equipment	0	21,979	21,979
Total fund balances	67,096	60,248	127,344
Total liabilities and fund balances	\$ 69,521	114,626	184,147

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

BAXTER COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 CAPITAL PROJECT ACCOUNTS
 YEAR ENDED JUNE 30, 2011

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ 224,033	56,777	280,810
State sources	0	13	13
Total revenues	<u>224,033</u>	<u>56,790</u>	<u>280,823</u>
Expenditures:			
Current:			
Transportation	2,910	0	2,910
Other expenditures:			
Facilities acquisition	85,676	0	85,676
Long-term debt:			
Interest and fiscal charges	1,500	0	1,500
Total expenditures	<u>90,086</u>	<u>0</u>	<u>90,086</u>
Excess of revenues over expenditures	133,947	56,790	190,737
Other financing uses:			
Transfer out	<u>(135,575)</u>	0	<u>(135,575)</u>
Net change in fund balances	(1,628)	56,790	55,162
Fund balances beginning of year	<u>68,724</u>	<u>3,458</u>	<u>72,182</u>
Fund balances end of year	<u>\$ 67,096</u>	<u>60,248</u>	<u>127,344</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

BAXTER 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	Balance End of Year
Drama	\$ 462	3,350	867	2,945
Vocal music	5,484	1,932	4,522	2,894
Instrumental music	8,916	260	1,546	7,630
Athletics	5,443	5,115	3,327	7,231
CMB shared athletics	9,945	19,879	19,131	10,693
CMB boys basketball	433	2,217	951	1,699
Ranck Volleyball	0	1,355	100	1,255
CMB football	(1,927)	8,225	6,298	0
Luther football	565	29,391	14,490	15,466
CMB baseball	(2,202)	2,261	59	0
CMB boys track	(642)	5,209	3,847	720
CMB wrestling	301	630	112	819
CMB girls basketball	2,750	3,241	2,227	3,764
CMB volleyball	974	828	724	1,078
CMB softball	195	382	0	577
CMB girls track	(4,096)	6,587	2,491	0
Cross country	(835)	1,145	310	0
CMB soccer	589	1,042	486	1,145
Swalwell athletic donation	4,971	1,396	1,500	4,867
Playground	(185)	185	0	0
Drill team	135	0	0	135
Student council	(364)	2,661	1,667	630
Class of 2008	916	0	0	916
Class of 2009	341	0	0	341
Class of 2010	2,121	0	519	1,602
Class of 2011	199	6,010	5,018	1,191
Class of 2012	0	9,030	8,229	801
Science club	(38)	38	0	0
Spanish club	(69)	69	0	0
Honor society	152	0	152	0
SAAD	225	0	0	225
Weight club	30	0	0	30
Sixth grade	36	2	38	0
Fourth grade	15	2,253	2,238	30
Art club	148	5,213	3,185	2,176
McKenna basketball	715	2,007	1,204	1,518
Padgett	896	3,097	2,677	1,316
IT Club	0	300	0	300
Interest	5,200	159	0	5,359
Investments	872	0	0	872
Yearbook	9,710	11,880	10,850	10,740
FFA	200	0	0	200
Special activities	3,060	0	0	3,060
PBIS	0	6,933	6,238	695
Library	(10)	10	0	0
Total	\$ 55,631	144,292	105,003	94,920

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

BAXTER COMMUNITY SCHOOL DISTRICT
SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
ALL GOVERNMENTAL FUND TYPES
FOR THE LAST EIGHT YEARS

	Modified Accrual Basis							
	Years Ended June 30,							
	2011	2010	2009	2008	2007	2006	2005	2004
Revenues:								
Local sources:								
Local tax	\$ 1,906,598	1,736,270	1,675,453	1,507,373	1,538,509	1,407,863	1,254,508	1,264,146
Tuition	447,630	393,026	433,004	369,585	342,593	333,183	301,927	322,783
Other	334,597	258,832	271,924	251,382	611,037	303,030	1,005,798	141,647
Intermediate sources	0	0	0	1,385	5,267	0	0	0
State sources	1,958,552	1,775,379	2,092,757	2,055,222	1,778,228	1,695,082	1,495,322	1,414,577
Federal sources	306,966	322,827	163,183	92,714	258,869	510,090	103,111	99,220
Total	\$ 4,954,343	4,486,334	4,636,321	4,277,661	4,534,503	4,249,248	4,160,666	3,242,373
Expenditures:								
Current:								
Instruction:								
Regular	\$ 1,748,316	1,485,428	1,546,516	1,559,368	1,374,303	1,305,718	1,301,060	1,218,443
Special	351,381	343,217	323,256	326,864	312,220	203,249	184,931	224,890
Other	481,706	493,505	447,058	394,144	425,547	342,909	359,441	302,734
Support services:								
Student	153,220	159,454	100,320	99,192	131,502	83,375	78,838	74,863
Instructional staff	147,906	136,881	106,009	113,186	115,979	122,060	112,324	102,358
Administration	601,104	604,441	584,217	560,410	550,534	555,113	473,409	442,879
Operation and maintenance of plant	446,470	402,519	427,196	386,243	436,435	348,217	289,695	271,323
Transportation	157,478	193,501	177,720	145,105	226,416	155,952	145,956	137,455
Non-instructional programs	0	0	0	0	0	0	281	227
Other expenditures:								
Facilities acquisitions	85,676	100,847	110,715	126,758	149,120	3,567,484	902,055	18,494
Long-term debt:								
Principal	285,000	321,500	293,986	276,472	283,448	265,788	209,710	118,687
Interest and fiscal charges	132,986	142,134	152,073	161,774	166,341	160,663	170,417	94,936
AEA flow-through	142,721	142,330	134,025	123,149	111,514	103,006	92,979	91,946
Total	\$ 4,733,964	4,525,757	4,403,091	4,272,665	4,283,359	7,213,534	4,321,096	3,099,235

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

BAXTER COMMUNITY SCHOOL DISTRICT

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

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

Telephone (641) 792-1910

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

To the Board of Education of the
Baxter Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Baxter Community School District as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated January 17, 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 Baxter Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Baxter Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Baxter Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and 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 that we consider to be material weaknesses 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 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 I of the accompanying Schedule of Findings as items I-B-11 through I-E-11 to be significant deficiencies.

Compliance and Other Matters

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

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.

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

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

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

NOLTE, CORNMAN & JOHNSON, P.C.

January 17, 2012

BAXTER COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2011

Part I: Findings Related to the 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. One individual has control over data processing in general, receipt posting, investing, disbursement journalizing, payroll preparation and bank reconciling.

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

Response - We are reviewing our procedures and considering any changes that are feasible to make every effort to follow the recommendation.

Conclusion - Response accepted.

I-B-11 Gate Admissions - It was noted that the District does not utilize pre-numbered tickets for performances and athletic events that require an admission fee. Individuals collecting cash at District events do not have a process for reconciling the number of people admitted to the event to the amount of cash collected for the event.

Recommendation - The District's Board of Directors should develop internal control procedures for handling cash for all events that the District charges an admission fee. The Board of Directors should involve the District's business office staff in developing detailed procedures for handling cash before and after District events. Once the Board of Directors has approved these procedures, the procedures should be communicated and followed by persons involved in cash collection at District events. At a minimum these procedures should include:

- 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 - While the district does not use pre-numbered tickets, we continue to research the feasibility of using the pre-numbered tickets; however, we have the following procedures in place:

1. The district has a cash box with a pre-determined beginning balance for each activity.
2. The district has at least two individuals per cash box per activity who verify the beginning balance.
3. The district has at least two individuals verify the beginning balance, count and reconcile the ending cash balance.
4. The district has a standard reconciliation form used to verify beginning balances and reconcile ending cash balance, and then signed off by the ticket takers.
5. The district turns the cash box into the appropriate supervisor at each activity.
6. The appropriate supervisor is responsible for locking the cash box in the district’s vault.
7. The procedures are reviewed periodically and updated as necessary.

Conclusion - Response accepted.

I-C-11 Student Activity Fund - It was noted during our audit that in the year end adjusting entries, the District transferred money from individual student activity fund accounts that had positive ending balances to individual student activity fund accounts that had deficit ending balances. At the beginning of the next fiscal year, the entries are reversed to restore the deficit account balances.

Recommendation - The District should not make these year-end adjusting entries because the ending balances of deficit student activity accounts are being overstated while the ending balances of the positive student activity accounts are being understated. By eliminating the deficit accounts, this appears to not show the true financial health of those accounts and masks the fact that the District should consider additional approval of bills from those accounts with deficits or require sponsors of those accounts to have a workout plan to eliminate the deficit.

Response - The proper procedures were misunderstood by the business manager, however, the proper procedures to handle the deficit accounts have been clarified.

Conclusion - Response accepted.

I-D-11 Detailed Deposit Slips - It was noted during our audit that when deposit slips were prepared by office staff there was only a total of the checks included on the deposit slip.

Recommendation - The District should review procedures in place regarding preparation of deposit slips. The District should require that each check received as payment be individually listed on the deposit slip to show the complete composition of the deposit. Listing each check individually on the deposit slip aids in the check reconciliation process by making the payment received easier to trace to the receipts journal. Listing each check individually aids in determining if a payment was received from an individual or a vendor in the case of a dispute.

Response - While the district does have a standard deposit detail form to use when more space is needed than allowed on the deposit slip, these procedures have been reviewed with the appropriate personnel for future reference.

Conclusion - Response accepted.

I-E-11 Trust Interest - We noted during our audit that the certificate of deposit in the Trust Fund is earning interest that is being deposited into the Activity Fund. When there is interest earned on a CD, that interest should go back into the same fund that holds the certificate of deposit.

Recommendation - The District should review the procedures to ensure that interest is recorded into the fund that earned it.

Response - The procedures have been reviewed. It was suggested that an additional entry be made to record the interest in the trust fund and then transfer to the activity fund. This procedure will be followed.

Conclusion - Response accepted.

BAXTER 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, 2011, did not exceed the amount budgeted.
- II-B-11 Questionable Disbursements - No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- 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 - No business transactions between the District and District officials were noted.
- 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 - No variances in the basic enrollment data certified to the Iowa Department of Education were noted.
- 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, Service and Use Tax - During our audit, there was no instances of non-compliance noted with the use of the statewide sales and services tax revenue provisions Chapter 423F.3 of the Code of Iowa.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales and services tax. For the year ended June 30, 2011, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning Balance		\$ 68,724
Revenues:		
Statewide sales, services, and use tax revenue		<u>224,033</u>
Total Revenues and Transfers		<u>292,757</u>
Expenditures:		
Equipment	\$ 88,586	
Other	1,500	
Transfers to Other Funds:		
Debt Service Fund	<u>135,575</u>	<u>225,661</u>
Ending Balance		<u><u>\$ 67,096</u></u>

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