

BATTLE CREEK-IDA GROVE COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2012

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Battle Creek-Ida Grove Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
(Before September 2011 Election)		
Duane Hummelgard	President	2011
Mark Bogue	Vice President	2013
Tony Bennett	Board Member	2011
Mike Andrews	Board Member	2011
Dr. Michael Luft	Board Member	2011
Bev Bower	Board Member	2013
Jeff Rasmussen	Board Member	2013
(After September 2011 Election)		
Berny Sohm	President	2015
Bev Bower	Vice President	2013
Brian Riessen	Board Member	2015
Stephani Konradi	Board Member	2015
Dr. Michael Luft	Board Member	2015
Mark Bogue	Board Member	2013
Jeff Rasmussen	Board Member	2013
School Officials		
Dani Trimble	Superintendent	2012
Kathy Leonard	District Secretary/ Business Manager	2012
Rick Franck	Attorney	2012

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

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Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, business type activities, each major fund and the aggregate remaining fund information of the Battle Creek-Ida Grove Community School District, Ida Grove, Iowa as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business type activities, each major fund, and the aggregate remaining fund information of the Battle Creek-Ida Grove Community School District at June 30, 2012, and the respective changes in financial position and cash flows, where applicable, for the year ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated February 4, 2013 on our consideration of the Battle Creek-Ida Grove Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

U.S. generally accepted accounting principles require Management's Discussion and Analysis, Budgetary Comparison Information, Schedule of Funding Progress for the Retiree Health Plan and Schedule of Funding Progress for the Supplemental Pension Plan on pages 7 through 16 and 42 through 45 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements and other knowledge obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the required supplementary information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Battle Creek-Ida Grove Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the eight years ended June 30, 2011 (which are not presented herein) and expressed an unqualified opinion on those financial statements. The 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 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



NOLTE, CORNMAN & JOHNSON, P.C.

February 4, 2013

Battle Creek – Ida Grove Community School District

MANAGEMENT'S DISCUSSION AND ANALYSIS

Battle Creek-Ida Grove Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2012. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2012 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$7,613,872 in fiscal 2011 to \$7,919,421 in fiscal 2012, while General Fund expenditures increased from \$7,058,198 in fiscal 2011 to \$7,395,159 in fiscal 2012. This resulted in an increase in the District's General Fund balance from \$1,463,799 in fiscal 2011 to a balance of \$1,988,061 in fiscal 2012, a 35.82% increase over the prior year.
- The fiscal year 2012 General Fund revenue increase was mainly attributable to an increase in state source revenues. The increase in expenditures was due primarily to increases in all instruction and the operation and maintenance of plant functional areas.

USING THIS ANNUAL REPORT

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

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

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

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

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

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

Supplementary Information provides detailed information about the nonmajor governmental funds.

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

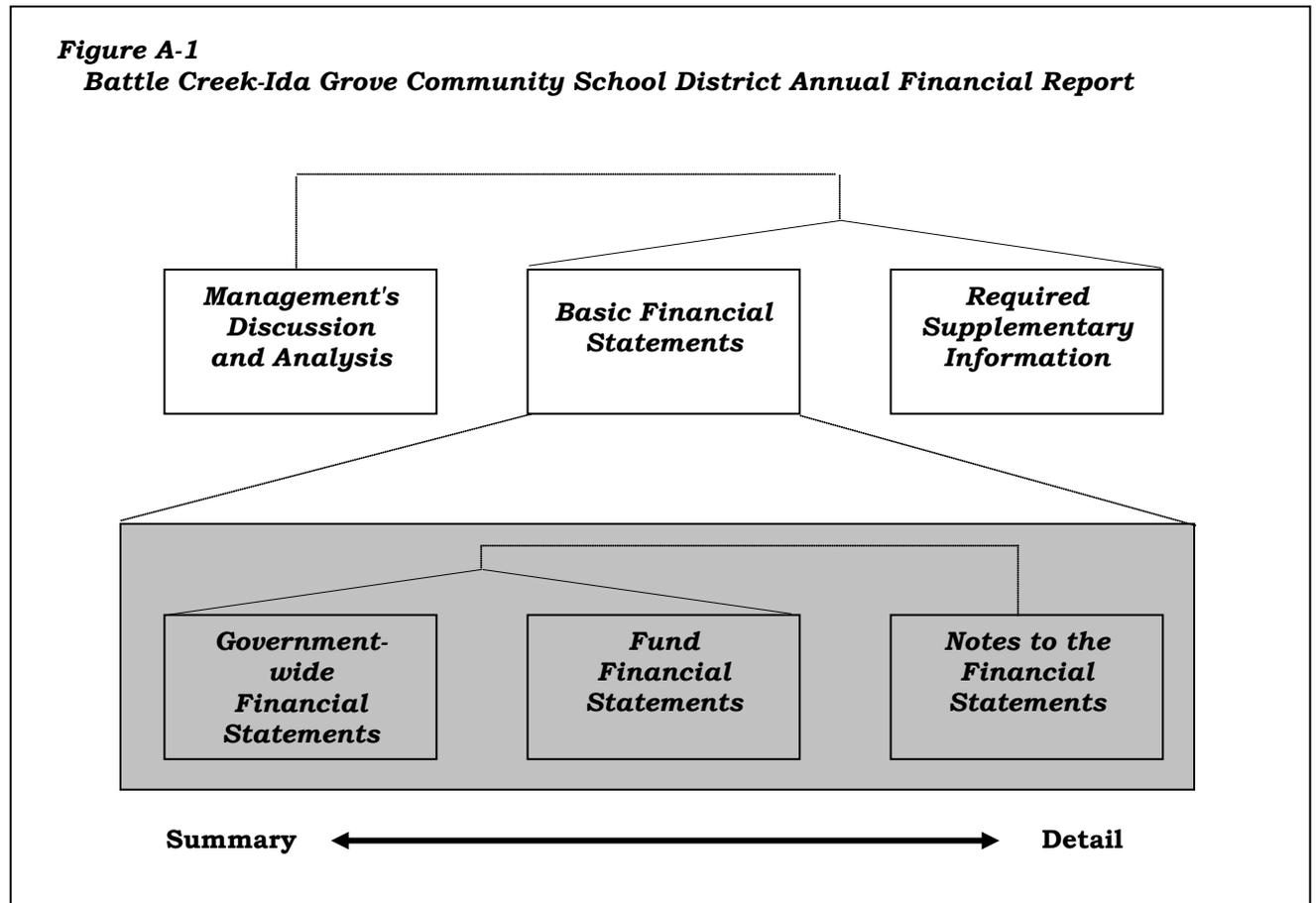


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

Figure A-2 Major Features of the Government-Wide and Fund Financial Statements				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses, e.g., food service	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of revenues, expenses and changes in fund net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/ liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/ outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District’s assets and liabilities. All of the current year’s revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

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

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

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

Fund Financial Statements

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

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

The District has two kinds of funds:

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

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

The required financial statements for the governmental funds include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances.

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

The required financial statements for the proprietary funds include a Statement of Net Assets, a Statement of Revenues, Expenses and Changes in Net Assets and a Statement of Cash Flows.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2012 compared to June 30, 2011.

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
	2012	2011	2012	2011	2012	2011	2011-12
Current and other assets	\$ 7,425,244	6,983,388	109,152	56,059	7,534,396	7,039,447	7.03%
Capital assets	2,618,367	2,523,416	27,305	24,298	2,645,672	2,547,714	3.84%
Total assets	10,043,611	9,506,804	136,457	80,357	10,180,068	9,587,161	6.18%
Long-term obligations	393,415	471,447	-	-	393,415	471,447	-16.55%
Other liabilities	4,170,877	4,067,147	46,757	6,783	4,217,634	4,073,930	3.53%
Total liabilities	4,564,292	4,538,594	46,757	6,783	4,611,049	4,545,377	1.44%
Net assets:							
Invested in capital assets, net of related debt	2,418,367	2,123,416	27,305	24,298	2,445,672	2,147,714	13.87%
Restricted	1,212,172	1,352,211	-	-	1,212,172	1,352,211	-10.36%
Unrestricted	1,848,780	1,492,583	62,395	49,276	1,911,175	1,541,859	23.95%
Total net assets	\$ 5,479,319	4,968,210	89,700	73,574	5,569,019	5,041,784	10.46%

The District's combined net assets increased by 10.46%, or \$527,235 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 invested in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets decreased \$140,039, or 10.36% from the prior year. The decrease was primarily a result of the decrease in ending fund balances of the Capital Projects Accounts.

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 \$369,316, or 23.95%. This increase in unrestricted net assets was a result of the District's increase in the General Fund ending balance.

Figure A-4 shows the changes in net assets for the year ended June 30, 2012 compared to June 30, 2011.

Figure A-4 Changes of Net Assets							
	Governmental Activities		Business type Activities		Total School District		Total Change
	2012	2011	2012	2011	2012	2011	2011-12
Revenues:							
Program revenues:							
Charges for services	\$ 1,456,479	1,287,788	136,057	139,819	1,592,536	1,427,607	11.55%
Operating grants and contributions and restricted interest	639,403	701,627	186,273	168,607	825,676	870,234	-5.12%
Capital grants, contributions and restricted interest	49,540	2,400	-	-	49,540	2,400	1964.17%
General revenues:							
Property tax	2,891,079	2,747,469	-	-	2,891,079	2,747,469	5.23%
Income surtax	177,005	248,803	-	-	177,005	248,803	-28.86%
Statewide sales, services and use tax	482,563	337,613	-	-	482,563	337,613	42.93%
Unrestricted state grants	3,202,623	2,960,335	-	-	3,202,623	2,960,335	8.18%
Nonspecific program federal grants	76,796	131,152	-	-	76,796	131,152	-41.45%
Unrestricted investment earnings	3,756	3,824	16	72	3,772	3,896	-3.18%
Other	20,631	135,383	-	1,587	20,631	136,970	-84.94%
Total revenues	8,999,875	8,556,394	322,346	310,085	9,322,221	8,866,479	5.14%
Program expenses:							
Governmental activities:							
Instruction	5,747,744	5,274,318	19,537	17,883	5,767,281	5,292,201	8.98%
Support services	2,396,384	2,364,785	3,339	1,197	2,399,723	2,365,982	1.43%
Non-instructional programs	-	-	283,344	310,347	283,344	310,347	-8.70%
Other expenses	344,638	380,999	-	-	344,638	380,999	-9.54%
Total expenses	8,488,766	8,020,102	306,220	329,427	8,794,986	8,349,529	5.34%
Changes in net assets	511,109	536,292	16,126	(19,342)	527,235	516,950	1.99%
Beginning net assets	4,968,210	4,431,918	73,574	92,916	5,041,784	4,524,834	11.42%
Ending net assets	\$ 5,479,319	4,968,210	89,700	73,574	5,569,019	5,041,784	10.46%

In fiscal 2012, property tax, income surtax, statewide sales and services tax and unrestricted state grants account for 75.04% of the revenue from governmental activities. Charges for services and operating grants and contributions accounted for almost all of the revenue for the business type activities. The District's total revenues were \$9,322,221, of which \$8,999,875 was for governmental activities and \$322,346 was for business type activities.

As shown, in Figure A-4, the District as a whole experienced 5.14% increase in revenues and an increase of 5.34% in expenditures. The increases in revenues were related to the unrestricted state grants which increased by \$242,288. The increases in expenditures can be attributed to increases in the negotiated salaries and benefits.

Governmental Activities

Revenues for governmental activities were \$8,999,875 and expenses were \$8,488,766 for the year ended June 30, 2012.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services and other expenses, for the year ended June 30, 2012 compared to the year ended June 30, 2011.

Figure A-5 Total and Net Cost of Governmental Activities						
	Total Cost of Services			Net Cost of Services		
	2012	2011	Change 2011-12	2012	2011	Change 2011-12
Instruction	\$ 5,747,744	5,274,318	8.98%	3,954,224	3,616,731	9.33%
Support services	2,396,384	2,364,785	1.34%	2,282,019	2,296,887	-0.65%
Other expenses	344,638	380,999	-9.54%	107,101	114,669	-6.60%
Totals	\$ 8,488,766	8,020,102	5.84%	6,343,344	6,028,287	5.23%

For the year ended June 30, 2012:

- The cost financed by users of the District's programs was \$1,456,479.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$688,943.
- The net cost of governmental activities was financed with \$2,891,079 in property tax, \$177,005 in income surtax, \$482,563 in statewide sales, services and use tax, \$3,202,623 in unrestricted state grants, \$79,796 in nonspecific program federal grants, \$3,756 in interest income and \$20,631 in other general revenues.

Business type Activities

Revenues of the District's business type activities for the year ended June 30, 2012, were \$322,346 representing a 3.95% increase over the prior year, while expenses totaled \$306,220, a 7.04% decrease from the prior year. The District's business type activities include the School Nutrition Fund and Day Care Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balances of \$3,067,267, over last year's ending fund balances of a \$2,669,017. The primary reason for the increase in combined fund balances in fiscal 2012 is due to the increase in ending fund balance of the General Fund.

Governmental Fund Highlights

- The District's General Fund financial position increased from \$1,463,799 at June 30, 2011 to \$1,988,061 at June 30, 2012 and is the product of many factors. Increases in state revenue sources during the year resulted in an increase in revenues. The increase in negotiated salary and benefits settlement, as well as existing expenditure commitments of the District, resulted in an increase in expenditures.
- The Capital Projects Accounts balance decreased from \$832,288 at June 30, 2011, to \$742,515 at June 30, 2012. The Capital Projects: Statewide Sales, Services and Use Tax Fund - Woodbury County, decreased from fund balance of \$42,175 at June 30, 2011 to \$32,783 at June 30, 2012. The Capital Projects: Statewide Sales, Services and Use Tax

Fund - Ida and Crawford Counties, decreased from fund balance of \$608,200 at June 30, 2011 to \$435,558 at June 30, 2012. The Capital Projects: Physical Plant and Equipment Levy Fund balance increased from \$181,913 at June 30, 2011 to \$274,174 at June 30, 2012.

Proprietary Fund Highlights

The School Nutrition Fund net assets increased from \$63,002 at June 30, 2011 to \$74,760 at June 30, 2012, representing an increase of 18.66%. The Day Care Fund net assets increased from \$10,572 at June 30, 2011 to \$14,940 at June 30, 2012, representing an increase of 41.32%.

BUDGETARY HIGHLIGHTS

The District’s revenues were \$79,877 more than budgeted revenues, a variance of less than 1%. The most significant variance resulted from the District receiving more in federal revenue sources than originally anticipated.

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

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2012, the District had invested \$2,645,672, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net increase of 3.84% over last year. More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$252,332.

The original cost of the District’s capital assets was \$7,942,611. Governmental funds account for \$7,846,836 with the remainder of \$95,775 in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the construction in progress category. The District’s construction in progress totaled \$202,186 at June 30, 2012, compared to \$0 reported at June 30, 2011. This increase resulted from the District entering construction contracts for construction of an elementary addition project.

	Figure A-6 Capital Assets, Net of Depreciation							
	Governmental Activities		Business type Activities		Total School District		Total Change	
	June 30,		June 30,		June 30,		June 30,	
	2012	2011	2012	2011	2012	2011	2011-12	
Land	\$ 124,260	124,260	-	-	124,260	124,260	0.00%	
Construction in progress	202,186	-	-	-	202,186	-	100.00%	
Buildings	1,718,072	1,795,987	-	-	1,718,072	1,795,987	-4.34%	
Land improvements	226,730	249,416	-	-	226,730	249,416	-9.10%	
Machinery and equipment	347,119	353,753	27,305	24,298	374,424	378,051	-0.96%	
Total	\$ 2,618,367	2,523,416	27,305	24,298	2,645,672	2,547,714	3.84%	

Long-Term Debt

At June 30, 2012, the District had \$393,415 in long-term debt outstanding. This represents a decrease of 16.55% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 6 to the financial statements.

The District also had outstanding Revenue Bonds payable from the Capital Projects Fund of \$200,000 at June 30, 2012.

The District had a net OPEB liability of \$49,832 as of June 30, 2012.

The District has a net pension liability of \$143,483 as of June 30, 2012.

	Figure A-7		
	Outstanding Long-Term Obligations		
	Total School District		Total Change
	June 30,		June 30,
	2012	2011	2011-12
Revenue bonds	\$ 200,000	400,000	-50.00%
Early retirement	-	37,587	-100.00%
Net OPEB liability	49,832	33,860	47.17%
Net pension liability	143,583	-	100.00%
Total	\$ 393,415	471,447	-16.55%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- The Budget Guarantee (whereby districts are guaranteed 100% of their current budget for the upcoming year) is being phased out over a ten year period which began in fiscal year 2005.
- Low allowable growth over several years and enrollment decreases have negatively impacted the district's spending authority in the past. Even though the district showed an increase in unspent budget authority for a third consecutive year, contractual increases and program changes cannot be made without thorough consideration of our unspent budget authority.
- In 2011-2012 the district was in its third year of a whole grade sharing agreement with Odebolt-Arthur for grades 6-12. Both districts have seen financial savings due to efficiencies in staff and shared costs as well as increased academic offerings for students. However, with the failure of the reorganization vote in September 2011, the share incentive money from the state has ended resulting in a loss of revenue of approximately \$106,000 for BCIG.
- The district shares a Maintenance Director (50/50) and Transportation Supervisor (80/20) with the Odebolt-Arthur Community School District. This generates state incentive money for sharing and saves approximately \$40,000 in payroll costs.
- In 2011-2012, the district was in its third year of sharing a superintendent with Odebolt-Arthur. In addition to receiving state incentive money for sharing, the district saved approximately \$50,000 in payroll costs.

-
- The board developed a plan whereby the Early Childhood building has been closed and uses the building on a minimal basis. The board voted to close the Battle Creek attendance center effective the end of the 2012-2013 school year. This will provide additional savings to the General Fund and strengthen the education program by housing all PK-5 students in one attendance center
 - The administration and the board are constantly re-evaluating programs in an effort to reduce expenditures and yet maintain a quality education program.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

BASIC FINANCIAL STATEMENTS

BATTLE CREEK-IDA GROVE COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2012

	Governmental Activities	Business type Activities	Total
Assets			
Cash and pooled investments	\$ 3,813,061	93,173	3,906,234
Receivables:			
Property tax:			
Delinquent	39,387	-	39,387
Succeeding year	2,811,273	-	2,811,273
Income surtax	190,350	-	190,350
Accounts	25,856	-	25,856
Due from other funds	38,304	-	38,304
Due from other governments	507,013	-	507,013
Inventories	-	15,979	15,979
Capital assets, net of accumulated depreciation	2,618,367	27,305	2,645,672
Total assets	10,043,611	136,457	10,180,068
Liabilities			
Due to other funds	-	38,304	38,304
Accounts payable	639,872	471	640,343
Salaries and benefits payable	715,044	3,159	718,203
Interest payable	3,250	-	3,250
Deferred revenue:			
Succeeding year property tax	2,811,273	-	2,811,273
Other	1,438	-	1,438
Unearned revenue	-	4,823	4,823
Long-term liabilities:			
Portion due within one year:			
Revenue bonds payable	200,000	-	200,000
Portion due after one year:			
Net OPEB liability	49,832	-	49,832
Net pension liability	143,583	-	143,583
Total liabilities	4,564,292	46,757	4,611,049
Net assets			
Invested in capital assets, net of related debt	2,418,367	27,305	2,445,672
Restricted for:			
Categorical funding	276,549	-	276,549
Management levy	75,493	-	75,493
Student activities	117,615	-	117,615
School infrastructure	468,341	-	468,341
Physical plant and equipment levy	274,174	-	274,174
Unrestricted	1,848,780	62,395	1,911,175
Total net assets	\$ 5,479,319	89,700	5,569,019

SEE NOTES TO FINANCIAL STATEMENTS

BATTLE CREEK-IDA GROVE COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2012

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		Total
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	
Functions/Programs:							
Governmental activities:							
Instruction:							
Regular	\$ 3,655,324	915,968	111,884	-	(2,627,472)	-	(2,627,472)
Special	1,060,884	215,282	49,781	-	(795,821)	-	(795,821)
Other	1,031,536	261,067	239,538	-	(530,931)	-	(530,931)
	<u>5,747,744</u>	<u>1,392,317</u>	<u>401,203</u>	<u>-</u>	<u>(3,954,224)</u>	<u>-</u>	<u>(3,954,224)</u>
Support services:							
Student	179,239	-	-	-	(179,239)	-	(179,239)
Instructional staff	307,752	-	-	-	(307,752)	-	(307,752)
Administration	564,055	-	-	-	(564,055)	-	(564,055)
Operation and maintenance of plant	927,588	34,610	-	49,540	(843,438)	-	(843,438)
Transportation	417,750	29,552	663	-	(387,535)	-	(387,535)
	<u>2,396,384</u>	<u>64,162</u>	<u>663</u>	<u>49,540</u>	<u>(2,282,019)</u>	<u>-</u>	<u>(2,282,019)</u>
Long-term debt interest	6,500	-	-	-	(6,500)	-	(6,500)
Other expenses:							
AEA flowthrough	237,537	-	237,537	-	-	-	-
Depreciation(unallocated)*	100,601	-	-	-	(100,601)	-	(100,601)
	<u>338,138</u>	<u>-</u>	<u>237,537</u>	<u>-</u>	<u>(100,601)</u>	<u>-</u>	<u>(100,601)</u>
Total governmental activities	8,488,766	1,456,479	639,403	49,540	(6,343,344)	-	(6,343,344)
Business Type activities:							
Instruction:							
Regular	19,537	7,905	16,000	-	-	4,368	4,368
Support services:							
Operation and maintenance of plant	3,339	-	-	-	-	(3,339)	(3,339)
Non-instructional programs:							
Food service operations	283,344	128,152	170,273	-	-	15,081	15,081
Total business type activities	<u>306,220</u>	<u>136,057</u>	<u>186,273</u>	<u>-</u>	<u>-</u>	<u>11,742</u>	<u>11,742</u>
Total	\$ 8,794,986	1,592,536	825,676	49,540	(6,343,344)	16,110	(6,327,234)
General Revenues:							
Local tax for:							
General purposes					\$ 2,695,016	-	2,695,016
Capital outlays					196,063	-	196,063
Income surtax					177,005	-	177,005
Statewide sales, services and use tax					482,563	-	482,563
Unrestricted state grants					3,202,623	-	3,202,623
Nonspecific program federal grants					76,796	-	76,796
Unrestricted investment earnings					3,756	16	3,772
Other general revenues					20,631	-	20,631
Total general revenues					<u>6,854,453</u>	<u>16</u>	<u>6,854,469</u>
Changes in net assets					511,109	16,126	527,235
Net assets beginning of year					4,968,210	73,574	5,041,784
Net assets end of year					\$ 5,479,319	89,700	5,569,019

SEE NOTES TO FINANCIAL STATEMENTS

BATTLE CREEK-IDA GROVE COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2012

	General	Capital Projects	Other Nonmajor Governmental Nonmajor	Total
Assets				
Cash and pooled investments	\$ 2,713,339	752,875	346,847	3,813,061
Receivables:				
Property tax:				
Delinquent	35,013	2,669	1,705	39,387
Succeeding year	2,404,353	206,920	200,000	2,811,273
Income surtax	158,625	31,725	-	190,350
Accounts	25,856	-	-	25,856
Due from other funds	38,304	-	-	38,304
Due from other governments	384,554	122,459	-	507,013
Total assets	\$ 5,760,044	1,116,648	548,552	7,425,244
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 492,523	135,488	11,861	639,872
Salaries and benefits payable	715,044	-	-	715,044
Deferred revenue:				
Succeeding year property tax	2,404,353	206,920	200,000	2,811,273
Income surtax	158,625	31,725	-	190,350
Other	1,438	-	-	1,438
Total liabilities	3,771,983	374,133	211,861	4,357,977
Fund balances:				
Restricted for:				
Categorical funding	276,549	-	-	276,549
Management levy purposes	-	-	219,076	219,076
Student activities	-	-	117,615	117,615
School infrastructure	-	468,341	-	468,341
Physical plant and equipment	-	274,174	-	274,174
Unassigned	1,711,512	-	-	1,711,512
Total fund balances	1,988,061	742,515	336,691	3,067,267
Total liabilities and fund balances	\$ 5,760,044	1,116,648	548,552	7,425,244

SEE NOTES TO FINANCIAL STATEMENTS

BATTLE CREEK-IDA GROVE COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET ASSETS
 JUNE 30, 2012

Total fund balances of governmental funds(page 20)	\$ 3,067,267
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in in the governmental funds.	2,618,367
Accounts receivable income surtax, are not yet available to finance expenditures of the current period.	190,350
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.	(3,250)
Long-term liabilities, including revenue bonds payable, other postemployment benefits payable and net pension liability payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.	<u>(393,415)</u>
Net assets of governmental activities(page 18)	<u><u>\$ 5,479,319</u></u>

SEE NOTES TO FINANCIAL STATEMENTS

BATTLE CREEK-IDA GROVE COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2012

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
Revenues:				
Local sources:				
Local tax	\$ 2,741,189	747,233	125,349	3,613,771
Tuition	512,383	-	-	512,383
Other	786,147	34,500	250,560	1,071,207
State sources	3,594,327	-	-	3,594,327
Federal sources	256,271	15,040	-	271,311
Total revenues	<u>7,890,317</u>	<u>796,773</u>	<u>375,909</u>	<u>9,062,999</u>
Expenditures:				
Current:				
Instruction:				
Regular	3,485,002	-	84,165	3,569,167
Special	1,059,916	-	-	1,059,916
Other	771,656	-	252,090	1,023,746
	<u>5,316,574</u>	<u>-</u>	<u>336,255</u>	<u>5,652,829</u>
Support services:				
Student	146,863	-	32,376	179,239
Instructional staff	236,610	86,819	-	323,429
Administration	526,952	-	-	526,952
Operation and maintenance of plant	578,746	15,040	36,506	630,292
Transportation	351,877	33,566	7,011	392,454
	<u>1,841,048</u>	<u>135,425</u>	<u>75,893</u>	<u>2,052,366</u>
Capital outlays	<u>-</u>	<u>555,971</u>	<u>-</u>	<u>555,971</u>
Long-term debt:				
Principal	-	-	200,000	200,000
Interest and fiscal charges	-	-	9,500	9,500
	<u>-</u>	<u>-</u>	<u>209,500</u>	<u>209,500</u>
Other expenditures:				
AEA flowthrough	237,537	-	-	237,537
Total expenditures	<u>7,395,159</u>	<u>691,396</u>	<u>621,648</u>	<u>8,708,203</u>
Excess(Deficiency) of revenues over(under) expenditures	495,158	105,377	(245,739)	354,796
Other financing sources(uses):				
Transfer in	-	-	209,500	209,500
Transfer out	-	(209,500)	-	(209,500)
Insurance proceeds	27,604	14,350	-	41,954
Sale of equipment	1,500	-	-	1,500
Total other financing sources(uses)	<u>29,104</u>	<u>(195,150)</u>	<u>209,500</u>	<u>43,454</u>
Net change in fund balances	524,262	(89,773)	(36,239)	398,250
Fund balance beginning of year	<u>1,463,799</u>	<u>832,288</u>	<u>372,930</u>	<u>2,669,017</u>
Fund balance end of year	<u>\$ 1,988,061</u>	<u>742,515</u>	<u>336,691</u>	<u>3,067,267</u>

SEE NOTES TO FINANCIAL STATEMENTS

BATTLE CREEK-IDA GROVE COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 YEAR ENDED JUNE 30, 2012

Net change in fund balances - total governmental funds(page 22) \$ 398,250

**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 not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	\$ 343,471	
Depreciation expense	(248,520)	94,951

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. 200,000

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. 3,000

Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds. (63,124)

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

Early retirement	37,587	
Other postemployment benefits	(15,972)	
Net pension liability	(143,583)	(121,968)

Changes in net assets of governmental activities(page 19) \$ 511,109

BATTLE CREEK-IDA GROVE COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2012

	School Nutrition	Day Care	Total
Assets			
Cash and pooled investments	\$ 75,074	18,099	93,173
Inventories	15,979	-	15,979
Capital assets, net of accumulated depreciation	27,305	-	27,305
Total assets	118,358	18,099	136,457
Liabilities			
Due to other funds	38,304	-	38,304
Accounts payable	471	-	471
Salaries and benefits payable	-	3,159	3,159
Unearned revenue	4,823	-	4,823
Total liabilities	43,598	3,159	46,757
Net Assets			
Invested in capital assets	27,305	-	27,305
Unrestricted	47,455	14,940	62,395
Total net assets	\$ 74,760	14,940	89,700

SEE NOTES TO FINANCIAL STATEMENTS

BATTLE CREEK-IDA GROVE COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2012

	School Nutrition	Day Care	Total
Operating revenues:			
Local sources:			
Charges for services	\$ 128,152	7,905	136,057
Operating expenses:			
Instruction:			
Regular:			
Salaries	-	16,886	16,886
Benefits	-	2,651	2,651
	-	19,537	19,537
Support services:			
Operation and maintenance of plant Services	3,339	-	3,339
Non-instructional programs:			
Food service operations:			
Salaries	109,237	-	109,237
Benefits	17,156	-	17,156
Services	2,579	-	2,579
Supplies	150,402	-	150,402
Other	158	-	158
Depreciation	3,812	-	3,812
	283,344	-	283,344
Total operating expenses	286,683	19,537	306,220
Operating loss	(158,531)	(11,632)	(170,163)
Non-operating revenues:			
State sources	3,035	16,000	19,035
Federal sources	167,238	-	167,238
Interest on investments	16	-	16
Total non-operating revenues	170,289	16,000	186,289
Changes in net assets	11,758	4,368	16,126
Net assets beginning of year	63,002	10,572	73,574
Net assets end of year	\$ 74,760	14,940	89,700

SEE NOTES TO FINANCIAL STATEMENTS

BATTLE CREEK-IDA GROVE COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2012

	School Nutrition	Day Care	Total
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	\$ 129,349	-	129,349
Cash received from miscellaneous	-	7,905	7,905
Cash payments to employees for services	(126,393)	(19,291)	(145,684)
Cash payments to suppliers for goods or services	(141,546)	-	(141,546)
Net cash used in operating activities	<u>(138,590)</u>	<u>(11,386)</u>	<u>(149,976)</u>
Cash flows from non-capital financing activities:			
Borrowings from General Fund	10,160	-	10,160
State grants received	3,035	16,000	19,035
Federal grants received	144,922	-	144,922
Net cash provided by non-capital financing activities	<u>158,117</u>	<u>16,000</u>	<u>174,117</u>
Cash flows from capital and related financing activities:			
Acquisition of capital assets	(6,819)	-	(6,819)
Cash flows from investing activities:			
Interest on investments	16	-	16
Net increase in cash and cash equivalents	12,724	4,614	17,338
Cash and cash equivalents at beginning of year	62,350	13,485	75,835
Cash and cash equivalents at end of year	<u>\$ 75,074</u>	<u>18,099</u>	<u>93,173</u>
Reconciliation of operating loss to net cash used in operating activities:			
Operating loss	\$ (158,531)	(11,632)	(170,163)
Adjustments to reconcile operating loss to net cash used in operating activities:			
Commodities consumed	22,316	-	22,316
Depreciation	3,812	-	3,812
Increase in inventories	(7,611)	-	(7,611)
Increase in accounts payable	227	-	227
Increase in salaries and benefits payable	-	246	246
Increase in unearned revenue	1,197	-	1,197
Net cash used in operating activities	<u>\$ (138,590)</u>	<u>(11,386)</u>	<u>(149,976)</u>

Non-cash investing, capital and related financing activities:

During the year ended June 30, 2012, the District received Federal commodities valued at \$22,316.

SEE NOTES TO FINANCIAL STATEMENTS

BATTLE CREEK-IDA GROVE COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

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

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

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

A. Reporting Entity

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

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

B. Basis of Presentation

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

normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

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 the following categories:

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

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

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

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

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

The District reports the following major governmental funds:

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

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

The District reports the following nonmajor proprietary funds:

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these

pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

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

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

D. Assets, Liabilities and Fund Equity

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

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

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2010 assessed property valuations; is for the tax accrual period July 1, 2011 through June 30, 2012 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2011.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

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

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

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

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

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

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current

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

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

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

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

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

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

Unassigned - All amounts not included in other spendable classifications.

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

E. Budgeting and Budgetary Control

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

(2) **Cash and Pooled Investments**

The District's deposits at June 30, 2012 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances;

certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2012, the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$202,037 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investments in the Iowa Schools Joint Investment Trust was rated AAA by Standard & Poor's Financial Services.

(3) Due From and Due to Other Funds

The detail of interfund receivables and payables at June 30, 2012 is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Nutrition Fund	\$ 38,304

The Nutrition Fund is repaying the General Fund for salaries and benefits not repaid by year end.

(4) Interfund Transfers

The detail of transfers for the year ended June 30, 2012 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects: Statewide Sales, Services and Use Tax	\$ 209,500

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

(5) Capital Assets

Capital assets activity for the year ended June 30, 2012 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business type activities:				
Machinery and equipment	\$ 88,956	6,819	-	95,775
Less accumulated depreciation	64,658	3,812	-	68,470
Business type activities capital assets, net	\$ 24,298	3,007	-	27,305

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 124,260	-	-	124,260
Construction in progress	-	202,186	-	202,186
Total capital assets not being depreciated	124,260	202,186	-	326,446
Capital assets being depreciated:				
Buildings	4,956,887	-	-	4,956,887
Land improvements	520,177	-	-	520,177
Machinery and equipment	1,903,841	141,285	1,800	2,043,326
Total capital assets being depreciated	7,380,905	141,285	1,800	7,520,390
Less accumulated depreciation for:				
Buildings	3,160,900	77,915	-	3,238,815
Land improvements	270,761	22,686	-	293,447
Machinery and equipment	1,550,088	147,919	1,800	1,696,207
Total accumulated depreciation	4,981,749	248,520	1,800	5,228,469
Total capital assets being depreciated, net	2,399,156	(107,235)	-	2,291,921
Governmental activities capital assets, net	\$ 2,523,416	94,951	-	2,618,367

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 48,487
Special	968
Other	9,990
Support services:	
Instructional staff	8,716
Administrative	7,031
Operation and maintenance of plant	14,550
Transportation	58,177
	147,919
Unallocated depreciation	100,601
Total governmental activities depreciation expense	\$ 248,520
Business type activities:	
Food services	\$ 3,812

(6) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2012 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Revenue bonds	\$ 400,000	-	200,000	200,000	200,000
Early retirement	37,587	-	37,587	-	-
Net OPEB liability	33,860	15,972	-	49,832	-
Net pension liability	-	143,583	-	143,583	-
Total	\$ 471,447	159,555	237,587	393,415	200,000

During the year ended June 30, 2011, the District implemented GASB Statement No. 27, Accounting for Pensions by State and Local Governmental Employers, and GASB Statement No. 50, Pension Disclosures - an Amendment of GASB Statements No. 25 and 27, The early retirement liability is now recorded based on actuarial valuations and is reflected in the net pension liability.

Revenue Bonds

Details of the District's June 30, 2012 statewide sales, services and use tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Interest Rate	Bond issue dated October 1, 2009		
		Principal	Interest	Total
2013	3.25	200,000	3,250	203,250

The District has pledged future statewide sales, services and use tax revenues to repay the \$600,000. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District in accordance with Chapter 423E of the Code of Iowa and are payable through 2012. The bonds are not a general obligation of the District. The debt, however, is subject to the constitutional debt limitations of the District. The total principal and interest paid remaining to be paid is \$203,250. For the current year, \$200,000 in principal and \$9,500 in interest was paid on the bonds and total statewide sales and services tax revenues were \$482,562.

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

- a. The bonds will only be redeemed from future earnings of the statewide sales, services and use tax revenues received by the District and the bond holders hold a lien on the future revenues received.
- b. All proceeds from the statewide sales, services and use tax shall be placed in a revenue account.
- c. Monies in the revenue account shall be disbursed to make deposits into a sinking account to pay the principal and interest requirements of the revenue bonds for the fiscal year.

- d. Any monies remaining in the revenue account after the required transfer to the sinking account may be transferred to the project account to be used for any lawful purpose.

(7) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 5.38% of their annual covered salary and the District is required to contribute 8.07% of annual covered salary. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2012, 2011, and 2010 were \$339,859, \$280,686, and \$285,561, respectively, equal to the required contributions for each year.

(8) Other Postemployment Benefits (OPEB)

Plan Description - The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 43 active and 4 retired members in the plan.

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

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

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

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2012, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 29,116
Interest on net OPEB obligation	847
Adjustment to annual required contribution	(2,454)
Annual OPEB cost	<u>27,509</u>
Contributions made	(11,537)
Increase in net OPEB obligation	<u>15,972</u>
Net OPEB obligation beginning of year	33,860
Net OPEB obligation end of year	<u><u>\$ 49,832</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, 2012.

For the year ended June 30, 2012, the District contributed \$11,537 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, 2012 are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2010	\$ 26,016	31.21%	\$ 17,897
2011	\$ 26,191	39.05%	\$ 33,860
2012	\$ 27,509	41.94%	\$ 49,832

Funded Status and Funding Progress - As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2011 through June 30, 2012, the actuarial accrued liability was \$208,305, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$208,305. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$1,891,237, and the ratio of the UAAL to covered payroll was 11.01%. As of June 30, 2012, there were no trust fund assets.

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

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members at that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2009 actuarial valuation date, the frozen entry age actuarial cost method was used. The actuarial assumptions includes a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 11.0%. The ultimate medical trend rate is 5%. The medical trend rate is reduced by 0.5% each year until reaching the 5% ultimate trend rate. Mortality rates are from the 94 Group Annuity Mortality Table, applied on a gender-specific basis.

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

(9) Supplemental Pension Plan

The District implemented GASB Statement No. 27, Accounting for Pensions by State and Local Governmental Employers, and GASB Statement No. 50, Pension Disclosures - an Amendment of GASB Statements No. 25 and 27, during the year ended June 30, 2012.

Plan Description - The District offers a supplemental pension (early retirement incentive) for certified teaching staff and non-certified staff who attain age 55 with 20 or more years of service to the District, submit an application to the superintendent, receive Board approval and retire by June 30 of the same year.

There are 107 active members in the plan as of June 30, 2012. The pension benefit is defined as 60% of the retiree's final salary.

Funding Policy - Payments under the plan are made on a pay-as-you-go basis. There are no invested plan assets accumulated for future benefits. The District makes the contributions from the Special Revenue, Management Levy Fund.

Annual Pension Cost and Net Pension Obligation - The District's annual pension cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 27, as amended by GASB Statement No. 50. The ARC represents a level of funding which, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual pension cost for the year ended June 30, 2012, the amount actually contributed to the plan and changes in the District's net pension obligation:

Annual required contribution	\$ 143,583
Pension payments made	-
Increase in net pension obligation	<u>143,583</u>
Net OPEB obligation beginning of year	-
Net OPEB obligation end of year	<u><u>\$ 143,583</u></u>

For calculation of the net pension obligation, the actuary has set the transition day as July 1, 2011. The end of year net pension 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, 2012.

For the year ended June 30, 2012, the District contributed \$0 to the pension plan. The District's annual pension cost, the percentage of annual pension cost contributed to the plan and the net pension obligation as of June 30, 2012 are summarized as follows:

Year Ended June 30,	Annual Pension Cost	Percentage of Annual Pension Cost Contributed	Net Pension Obligation
2012	\$ 143,583	0.00%	\$ 143,583

Funded Status and Funding Progress - As of July 1, 2011, the most recent actuarial valuation date for the period July 1, 2011 through June 30, 2012, the actuarial accrued liability was approximately \$1,016,856 with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of approximately \$1,016,856. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$3,284,645 and the ratio of the UAAL to covered payroll was 30.96%. As of June 30, 2012, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and employee retirement age. 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 Finding Progress for the Supplemental Pension Plan, presented as Required Supplementary Information in the section following the Notes to the Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to 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 benefits costs between employer and plan members to a point. The actuarial methods and assumptions used include techniques that are 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 calculations.

As of July 1, 2011 actuarial valuation date, the entry age actuarial cost method was used. The actuarial assumptions include a 2.50% discount rate based on the District's funding policy. The salary increase rate was assumed to be 3% per year. The actuarial assumptions used for mortality rates, employee termination by age and group, employee retirement by age and group and others are similar or identical to the GASB Statement No. 45 assumptions used to determine the net OPEB liability. The remaining amortization period at June 30, 2012 is 29 years.

(10) Risk Management

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

(11) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$237,537 for the year ended June 30, 2012 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(12) Categorical Funding

The District's ending restricted balances for categorical funding at June 30, 2012 are comprised of the following projects:

Project	Amount
Home school assistance program	12,922
Gifted and talented programs	31,562
Dropout and dropout prevention	27,315
Teacher salary supplement	36,191
Market factor	3,655
Market factor incentives	570
Four-year old preschool state aid	109,803
Professional development for model core curriculum	28,371
Professional development	25,246
Reading recovery	914
Total	\$ 276,549

(13) Construction Commitment

The District has entered into an architectural services contract totaling \$179,753 for an elementary addition project. As of June 30, 2012, costs of \$154,195 had been incurred against the contract. The remaining balance \$25,558 at June 30, 2012 will be paid as work on the project progresses.

During fiscal year 2013, the District has issued bonds and entered into additional contracts for the construction of the elementary addition. Once the project is completed, the architectural and building costs will be capitalized in the District's capital asset listing.

REQUIRED SUPPLEMENTARY INFORMATION

BATTLE CREEK-IDA GROVE COMMUNITY SCHOOL DISTRICT
 BUDGETARY COMPARISON OF REVENUES, EXPENDITURES/EXPENSES AND
 CHANGES IN BALANCES -
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
 AND PROPRIETARY FUNDS
 REQUIRED SUPPLEMENTARY INFORMATION
 YEAR ENDED JUNE 30, 2012

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to
	Fund Types	Fund Type		Original	Final	Actual
	Actual	Actual				Variance
Revenues:						
Local sources	\$ 5,197,361	136,073	5,333,434	5,288,574	5,288,574	44,860
State sources	3,594,327	19,035	3,613,362	3,681,894	3,681,894	(68,532)
Federal sources	271,311	167,238	438,549	335,000	335,000	103,549
Total revenues	<u>9,062,999</u>	<u>322,346</u>	<u>9,385,345</u>	<u>9,305,468</u>	<u>9,305,468</u>	<u>79,877</u>
Expenditures/expenses:						
Instruction	5,652,829	19,537	5,672,366	6,529,712	6,529,712	857,346
Support services	2,052,366	3,339	2,055,705	2,500,000	2,500,000	444,295
Non-instructional programs	-	283,344	283,344	391,708	391,708	108,364
Other expenditures	1,003,008	-	1,003,008	1,387,843	1,387,843	384,835
Total expenditures/expenses	<u>8,708,203</u>	<u>306,220</u>	<u>9,014,423</u>	<u>10,809,263</u>	<u>10,809,263</u>	<u>1,794,840</u>
Excess(Deficiency) of revenues over(under) expenditures/expenses	354,796	16,126	370,922	(1,503,795)	(1,503,795)	1,874,717
Other financing sources, net	<u>43,454</u>	<u>-</u>	<u>43,454</u>	<u>-</u>	<u>-</u>	<u>43,454</u>
Excess(Deficiency) of revenues and other financing sources over(under) expenditures/expenses	398,250	16,126	414,376	(1,503,795)	(1,503,795)	1,918,171
Balance beginning of year	<u>2,669,017</u>	<u>73,574</u>	<u>2,742,591</u>	<u>2,056,447</u>	<u>2,056,447</u>	<u>686,144</u>
Balance end of year	<u>\$ 3,067,267</u>	<u>89,700</u>	<u>3,156,967</u>	<u>552,652</u>	<u>552,652</u>	<u>2,604,315</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

BATTLE CREEK-IDA GROVE COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2012

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

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis.

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

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

For Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1 ,2009	\$ -	\$ 240,618	\$ 240,618	0.0%	\$ 1,890,594	12.73%
2011	July 1 ,2009	-	234,777	234,777	0.0%	2,094,555	11.21%
2012	July 1 ,2009	-	208,305	208,305	0.0%	1,891,237	11.01%

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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

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

For Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2012	July 1, 2011	\$ -	\$ 1,632,972	\$ 1,632,972	0.0%	\$ 3,284,645	49.72%

See Note 9 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual pension cost, net pension obligation, funded status and funding progress.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

Battle Creek – Ida Grove Community School District

SUPPLEMENTARY INFORMATION

BATTLE CREEK-IDA GROVE COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2012

	Special Revenue		
	Manage- ment Levy	Student Activity	Total
Assets:			
Cash and pooled investments	\$ 218,475	128,372	346,847
Receivables:			
Property tax:			
Delinquent	1,705	-	1,705
Succeeding year	200,000	-	200,000
Total assets	\$ 420,180	128,372	548,552
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	1,104	10,757	11,861
Deferred revenue:			
Succeeding year property tax	200,000	-	200,000
Total liabilities	201,104	10,757	211,861
Fund balances:			
Restricted for:			
Management levy purposes	219,076	-	219,076
Student activities	-	117,615	117,615
Total fund balances	219,076	117,615	336,691
Total liabilities and fund balances	\$ 420,180	128,372	548,552

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

BATTLE CREEK-IDA GROVE COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2012

	Special Revenue				Total Nonmajor Governmental Funds
	Manage- ment Levy	Student Activity	Total Special Revenue Funds	Debt Service	
Revenues:					
Local sources:					
Local tax	\$ 125,349	-	125,349	-	125,349
Other	2,140	248,420	250,560	-	250,560
Total revenues	127,489	248,420	375,909	-	375,909
Expenditures:					
Current:					
Instruction:					
Regular	84,165	-	84,165	-	84,165
Other	-	252,090	252,090	-	252,090
Support services:					
Student services	-	32,376	32,376	-	32,376
Operation and maintenance of plant	36,506	-	36,506	-	36,506
Transportation	7,011	-	7,011	-	7,011
Long-term debt:					
Principal	-	-	-	200,000	200,000
Interest	-	-	-	9,500	9,500
Total expenditures	127,682	284,466	412,148	209,500	621,648
Deficiency of revenues under expenditures	(193)	(36,046)	(36,239)	(209,500)	(245,739)
Other financing sources:					
Transfer in	-	-	-	209,500	209,500
Net change in fund balances	(193)	(36,046)	(36,239)	-	(36,239)
Fund balances beginning of year	219,269	153,661	372,930	-	372,930
Fund balances end of year	\$ 219,076	117,615	336,691	-	336,691

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

BATTLE CREEK-IDA GROVE COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 CAPITAL PROJECT ACCOUNTS
 JUNE 30, 2012

	Capital Projects			Total
	Statewide Sales, Services and Use Tax- Woodbury County	Statewide Sales, Services and Use Tax- Ida and Crawford Counties	Physical Plant and Equipment Levy	
Assets				
Cash and pooled investments	\$ 82,975	392,782	277,118	752,875
Receivables:				
Property tax:				
Delinquent	-	-	2,669	2,669
Succeeding year	-	-	206,920	206,920
Income surtax	-	-	31,725	31,725
Due from other governments	1,201	121,258	-	122,459
Total assets	\$ 84,176	514,040	518,432	1,116,648
Liabilities and Fund Balances				
Liabilities				
Accounts payable	51,393	78,482	5,613	135,488
Deferred revenue:				
Succeeding year property tax	-	-	206,920	206,920
Income surtax	-	-	31,725	31,725
Total liabilities	51,393	78,482	244,258	374,133
Fund balances:				
Restricted for:				
School infrastructure	32,783	435,558	-	468,341
Physical plant and equipment	-	-	274,174	274,174
Total fund balances	32,783	435,558	274,174	742,515
Total liabilities and fund balances	\$ 84,176	514,040	518,432	1,116,648

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

BATTLE CREEK-IDA GROVE COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 CAPITAL PROJECT ACCOUNTS
 YEAR ENDED JUNE 30, 2012

	Capital Projects			Total
	Statewide Sales, Services and Use Tax- Woodbury County	Statewide Sales, Services and Use Tax- Ida and Crawford Counties	Physical Plant and Equipment Levy	
Revenues:				
Local sources:				
Local tax	\$ 7,501	475,061	264,671	747,233
Other	34,500	-	-	34,500
Federal sources	-	-	15,040	15,040
Total revenues	42,001	475,061	279,711	796,773
Expenditures:				
Current:				
Support services:				
Instructional staff	-	-	86,819	86,819
Operation and maintenance of plant	-	-	15,040	15,040
Transportation	-	-	33,566	33,566
Capital outlays	51,393	438,203	66,375	555,971
Total expenditures	51,393	438,203	201,800	691,396
Excess(Deficiency) of revenues over(under) expenditures	(9,392)	36,858	77,911	105,377
Other financing sources(uses):				
Transfer out	-	(209,500)	-	(209,500)
Insurance proceeds	-	-	14,350	14,350
Total other financing sources(uses)	-	(209,500)	14,350	(195,150)
Net change in fund balances	(9,392)	(172,642)	92,261	(89,773)
Fund balances beginning of year	42,175	608,200	181,913	832,288
Fund balances end of year	\$ 32,783	435,558	274,174	742,515

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

BATTLE CREEK-IDA GROVE COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2012

Account	Balance Beginning of Year	Revenues	Expendi- tures	Intra- Fund Transfers	Balance End of Year
Cross country	\$ 1,945	8,720	9,540	993	2,118
Falcons boy's basketball	5,893	1,018	4,789	248	2,370
Falcon football	8,651	8,707	9,777	1,434	9,015
HS Falcon baseball	2,887	690	640	350	3,287
Falcon High School Bowling	2,385	-	-	50	2,435
Falcon boys golf	412	320	320	99	511
Falcon wrestling	1,357	3,441	6,797	2,184	185
Falcon girls basketball	7,214	6,690	7,335	98	6,667
Falcon volleyball	5,533	4,559	5,478	495	5,109
Falcon girls softball	4,273	1,782	2,141	150	4,064
Falcon girls golf	501	-	-	-	501
Concessions	5,908	36,752	27,754	(9,068)	5,838
Interest	-	55	-	(55)	-
Class of 2011	379	-	-	(379)	-
Class of 2012	2,137	6,119	7,638	800	1,418
Class of 2013	833	13,345	14,118	-	60
Class of 2014	378	22	200	-	200
Class of 2015	170	158	79	-	249
Class of 2016	64	-	-	-	64
OA/BCIG coed athletics	45,588	98,053	125,244	(1,246)	17,151
HS vocal	1,005	-	-	-	1,005
HS band	4,843	1,554	969	98	5,526
Senior memories	1,513	-	82	-	1,431
Quiz bowl fund	1,032	-	180	-	852
STEP program	-	30	-	150	180
HS Art club	-	862	-	395	1,257
Future leaders of america	987	-	-	-	987
Spanish club	698	-	-	-	698
HS student council	7,597	2,859	4,181	222	6,497
FFA	20,605	28,809	32,374	345	17,385
OA/BCIG cheerleaders	1,236	3,400	3,071	1,371	2,936
OA/BCIG drama	9,169	1,857	1,903	-	9,123
OA/BCIG dance team	5,008	18,262	19,556	1,266	4,980
OA/BCIG NHS	3,460	356	300	-	3,516
Total	\$ 153,661	248,420	284,466	-	117,615

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

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

	Modified Accrual Basis								
	Years Ended June 30,								
	2012	2011	2010	2009	2008	2007	2006	2005	2004
Revenues:									
Local sources:									
Local tax	\$ 3,613,771	3,307,160	3,369,800	2,898,063	2,672,242	2,616,624	2,564,373	2,299,301	2,123,977
Tuition	512,383	350,538	371,539	393,603	383,799	380,045	300,685	323,148	316,081
Other	1,071,207	1,103,449	1,073,640	480,107	409,600	468,740	430,455	402,431	307,577
State sources	3,594,327	3,405,209	2,920,947	3,418,749	3,350,240	3,233,158	3,166,741	3,091,914	3,046,556
Federal sources	271,311	363,313	574,536	231,666	170,078	175,486	214,114	190,284	206,952
Total	\$ 9,062,999	8,529,669	8,310,462	7,422,188	6,985,959	6,874,053	6,676,368	6,307,078	6,001,143
Expenditures:									
Current:									
Instruction:									
Regular	\$ 3,569,167	3,529,824	3,278,275	2,885,135	2,834,221	2,791,135	2,685,879	2,554,133	2,516,048
Special	1,059,916	950,589	849,285	833,349	830,788	788,325	823,163	889,485	892,439
Other	1,023,746	869,611	945,366	886,965	723,737	715,866	706,376	493,172	467,234
Support services:									
Student	179,239	168,576	160,926	113,074	113,476	159,825	150,047	137,394	137,103
Instructional staff	323,429	453,164	313,285	359,992	330,225	313,868	293,904	263,161	214,155
Administration	526,952	526,898	554,948	603,513	637,155	649,696	646,404	628,141	619,820
Operation and maintenance of plant	630,292	530,868	605,919	620,908	690,685	683,858	674,114	607,453	547,542
Transportation	392,454	316,567	381,100	319,064	361,473	366,948	358,952	265,725	284,302
Capital outlays	555,971	363,594	797,419	425,984	266,409	315,829	172,932	207,088	29,538
Long-term debt:									
Principal	200,000	200,000	-	-	-	-	-	-	-
Interest	9,500	15,250	4,500	-	-	-	-	-	-
Other expenditures:									
AEA flow-through	237,537	266,330	264,023	244,531	239,274	233,619	227,081	226,110	231,726
Total	\$ 8,708,203	8,191,271	8,155,046	7,292,515	7,027,443	7,018,969	6,738,852	6,271,862	5,939,907

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

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Telephone (641) 792-1910

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

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

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Battle Creek-Ida Grove Community School District as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated February 4, 2013. 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

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

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

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings as item I-A-12 to be a material weakness.

A significant deficiency is a deficiency or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part II of the accompanying Schedule of Findings as items I-B-12 to I-D-12 to be significant deficiencies.

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2012 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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

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

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



NOLTE, CORNMAN & JOHNSON, P.C.

February 4, 2013

BATTLE CREEK-IDA GROVE COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2012

Part I: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

I-A-12 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the cash receipts listing, and the posting of the cash receipts to the cash receipts journal were all done by the same person.

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

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

Conclusion - Response accepted.

I-B-12 Gate Admissions - It was noted that the District does not utilize pre-numbered tickets for all events that requires an admission.

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

- a. Cash or change boxes should be established with a specified amount.
- b. The District should use pre-numbered tickets.
- c. Two or more individuals should be involved in the cash collection/ticket sales process. In addition to cash collection/ticket sales procedures, the individuals should be instructed to not leave the cash/change boxes unattended under any circumstances.
- d. At the end of the event, cash should be counted and reconciled (by two or more individuals) to sales/pre-numbered tickets sold including the amount of the beginning cash.
- e. To reconcile, the next unsold ticket number less the beginning ticket number determines the number of tickets sold. This number times the price per ticket equals total sales. Total sales compared to total collected should reconcile. Variances, if any should be minimal.
- f. A reconciliation form should be completed and signed off by the individuals responsible for counting and reconciling the cash.
- g. The cash and change box should be turned into the Athletic Director (AD) or designee responsible for the "accounting" function at the event.

- h. The AD or designee should be required to take the cash collections to the night depository at the bank or at a minimum, lock the cash collections in the District's vault or other secure location at the District's office for deposit on the next working day. District procedures should prohibit individuals from taking cash collections home.
- i. A pre-numbered receipt should be issued by the Business Office the next working day in the amount of the confirmed deposit.
- j. Administrative personnel should periodically review/test the process to ensure procedures are working as prescribed.

Response - The Administration and Activities Director have met and established new procedures for ticket taking and handling of cash at events. Cash boxes are established with a specific amount of start change. The district is using pre-numbered tickets. The two individuals responsible for taking cash and selling tickets reconcile the cash box at the end of the evening with an administrator present. The reconciliation forms (a new form was developed this year indicating starting and ending ticket numbers) are completed and signed off by the individuals responsible for counting the cash. The cash box is turned in to the AD or designee responsible. The AD or designee takes the cash to the bank in a locked bank bag the evening of the event. (If there is a Friday event followed by a Saturday event, the money is locked in a safe at the high school.) Pre-numbered receipts are issued by the Business Manager after deposit is confirmed. The administrative assistant reviews all reconciliation forms as they are returned by the bank.

Conclusion - Response accepted.

I-C-12 Payroll Procedures - During our audit we noted several issues relating to internal controls dealing with payroll. More specific examples of these instances of questioned items and recommendations are as follows:

Non-Certified Timesheets: We noted during our audit that the District is not keeping track of hours worked for coaches and other non-certified employees.

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

Response - The district has distributed time sheets for tracking hours worked for coaches and other certified employees and notified the Activities Director and head coaches for required approval signatures.

Conclusion - Response accepted.

Timesheet Approval: We noted during our audit that the District is currently keeping timesheets on a web based system. However, no one approves the timesheets for payment.

Recommendation - Better internal controls are achieved if an individual or supervisor, who monitors the personnel, would approve the timesheets for payment before payroll checks are written.

Response - The payroll office will start requiring supervisors or individuals who monitor the personnel to sign off/approve monthly time sheets.

Conclusion - Response accepted.

I-D-12 Home School Assistance Program(HSAP) Revenues - We noted during our audit that the District operates a home school assistance program where the District accepts students from other districts. Instead of recording HSAP revenues from the other districts as tuition revenues, the District is recording the revenues as a reduction of HSAP expenses. This practice is not allowable per Iowa Department of Education guidelines as it understates HSAP revenues and expenses.

Recommendation - The District needs to cease the practice of recording HSAP revenues against program expenses. HSAP revenues received should be recorded to a revenue account with the project number of the HSAP program to be in compliance with Iowa Department of Education guidelines.

Response - The district will record the receipts from Odebolt-Arthur as a revenue account with the correct project number in compliance with the Department of Education guidelines.

Conclusion - Response accepted.

BATTLE CREEK-IDA GROVE COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2012

Part II: Other Findings Related to Required Statutory Reporting:

- II-A-12 Certified Budget - District disbursements for the year ended June 30, 2012, did not exceed the amount budgeted.
- II-B-12 Questionable Disbursements - No expenditures we believe may not meet the requirements of public purpose as defined in the Attorney General's opinion dated April 25, 1979 were noted.
- II-C-12 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-12 Business Transactions - Business transactions between the District and District officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Roger Walter, General Maintenance Director Owner, Walter Construction	Purchased Services	\$ 14,500
Kevin Weber, Vehicle Serviceman Owner, Weber Repair	Purchased Services	1,463

In accordance with the Attorney General's opinion dated July 2, 1990, the above transactions do not appear to represent a conflict of interest.

However, Roger Walter, who is the owner of a business, has the title as General Maintenance Director, the District may want to consider additional approval which would allow for transparency of the transactions.

- II-E-12 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-12 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.
- II-G-12 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.
- II-H-12 Supplementary Weighting - No variance regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- II-I-12 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-12 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-12 Categorical Funding - No instances were noted of categorical funding being used to supplant rather than supplement other funds.

II-L-12 Statewide Sales, Services and Use Tax - No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services, and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2012, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR.

Beginning Balance		\$	650,375
Revenues:			
Sales tax revenues	\$	482,562	
Other revenues		34,500	517,062
		<hr/>	<hr/>
Expenditures/transfers out:			
School infrastructures construction		462,996	
Equipment		26,600	
Transfer to other funds:			
Debt service fund		209,500	699,096
		<hr/>	<hr/>
Ending Balance		\$	<u>468,341</u>

For the year ended June 30, 2012, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of Code of Iowa.