

BAXTER COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2012

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**Baxter Community School District**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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**Board of Education  
(Before September 2011 Election)**

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

**Board of Education  
(After September 2011 Election)**

Curt Hansen	President	2015
Deborah Meyer	Vice President	2015
Colette Kunkel	Board Member	2015
Randy Fuchs	Board Member	2013
Jon Northrup	Board Member	2013

**School Officials**

Matt Patton	Superintendent	2012
Julie McWhirter	District Secretary/Treasurer and Business Manager	2012

**BAXTER COMMUNITY SCHOOL DISTRICT**

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

**Certified Public Accountants**

**(a professional corporation)**

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

**Telephone (641) 792-1910**

Independent Auditor's Report

To the Board of Education of  
Baxter Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Baxter Community School District, Baxter 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, the business type activities, each major fund and the aggregate remaining fund information of Baxter Community School District at June 30, 2012, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated March 8, 2013 on our consideration of Baxter Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

**Members American Institute & Iowa Society of Certified Public Accountants**

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 15 and 42 through 44 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 inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we 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 Baxter Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the six years ended June 30, 2011 (which are not presented herein) and expressed unqualified opinions on those financial statements. Another auditor previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the two years ended June 30, 2005 (which are not presented herein) and expressed an unqualified opinion on those financial statements. 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.

March 8, 2013

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

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Baxter Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 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 \$4,120,366 in fiscal 2011 to \$4,246,253 in fiscal 2012, while General Fund expenditures increased from \$4,017,536 in fiscal 2011 to \$4,108,485 in fiscal 2012. This resulted in an increase in the District's General Fund balance from \$824,483 in fiscal 2011 to a balance of \$962,251 in fiscal 2012.
- The increase in General Fund revenues was attributable to receiving more from state sources when compared to the previous year. The increase in expenditures was due primarily to increases in salaries and benefits for District employees during fiscal 2012.

### **USING THIS ANNUAL REPORT**

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

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

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

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

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

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

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.

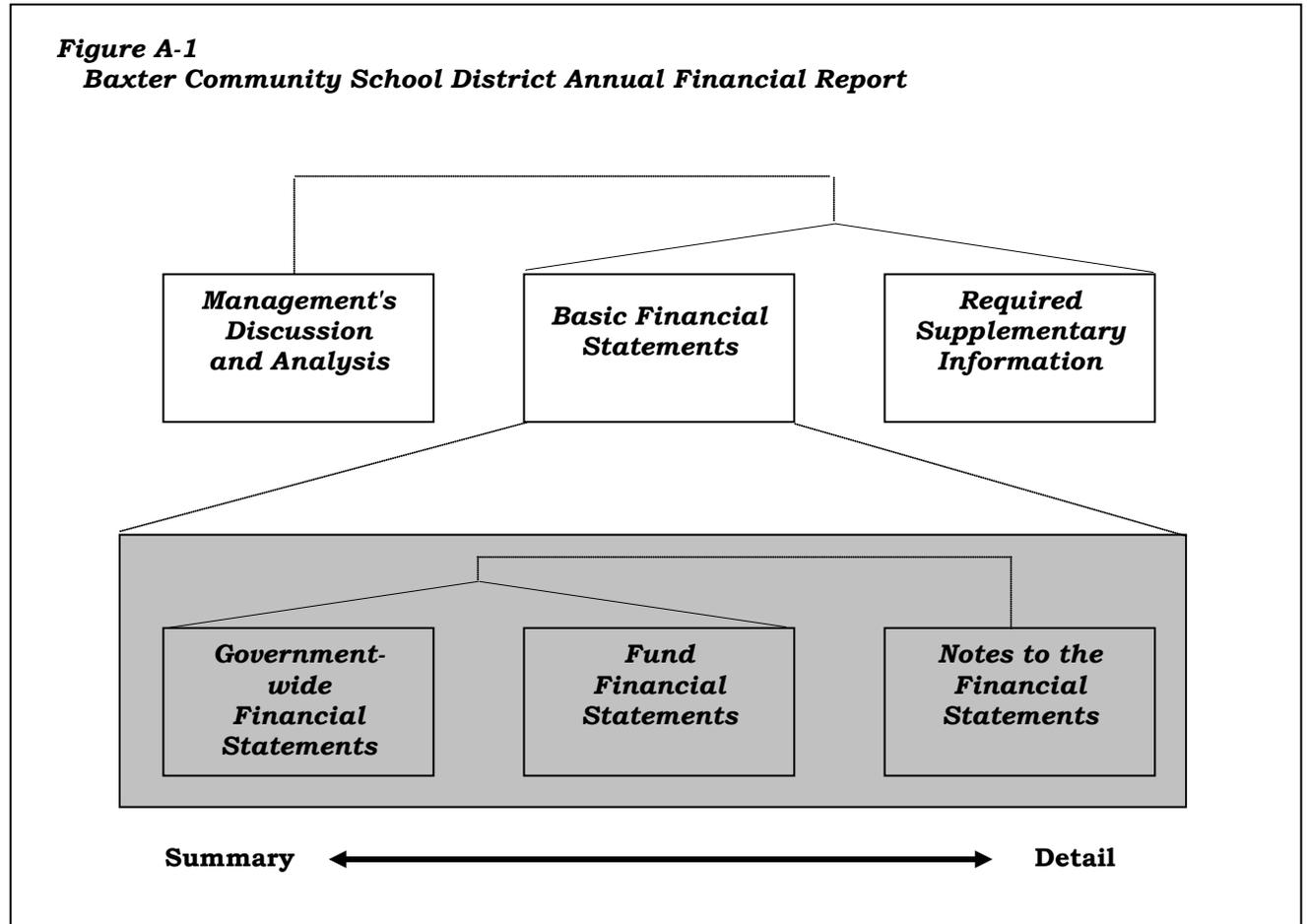


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

**Figure A-2**  
**Major Features of the Government-wide and Fund Financial Statements**

	Government-wide Statements	Fund Statements	
		Governmental Funds	Proprietary Funds
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: food services and adult education
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of revenues, expenses and changes in fund net assets</li> <li>• Statement of cash flows</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
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
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

## 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.

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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 one enterprise fund, the School Nutrition Fund.

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

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2012	2011	2012	2011	2012	2011	2011-12
Current and other assets	\$ 3,341,699	2,990,745	11,838	21,525	3,353,537	3,012,270	11.33%
Capital assets	6,170,066	6,286,086	28,057	25,948	6,198,123	6,312,034	-1.80%
Total assets	<u>9,511,765</u>	<u>9,276,831</u>	<u>39,895</u>	<u>47,473</u>	<u>9,551,660</u>	<u>9,324,304</u>	<u>2.44%</u>
Long-term obligations	2,404,183	2,737,927	853	506	2,405,036	2,738,433	-12.17%
Other liabilities	1,651,583	1,445,582	3,412	2,801	1,654,995	1,448,383	14.27%
Total liabilities	<u>4,055,766</u>	<u>4,183,509</u>	<u>4,265</u>	<u>3,307</u>	<u>4,060,031</u>	<u>4,186,816</u>	<u>-3.03%</u>
Net assets:							
Invested in capital assets, net of related debt	3,810,066	3,626,086	28,057	25,948	3,838,123	3,652,034	5.10%
Restricted	633,236	576,418	-	-	633,236	576,418	9.86%
Unrestricted	1,012,697	890,818	7,573	18,218	1,020,270	909,036	12.24%
Total net assets	<u>\$ 5,455,999</u>	<u>5,093,322</u>	<u>35,630</u>	<u>44,166</u>	<u>5,491,629</u>	<u>5,137,488</u>	<u>6.89%</u>

The District's combined net assets increased by 6.89%, or \$354,141 over the prior year. The largest portion of the District's net assets is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased by \$56,818, or 9.86% over the prior year. The biggest reason for the increase in restricted net assets was an increase in the Capital Projects: Statewide Sales, Services and Use Tax Fund balance.

Unrestricted net assets - 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 \$111,234, or 12.24%. The main reason for the increase in unrestricted net assets was the increase in the General Fund unassigned 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 District		Total Change	
	June 30,		June 30,		June 30,		June 30,	
	2012	2011	2012	2011	2012	2011	2011-12	
Revenues and Transfers:								
Program revenues:								
Charges for services	\$ 689,014	605,896	109,847	103,665	798,861	709,561	12.59%	
Operating grants and contributions and restricted interest	338,868	631,740	75,382	87,359	414,250	719,099	-42.39%	
General revenues:								
Property tax	1,338,845	1,525,826	-	-	1,338,845	1,525,826	-12.25%	
Income surtax	174,655	154,883	-	-	174,655	154,883	12.77%	
Statewide sales, services, and use tax	354,984	224,033	-	-	354,984	224,033	58.45%	
Nonspecific program federal grants	1,048	106,038	-	-	1,048	106,038	-99.01%	
Unrestricted state grants	2,262,355	1,528,984	-	-	2,262,355	1,528,984	47.96%	
Unrestricted investment earnings	7,029	9,376	32	59	7,061	9,435	-25.16%	
Other general revenues	106,639	165,711	-	4,517	106,639	170,228	-37.36%	
Transfers	-	30,535	-	-	-	30,535	-100.00%	
Total revenues and transfers	<u>5,273,437</u>	<u>4,983,022</u>	<u>185,261</u>	<u>195,600</u>	<u>5,458,698</u>	<u>5,178,622</u>	<u>5.41%</u>	
Program expenses:								
Governmental activities:								
Instruction	2,899,520	2,598,305	-	-	2,899,520	2,598,305	11.59%	
Support services	1,586,054	1,613,839	2,750	704	1,588,804	1,614,543	-1.59%	
Non-instructional programs	-	-	191,047	192,729	191,047	192,729	-0.87%	
Other expenditures	425,186	437,262	-	-	425,186	437,262	-2.76%	
Total expenses	<u>4,910,760</u>	<u>4,649,406</u>	<u>193,797</u>	<u>193,433</u>	<u>5,104,557</u>	<u>4,842,839</u>	<u>5.40%</u>	
Change in net assets	362,677	333,616	(8,536)	2,167	354,141	335,783	5.47%	
Net assets beginning of year, as restated	<u>5,093,322</u>	<u>4,759,706</u>	<u>44,166</u>	<u>41,999</u>	<u>5,137,488</u>	<u>4,801,705</u>	<u>6.99%</u>	
Net assets end of year	<u>\$ 5,455,999</u>	<u>5,093,322</u>	<u>35,630</u>	<u>44,166</u>	<u>5,491,629</u>	<u>5,137,488</u>	<u>6.89%</u>	

In fiscal 2012, local tax, statewide sales, services and use tax and unrestricted state grants account for 78.33% of the revenue from governmental activities while charges for service and operating grants and contributions and restricted interest account for 99.98% of the revenue from business type activities.

The District's total revenues were \$5,458,698, of which \$5,273,437 was for governmental activities and \$185,261 was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 5.41% increase in revenues and a 5.40% increase in expenses.

### Governmental Activities

Revenues for governmental activities were \$5,273,437 and expenses were \$4,910,760. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues.

The following table presents the total and net cost of the District's major governmental activities, instruction, support services, non-instructional programs and other expenses, for the year ended June 30, 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	\$ 2,899,520	2,598,305	11.59%	2,015,180	1,614,270	24.84%
Support services	1,586,054	1,613,839	-1.72%	1,585,702	1,502,959	5.51%
Other expenses	425,186	437,262	-2.76%	281,996	294,541	-4.26%
Totals	\$ 4,910,760	4,649,406	5.62%	3,882,878	3,411,770	13.81%

For the year ended June 30, 2012:

- The cost financed by users of the District's programs was \$689,014.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$338,868.
- The net cost of governmental activities was financed with \$1,338,845 in property tax, \$174,655 in income surtax, \$354,984 in statewide sales, services and use tax, \$1,048 in nonspecific program federal grants, \$2,262,355 in unrestricted state grants, \$7,029 in interest income and \$106,639 in other general revenues.

### Business type Activities

Revenues of the District's business type activities were \$185,261 and expenses were \$193,797. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

### INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$1,526,031, above last year's ending fund balances of \$1,379,808.

### Governmental Fund Highlights

- The District's increase in the General Fund balance from \$824,483 at June 30, 2011 to \$962,251 at June 30, 2012 is the product of many factors. An increase in state revenues during the year combined with a minimal increase in expenditures resulted in a net increase of \$137,768.
- The District's Debt Service Fund balance increased from \$161,690 at June 30, 2011 to \$168,445 at June 30, 2012. The majority of the increase was due to an increase in property tax collected during the year.

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## Proprietary Fund Highlights

The School Nutrition Fund net assets decreased from \$44,166 at June 30, 2011 to \$35,630 at June 30, 2012, representing a decrease of 19.33%.

## BUDGETARY HIGHLIGHTS

The District's revenues were \$78,440 less than budgeted revenues, a variance of 1.42%. The most significant variance resulted from the District receiving less from federal source revenues than originally anticipated.

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

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2012, the District had invested \$6,198,123, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net decrease of 1.80% from last year. More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$200,726.

The original cost of the District's capital assets was \$8,918,482. Governmental funds account for \$8,853,422 with the remaining of \$65,060 in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the machinery and equipment category. The District's machinery and equipment was \$141,956 at June 30, 2011, compared to \$189,113 at June 30, 2012. The change mainly resulted from the District's purchase of two buses during the year.

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2012	2011	2012	2011	2012	2011	2011-12
Land	\$ 105,602	105,602	-	-	105,602	105,602	0.00%
Buildings	5,804,997	5,953,833	-	-	5,804,997	5,953,833	-2.50%
Land improvements	98,411	110,643	-	-	98,411	110,643	-11.06%
Machinery and equipment	161,056	116,008	28,057	25,948	189,113	141,956	33.22%
Total	\$ 6,170,066	6,286,086	28,057	25,948	6,198,123	6,312,034	-1.80%

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## Long-Term Debt

At June 30, 2012, the District had \$2,405,036 in total long-term debt outstanding. This represents a decrease of 12.17% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 5 to the financial statements.

The District had total outstanding General Obligation Bonds payable of \$2,100,000 at June 30, 2012.

The District had total outstanding Revenue Bonds payable of \$260,000 at June 30, 2012.

The District had total outstanding Early Retirement payable from the Special Revenue – Management Levy Fund of \$17,800 at June 30, 2012.

The District had net OPEB liability payable of \$27,236 at June 30, 2012, of which, \$26,383 was attributable to governmental activities and \$853 to business type activities.

Figure A-7 Outstanding Long-Term Obligations							
	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2012	2011	2012	2011	2012	2011	2011-12
General obligation bonds	\$ 2,100,000	2,280,000	-	-	2,100,000	2,280,000	-7.89%
Revenue bonds	260,000	380,000	-	-	260,000	380,000	-31.58%
Early retirement	17,800	62,291	-	-	17,800	62,291	-71.42%
Net OPEB liability	26,383	15,636	853	506	27,236	16,142	68.73%
	<u>\$ 2,404,183</u>	<u>2,737,927</u>	<u>853</u>	<u>506</u>	<u>2,405,036</u>	<u>2,738,433</u>	<u>-12.17%</u>

## ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- On July 1, 2012, the IPERS employer contribution increase to 8.67% will increase the Baxter Community School District's employer benefit costs during fiscal 2013. An additional increase to 8.93% is anticipated for fiscal 2014.
- Low allowable growth over several years is negatively impacting the District's spending authority. Contractual increases and program changes cannot be made without thorough consideration of our unspent authorized budget.

## CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

**BAXTER COMMUNITY SCHOOL DISTRICT**

BASIC FINANCIAL STATEMENTS

BAXTER COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
JUNE 30, 2012

	Governmental Activities	Business Type Activities	Total
<b>Assets</b>			
Cash and pooled investments	\$ 1,381,928	7,280	1,389,208
Receivables:			
Property tax:			
Delinquent	10,955	-	10,955
Succeeding year	1,550,592	-	1,550,592
Income surtax	156,729	-	156,729
Accounts	5,532	-	5,532
Due from other governments	206,940	-	206,940
Inventories	-	4,558	4,558
Bond discounts and bond issue costs	29,023	-	29,023
Capital assets, net of accumulated depreciation	6,170,066	28,057	6,198,123
<b>Total assets</b>	<b>9,511,765</b>	<b>39,895</b>	<b>9,551,660</b>
<b>Liabilities</b>			
Accounts payable	77,669	-	77,669
Salaries and benefits payable	1,655	-	1,655
Interest payable	21,667	-	21,667
Unearned revenue	-	3,412	3,412
Deferred revenue:			
Succeeding year property tax	1,550,592	-	1,550,592
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	185,000	-	185,000
Revenue bonds payable	125,000	-	125,000
Early retirement payable	7,200	-	7,200
Portion due after one year:			
General obligation bonds payable	1,915,000	-	1,915,000
Revenue bonds payable	135,000	-	135,000
Early retirement payable	10,600	-	10,600
Net OPEB liability	26,383	853	27,236
<b>Total liabilities</b>	<b>4,055,766</b>	<b>4,265</b>	<b>4,060,031</b>
<b>Net assets</b>			
Invested in capital assets, net of related debt	3,810,066	28,057	3,838,123
Restricted for:			
Categorical funding	84,256	-	84,256
Debt service	168,445	-	168,445
Management levy purposes	68,897	-	68,897
Student activities	73,362	-	73,362
Support trust	30,535	-	30,535
School infrastructure	176,946	-	176,946
Physical plant and equipment	30,795	-	30,795
Unrestricted	1,012,697	7,573	1,020,270
<b>Total net assets</b>	<b>\$ 5,455,999</b>	<b>35,630</b>	<b>5,491,629</b>

SEE NOTES TO FINANCIAL STATEMENTS

**BAXTER COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2012**

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		Total
	Expenses	Operating Grants, Contributions		Governmental Activities	Business Type Activities	
		Charges for Services	and Restricted Interest			
<b>Functions/Programs:</b>						
Governmental activities:						
Instruction:						
Regular	\$ 1,784,999	386,653	71,362	(1,326,984)	-	(1,326,984)
Special	442,950	69,508	68,805	(304,637)	-	(304,637)
Other	671,571	232,853	55,159	(383,559)	-	(383,559)
	<u>2,899,520</u>	<u>689,014</u>	<u>195,326</u>	<u>(2,015,180)</u>	<u>-</u>	<u>(2,015,180)</u>
Support services:						
Student	118,675	-	-	(118,675)	-	(118,675)
Instructional staff	120,618	-	-	(120,618)	-	(120,618)
Administration	651,353	-	-	(651,353)	-	(651,353)
Operation and maintenance of plant	489,050	-	-	(489,050)	-	(489,050)
Transportation	206,358	-	352	(206,006)	-	(206,006)
	<u>1,586,054</u>	<u>-</u>	<u>352</u>	<u>(1,585,702)</u>	<u>-</u>	<u>(1,585,702)</u>
Long-term debt interest	120,928	-	-	(120,928)	-	(120,928)
Other expenses:						
AEA flowthrough	143,190	-	143,190	-	-	-
Depreciation(unallocated)*	161,068	-	-	(161,068)	-	(161,068)
	<u>304,258</u>	<u>-</u>	<u>143,190</u>	<u>(161,068)</u>	<u>-</u>	<u>(161,068)</u>
Total governmental activities	<u>4,910,760</u>	<u>689,014</u>	<u>338,868</u>	<u>(3,882,878)</u>	<u>-</u>	<u>(3,882,878)</u>
Business type activities:						
Support services:						
Administration	685	-	-	-	(685)	(685)
Operation and maintenance of plant	2,065	-	-	-	(2,065)	(2,065)
	<u>2,750</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,750)</u>	<u>(2,750)</u>
Non-instructional programs:						
Food service operations	191,047	109,847	75,382	-	(5,818)	(5,818)
Total business type activities	<u>193,797</u>	<u>109,847</u>	<u>75,382</u>	<u>-</u>	<u>(8,568)</u>	<u>(8,568)</u>
Total	<u>\$ 5,104,557</u>	<u>798,861</u>	<u>414,250</u>	<u>(3,882,878)</u>	<u>(8,568)</u>	<u>(3,891,446)</u>
<b>General Revenues:</b>						
General Revenues:						
Property tax levied for:						
General purposes				\$ 1,019,550	-	1,019,550
Debt service				291,174	-	291,174
Capital outlay				28,121	-	28,121
Income surtax				174,655	-	174,655
Statewide sales, services and use tax				354,984	-	354,984
Unrestricted state grants				2,262,355	-	2,262,355
Nonspecific program federal grants				1,048	-	1,048
Unrestricted investment earnings				7,029	32	7,061
Other general revenues				106,639	-	106,639
Total general revenues				<u>4,245,555</u>	<u>32</u>	<u>4,245,587</u>
Change in net assets				362,677	(8,536)	354,141
Net assets beginning of year				<u>5,093,322</u>	<u>44,166</u>	<u>5,137,488</u>
Net assets end of year				<u>\$ 5,455,999</u>	<u>35,630</u>	<u>5,491,629</u>

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

SEE NOTES TO FINANCIAL STATEMENTS

BAXTER COMMUNITY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2012

	Debt			Total
	General	Service	Nonmajor	
<b>Assets</b>				
Cash and pooled investments	\$ 914,754	166,011	301,163	1,381,928
Receivables:				
Property tax:				
Delinquent	7,471	2,434	1,050	10,955
Succeeding year	999,848	328,160	222,584	1,550,592
Income surtax	128,233	-	28,496	156,729
Accounts	5,032	-	500	5,532
Due from other governments	109,932	-	97,008	206,940
<b>Total assets</b>	<b>\$ 2,165,270</b>	<b>496,605</b>	<b>650,801</b>	<b>3,312,676</b>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts payable	\$ 73,283	-	4,386	77,669
Salaries and benefits payable	1,655	-	-	1,655
Deferred revenue:				
Succeeding year property tax	999,848	328,160	222,584	1,550,592
Income surtax	128,233	-	28,496	156,729
Total liabilities	1,203,019	328,160	255,466	1,786,645
Fund balances:				
Restricted for:				
Categorical funding	84,256	-	-	84,256
Debt service	-	168,445	-	168,445
Management levy purposes	-	-	86,697	86,697
Student activities	-	-	73,362	73,362
Support trust	-	-	30,535	30,535
School infrastructure	-	-	173,946	173,946
Physical plant and equipment	-	-	30,795	30,795
Unassigned	877,995	-	-	877,995
Total fund balances	962,251	168,445	395,335	1,526,031
<b>Total liabilities and fund balances</b>	<b>\$ 2,165,270</b>	<b>496,605</b>	<b>650,801</b>	<b>3,312,676</b>

SEE NOTES TO FINANCIAL STATEMENTS

BAXTER COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF NET ASSETS  
 JUNE 30, 2012

<b>Total fund balances of governmental funds(page 20)</b>	\$ 1,526,031
<b>Amounts reported for governmental activities in the Statement of Net Assets are different because:</b>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	6,170,066
Accounts receivable income surtax, are not yet available to finance expenditures of the current period.	156,729
Bond issue costs and bond discounts are an expense when incurred in the governmental funds, but are capitalized and amortized over the life of the bonds for the government-wide financial statements.	29,023
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.	(21,667)
Long-term liabilities, including general obligation bonds payable, revenue bonds payable, early retirement payable, and other postemployment benefits are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(2,404,183)</u>
<b>Net assets of governmental activities(page 18)</b>	<u><u>\$ 5,455,999</u></u>

SEE NOTES TO FINANCIAL STATEMENTS

BAXTER COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2012

	Debt			Total
	General	Service	Nonmajor	
<b>Revenues:</b>				
Local sources:				
Local tax	\$ 1,065,701	291,174	512,636	1,869,511
Tuition	449,299	-	-	449,299
Other	132,658	497	223,894	357,049
State sources	2,445,054	-	10	2,445,064
Federal sources	153,541	-	-	153,541
Total revenues	<u>4,246,253</u>	<u>291,671</u>	<u>736,540</u>	<u>5,274,464</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular	1,713,066	-	106,578	1,819,644
Special	442,950	-	-	442,950
Other	425,137	-	245,452	670,589
	<u>2,581,153</u>	<u>-</u>	<u>352,030</u>	<u>2,933,183</u>
Support services:				
Student	118,322	-	-	118,322
Instructional staff	120,383	-	-	120,383
Administration	632,942	-	16,199	649,141
Operation and maintenance of plant	345,744	-	38,668	384,412
Transportation	166,751	-	91,732	258,483
	<u>1,384,142</u>	<u>-</u>	<u>146,599</u>	<u>1,530,741</u>
Capital outlay	-	-	100,442	100,442
Long-term debt:				
Principal	-	300,000	-	300,000
Interest and fiscal charges	-	120,685	-	120,685
	<u>-</u>	<u>420,685</u>	<u>-</u>	<u>420,685</u>
Other expenditures:				
AEA flowthrough	143,190	-	-	143,190
Total expenditures	<u>4,108,485</u>	<u>420,685</u>	<u>599,071</u>	<u>5,128,241</u>
Excess(deficiency) of revenues over(under)expenditures	137,768	(129,014)	137,469	146,223
Other financing sources(uses):				
Operating transfers in	-	135,769	-	135,769
Operating transfers out	-	-	(135,769)	(135,769)
Total other financing sources(uses)	<u>-</u>	<u>135,769</u>	<u>(135,769)</u>	<u>-</u>
Net change in fund balances	137,768	6,755	1,700	146,223
Fund balances beginning of year	824,483	161,690	393,635	1,379,808
Fund balances end of year	<u>\$ 962,251</u>	<u>168,445</u>	<u>395,335</u>	<u>1,526,031</u>

SEE NOTES TO FINANCIAL STATEMENTS

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

Net change in fund balances - total governmental funds(page 22) \$ 146,223

*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. Depreciation expense exceeded capital outlay expenditures in the current year, as follows:

Expenditures for capital assets	\$ 80,937	
Depreciation expense	<u>(196,957)</u>	(116,020)

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. 300,000

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 governmental funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. 3,509

Income surtax accounts receivable is not available to finance expenditures in the current year period in the governmental funds. (1,027)

Bond issue costs and bond discounts are reported as expenses in the governmental funds, but are capitalized and amortized over the life of the bonds in the Statement of Activities. (3,752)

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

Early retirement	44,491	
Other postemployment benefits	<u>(10,747)</u>	<u>33,744</u>

Changes in net assets of governmental activities(page 19) \$ 362,677

SEE NOTES TO FINANCIAL STATEMENTS

BAXTER COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
PROPRIETARY FUND  
JUNE 30, 2012

	School Nutrition
<b>Assets</b>	
Cash and pooled investments	\$ 7,280
Inventories	4,558
Capital assets, net of accumulated depreciation	28,057
<b>Total assets</b>	<b>39,895</b>
<b>Liabilities</b>	
Unearned revenue	3,412
Net OPEB liability	853
<b>Total liabilities</b>	<b>4,265</b>
<b>Net assets</b>	
Invested in capital assets	28,057
Unrestricted	7,573
<b>Total net assets</b>	<b>\$ 35,630</b>

SEE NOTES TO FINANCIAL STATEMENTS

BAXTER COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2012

	School Nutrition
Operating revenues:	
Local sources:	
Charges for services	\$ 109,847
Operating expenses:	
Support services:	
Administration:	
Other	685
Operation and maintenance of plant:	
Services	2,065
	2,750
Non-instructional programs:	
Food service operations:	
Salaries	52,640
Benefits	25,877
Services	39
Supplies	108,722
Depreciation	3,769
	191,047
Total operating expenses	193,797
Operating loss	(83,950)
Non-operating revenues:	
State sources	2,066
Federal sources	73,316
Interest income	32
Total non-operating revenues	75,414
Change in net assets	(8,536)
Net assets beginning of year	44,166
Net assets end of year	\$ 35,630

SEE NOTES TO FINANCIAL STATEMENTS

BAXTER COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2012

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 110,458
Cash payments to employees for services	(78,170)
Cash payments to suppliers for goods or services	(102,802)
Net cash used in operating activities	(70,514)
Cash flows from non-capital financing activities:	
State grants received	2,066
Federal grants received	64,047
Net cash provided by non-capital financing activities	66,113
Cash flows from capital and related financing activities:	
Purchase of capital assets	(5,878)
Cash flows from investing activities:	
Interest on investments	32
Net decrease in cash and cash equivalents	(10,247)
Cash and cash equivalents at beginning of year	17,527
Cash and cash equivalents at end of year	\$ 7,280
<b>Reconciliation of operating loss to net cash used in operating activities:</b>	
Operating loss	\$ (83,950)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	9,269
Depreciation	3,769
Increase in inventories	(560)
Increase in unearned revenue	611
Increase in other postemployment benefits	347
Net cash used in operating activities	\$ (70,514)

**Non-cash investing, capital and related financing activities:**

During the year ended June 30, 2012, the District received \$9,269 of federal commodities.

SEE NOTES TO FINANCIAL STATEMENTS

BAXTER COMMUNITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012

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

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

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

A. Reporting Entity

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

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

B. Basis of Presentation

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

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

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

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

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

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

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

The District reports the following major governmental funds:

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

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

The District reports the following nonmajor proprietary fund:

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

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 non-operating items. Operating revenues and expenses generally result from providing services and producing and

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

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

D. Assets, Liabilities and Fund Balances

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

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

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1% 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, equipment, and intangibles are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

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

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

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

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

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

or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

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

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

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 the preceding classification.

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

E. Budgeting and Budgetary Control

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

(2) **Cash and Pooled Investments**

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

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

companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district. At June 30, 2012, the District had no investments.

**(3) Interfund Transfers**

The detail of interfund 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	<u>\$ 135,769</u>

The transfer from the Capital Projects: Statewide Sales, Services and Use Tax Fund to the Debt Service Fund was needed to meet debt sinking requirements associated with the District's revenue bonded indebtedness.

**(4) Capital Assets**

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 105,602	-	-	105,602
Total capital assets not being depreciated	<u>105,602</u>	<u>-</u>	<u>-</u>	<u>105,602</u>
Capital assets being depreciated:				
Buildings	7,692,120	-	-	7,692,120
Land improvements	385,449	-	-	385,449
Machinery and equipment	623,314	80,937	34,000	670,251
Total capital assets being depreciated	<u>8,700,883</u>	<u>80,937</u>	<u>34,000</u>	<u>8,747,820</u>
Less accumulated depreciation for:				
Buildings	1,738,287	148,836	-	1,887,123
Land improvements	274,806	12,232	-	287,038
Machinery and equipment	507,306	35,889	34,000	509,195
Total accumulated depreciation	<u>2,520,399</u>	<u>196,957</u>	<u>34,000</u>	<u>2,683,356</u>
Total capital assets being depreciated, net	<u>6,180,484</u>	<u>(116,020)</u>	<u>-</u>	<u>6,064,464</u>
Governmental activities capital assets, net	<u>\$ 6,286,086</u>	<u>(116,020)</u>	<u>-</u>	<u>6,170,066</u>
<b>Business type activities:</b>				
Machinery and equipment	\$ 59,182	5,878	-	65,060
Less accumulated depreciation	33,234	3,769	-	37,003
Business type activities capital assets, net	<u>\$ 25,948</u>	<u>2,109</u>	<u>-</u>	<u>28,057</u>

Depreciation expense was charged by the District as follows:

Governmental activities:		
Instruction:		
Regular		\$ 2,380
Other		982
Support services:		
Operation and maintenance of plant		3,740
Transportation		28,787
		<u>35,889</u>
Unallocated depreciation		<u>161,068</u>
		<u>\$ 196,957</u>
Business type activities:		
Food services		<u>\$ 3,769</u>

**(5) Long-Term Liabilities**

Changes in long-term liabilities for the year ended June 30, 2012 are summarized as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
<b>Governmental activities:</b>					
General obligation bonds	\$ 2,280,000	-	180,000	2,100,000	185,000
Revenue bonds	380,000	-	120,000	260,000	125,000
Early retirement	62,291	-	44,491	17,800	7,200
Net OPEB liability	15,636	10,747	-	26,383	-
	<u>\$ 2,737,927</u>	<u>10,747</u>	<u>344,491</u>	<u>2,404,183</u>	<u>317,200</u>
<b>Business type activities:</b>					
Net OPEB liability	\$ 506	347	-	853	-

General Obligation Bonds Payable

Details of the District's June 30, 2012 general obligation bonded debt is as follows:

Year Ending June 30,	Bond issue of May 1, 2003			Bond issue of July 1, 2004		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2013	3.80%	\$ 185,000	10,035	4.25%	\$ -	75,095
2014	4.00	90,000	3,375	4.25	65,000	75,095
2015		-	-	4.40	125,000	72,333
2016		-	-	4.50	130,000	66,832
2017		-	-	4.60	135,000	60,983
2018-2022		-	-	4.70-5.00	785,000	201,562
2023-2024		-	-	5.05	325,000	24,745
Total		\$ 275,000	13,410		\$ 1,565,000	576,645

Year Ending June 30,	Bond issue of June 1, 2006			Total		
	Interest Rates	Principal	Interest	Principal	Interest	Total
2013	4.50%	\$ -	11,700	185,000	96,830	281,830
2014	4.50	35,000	11,700	190,000	90,170	280,170
2015	4.50	70,000	10,126	195,000	82,459	277,459
2016	4.50	75,000	6,976	205,000	73,808	278,808
2017	4.50	80,000	3,600	215,000	64,583	279,583
2018-2022		-	-	785,000	201,562	986,562
2023-2024		-	-	325,000	24,745	349,745
Total		\$ 260,000	44,102	\$ 2,100,000	634,157	2,734,157

#### Revenue Bonds Payable

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

Year Ending June 30,	Bond issue of July 1, 2004			
	Interest Rates	Principal	Interest	Total
2013	4.20%	\$ 125,000	11,055	136,055
2014	4.30	135,000	5,805	140,805
Total		\$ 260,000	16,860	276,860

The District has pledged future statewide sales, services and use tax revenues to repay the \$1,100,000 in bonds issued July 1, 2004. The bonds were issued for the purpose of defraying a portion of the cost of building improvements at the school. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2014. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional limitation of the District. Annual principal and interest payments on the bonds are expected to require approximately 38 percent of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the notes is \$276,860. For the current year \$120,000 in principal and \$15,975 in interest was paid on the bonds and total statewide sales, services, and use tax revenues were \$354,984.

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

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

#### Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five and employees must have completed fifteen years of continuous service to the District. Employees must complete an application which is required to be approved by the Board of Education. Early retirement incentives include a cash payment based on a percentage of current salary and the payment by the District of up to \$200 per month for health insurance premiums. At June 30, 2012, the District had obligations to three participants with a total liability of \$17,800. Early retirement benefits paid during the year ended June 30, 2012 totaled \$44,491. A liability has been recorded in the government-wide financial statements representing the District's commitment to fund non-current early retirement.

#### **(6) Pension and Retirement Benefits**

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

Plan members are required to contribute 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 \$207,330, \$173,508, and \$159,847, respectively, equal to the required contributions for each year.

(7) **Other Postemployment Benefits (OPEB)**

Plan Description - The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 29 active and 5 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which result in an implicit rate subsidy and an OPEB liability.

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

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

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

Annual required contribution	\$ 27,583
Interest on net OPEB obligation	404
Adjustment to annual required contribution	(2,126)
Annual OPEB cost	<u>25,861</u>
Contributions made	<u>(14,767)</u>
Increase in net OPEB obligation	11,094
Net OPEB obligation beginning of year	<u>16,142</u>
Net OPEB obligation end of year	<u><u>\$ 27,236</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 \$14,767 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	\$ 28,704	66.00%	\$ 9,760
2011	27,499	76.79%	16,142
2012	25,861	57.10%	27,236

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 \$183,755, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$183,755. The covered payroll (annual payroll of active employees covered by the plan) was \$2,326,999, and the ratio of the UAAL to covered payroll was 7.90%. 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 event far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information in the section following the Notes to Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

As of July 1, 2009 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions includes a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6%.

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

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

**(8) Risk Management**

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

**(9) Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$143,190 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.

**(10) Categorical Funding**

The District's restricted fund balance for categorical funding at June 30, 2012 is comprised of the following programs:

<u>Program</u>	<u>Amount</u>
Gifted and Talented Programs	\$ 59,692
Four-year-old Preschool State Aid	15,134
Iowa Arts Council, Artist in the School	200
Professional Development	9,230
Total	<u>\$ 84,256</u>

**BAXTER COMMUNITY SCHOOL DISTRICT**

REQUIRED SUPPLEMENTARY INFORMATION

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

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to Actual Variance
	Fund Types	Fund Type		Original	Final	
	Actual	Actual				
Revenues:						
Local sources	\$ 2,675,859	109,879	2,785,738	2,771,701	2,771,701	14,037
State sources	2,445,064	2,066	2,447,130	2,485,464	2,485,464	(38,334)
Federal sources	153,541	73,316	226,857	281,000	281,000	(54,143)
Total revenues	<u>5,274,464</u>	<u>185,261</u>	<u>5,459,725</u>	<u>5,538,165</u>	<u>5,538,165</u>	<u>(78,440)</u>
Expenditures/expenses:						
Instruction	2,933,183	-	2,933,183	3,547,000	3,547,000	613,817
Support services	1,530,741	2,750	1,533,491	2,003,200	2,003,200	469,709
Non-instructional programs	-	191,047	191,047	280,000	280,000	88,953
Other expenditures	664,317	-	664,317	803,079	803,079	138,762
Total expenditures/expenses	<u>5,128,241</u>	<u>193,797</u>	<u>5,322,038</u>	<u>6,633,279</u>	<u>6,633,279</u>	<u>1,311,241</u>
Excess(Deficiency) of revenues over(under) expenditures/expenses	146,223	(8,536)	137,687	(1,095,114)	(1,095,114)	1,232,801
Balances beginning of year	<u>1,379,808</u>	<u>44,166</u>	<u>1,423,974</u>	<u>1,201,199</u>	<u>1,201,199</u>	<u>222,775</u>
Balances end of year	<u>\$ 1,526,031</u>	<u>35,630</u>	<u>1,561,661</u>	<u>106,085</u>	<u>106,085</u>	<u>1,455,576</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

BAXTER 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 a GAAP basis.

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

BAXTER COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FUNDING PROGRESS FOR THE  
RETIREE HEALTH PLAN  
REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2012

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	-	\$ 298,483	298,483	0.00%	\$ 2,391,245	12.48%
2011	July 1, 2009	-	267,402	267,402	0.00	2,144,386	12.47
2012	July 1, 2009	-	183,755	183,755	0.00	2,326,999	7.90

See Note 7 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

SUPPLEMENTARY INFORMATION

BAXTER COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2012

	Special Revenue					
	Manage- ment Levy	Student Activity	Support Trust	Total	Capital Projects	Total Nonmajor
<b>Assets</b>						
Cash and pooled investments	\$ 85,882	72,862	30,535	189,279	111,884	301,163
Receivables:						
Property tax:						
Delinquent	815	-	-	815	235	1,050
Succeeding year	165,000	-	-	165,000	57,584	222,584
Income surtax	-	-	-	-	28,496	28,496
Accounts	-	500	-	500	-	500
Due from other governments	-	-	-	-	97,008	97,008
<b>Total assets</b>	<b>\$ 251,697</b>	<b>73,362</b>	<b>30,535</b>	<b>355,594</b>	<b>295,207</b>	<b>650,801</b>
<b>Liabilities and Fund Balances</b>						
Liabilities:						
Accounts payable	\$ -	-	-	-	4,386	4,386
Deferred revenue:						
Succeeding year property tax	165,000	-	-	165,000	57,584	222,584
Income surtax	-	-	-	-	28,496	28,496
<b>Total liabilities</b>	<b>165,000</b>	<b>-</b>	<b>-</b>	<b>165,000</b>	<b>90,466</b>	<b>255,466</b>
Fund Balances:						
Restricted for:						
Management levy purposes	86,697	-	-	86,697	-	86,697
Student activities	-	73,362	-	73,362	-	73,362
Support trust	-	-	30,535	30,535	-	30,535
School infrastructure	-	-	-	-	173,946	173,946
Physical plant and equipment	-	-	-	-	30,795	30,795
<b>Total fund balances</b>	<b>86,697</b>	<b>73,362</b>	<b>30,535</b>	<b>190,594</b>	<b>204,741</b>	<b>395,335</b>
<b>Total liabilities and fund balances</b>	<b>\$ 251,697</b>	<b>73,362</b>	<b>30,535</b>	<b>355,594</b>	<b>295,207</b>	<b>650,801</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

BAXTER COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 YEAR ENDED JUNE 30, 2012

	Special Revenue					
	Manage- ment Levy	Student Activity	Support Trust	Total	Capital Projects	Total Nonmajor
Revenues:						
Local sources:						
Local tax	\$ 100,251	-	-	100,251	412,385	512,636
Other	-	222,498	1,396	223,894	-	223,894
State sources	-	-	-	-	10	10
Total revenues	<u>100,251</u>	<u>222,498</u>	<u>1,396</u>	<u>324,145</u>	<u>412,395</u>	<u>736,540</u>
Expenditures:						
Current:						
Instruction:						
Regular	106,578	-	-	106,578	-	106,578
Other	-	244,056	1,396	245,452	-	245,452
Support services:						
Administration	-	-	-	-	16,199	16,199
Operation and maintenance of plant	38,668	-	-	38,668	-	38,668
Transportation	9,144	-	-	9,144	82,588	91,732
Capital outlay	-	-	-	-	100,442	100,442
Total expenditures	<u>154,390</u>	<u>244,056</u>	<u>1,396</u>	<u>399,842</u>	<u>199,229</u>	<u>599,071</u>
Excess(Deficiency) of revenues over(under) expenditures	(54,139)	(21,558)	-	(75,697)	213,166	137,469
Other financing uses:						
Operating transfers out	-	-	-	-	(135,769)	(135,769)
Net change in fund balances	(54,139)	(21,558)	-	(75,697)	77,397	1,700
Fund balances beginning of year	<u>140,836</u>	<u>94,920</u>	<u>30,535</u>	<u>266,291</u>	<u>127,344</u>	<u>393,635</u>
Fund balances end of year	<u>\$ 86,697</u>	<u>73,362</u>	<u>30,535</u>	<u>190,594</u>	<u>204,741</u>	<u>395,335</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

BAXTER COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 CAPITAL PROJECT ACCOUNTS  
 JUNE 30, 2012

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
<b>Assets</b>			
Cash and pooled investments	\$ 81,324	30,560	111,884
Receivables:			
Property tax:			
Delinquent	-	235	235
Succeeding year	-	57,584	57,584
Income surtax	-	28,496	28,496
Due from other governments	97,008	-	97,008
<b>Total assets</b>	<b>\$ 178,332</b>	<b>116,875</b>	<b>295,207</b>
<b>Liabilities and Fund Balances</b>			
Liabilities:			
Accounts payable	\$ 4,386	-	4,386
Deferred revenue:			
Succeeding year property tax	-	57,584	57,584
Income surtax	-	28,496	28,496
<b>Total liabilities</b>	<b>4,386</b>	<b>86,080</b>	<b>90,466</b>
Fund Balances:			
Restricted for:			
School infrastructure	173,946	-	173,946
Physical plant and equipment	-	30,795	30,795
<b>Total fund balances</b>	<b>173,946</b>	<b>30,795</b>	<b>204,741</b>
<b>Total liabilities and fund balances</b>	<b>\$ 178,332</b>	<b>116,875</b>	<b>295,207</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

BAXTER COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 CAPITAL PROJECT ACCOUNTS  
 YEAR ENDED JUNE 30, 2012

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ 354,984	57,401	412,385
State sources	-	10	10
Total revenues	<u>354,984</u>	<u>57,411</u>	<u>412,395</u>
Expenditures:			
Current:			
Support services:			
Administration	16,199	-	16,199
Transportation	40,518	42,070	82,588
Capital outlay	55,648	44,794	100,442
Total expenditures	<u>112,365</u>	<u>86,864</u>	<u>199,229</u>
Excess(Deficiency) of revenues over(under) expenditures	242,619	(29,453)	213,166
Other financing uses:			
Operating transfers out	<u>(135,769)</u>	-	<u>(135,769)</u>
Net change in fund balances	106,850	(29,453)	77,397
Fund balances beginning of year	<u>67,096</u>	<u>60,248</u>	<u>127,344</u>
Fund balances end of year	<u>\$ 173,946</u>	<u>30,795</u>	<u>204,741</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

BAXTER COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
YEAR ENDED JUNE 30, 2012

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Drama	\$ 2,945	3,991	3,917	3,019
FCCLA	-	1,567	1,567	-
Vocal music	2,894	1,780	2,692	1,982
Instrumental music	7,630	2,073	1,783	7,920
Athletics	7,231	2,613	5,873	3,971
CMB shared athletics	10,693	43,783	40,774	13,702
CMB boys basketball	1,699	5,018	6,717	-
Ranck Volleyball	1,255	5,011	5,913	353
CMB football	-	32,530	32,530	-
Luther football	15,466	33,778	34,634	14,610
CMB baseball	-	15,545	15,545	-
CMB boys track	720	4,313	5,033	-
CMB wrestling	819	301	1,120	-
CMB girls basketball	3,764	4,055	7,819	-
CMB volleyball	1,078	1,784	2,862	-
CMB softball	577	370	947	-
CMB girls track	-	9,346	9,346	-
Cross country	-	2,666	2,666	-
CMB soccer	1,145	-	1,145	-
Swalwell athletic donation	4,867	2,223	7,090	-
Drill team	135	-	-	135
Student council	630	2,374	3,004	-
Class of 2008	916	-	-	916
Class of 2009	341	-	-	341
Class of 2010	1,602	-	-	1,602
Class of 2011	1,191	-	-	1,191
Class of 2012	801	4,281	4,834	248
Class of 2013	-	11,303	11,010	293
Honor society	-	301	301	-
SAAD	225	-	-	225
Weight club	30	-	30	-
Fourth grade	30	2,075	2,039	66
Art club	2,176	3,686	4,402	1,460
Plunkett basketball	1,518	3,793	2,631	2,680
Padget basketball	1,316	6,246	5,584	1,978
IT Club	300	466	766	-
Interest	5,359	254	-	5,613
Investments	872	-	872	-
Yearbook	10,740	8,335	12,653	6,422
FFA	200	-	-	200
Special activities	3,060	-	-	3,060
PBIS	695	6,618	5,957	1,356
Library	-	19	-	19
Total	\$ 94,920	222,498	244,056	73,362

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

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

	Modified Accrual Basis								
	Years Ended June 30,								
	2012	2011	2010	2009	2008	2007	2006	2005	2004
Revenues:									
Local sources:									
Local tax	\$ 1,869,511	1,906,598	1,736,270	1,675,453	1,507,373	1,538,509	1,407,863	1,254,508	1,264,146
Tuition	449,299	447,630	393,026	433,004	369,585	342,593	333,183	301,927	322,783
Other	357,049	334,597	258,832	271,924	251,382	611,037	303,030	1,005,798	141,647
Intermediate sources	-	-	-	-	1,385	5,267	-	-	-
State sources	2,445,064	1,958,552	1,775,379	2,092,757	2,055,222	1,778,228	1,695,082	1,495,322	1,414,577
Federal sources	153,541	306,966	322,827	163,183	92,714	258,869	510,090	103,111	99,220
Total	<u>\$ 5,274,464</u>	<u>4,954,343</u>	<u>4,486,334</u>	<u>4,636,321</u>	<u>4,277,661</u>	<u>4,534,503</u>	<u>4,249,248</u>	<u>4,160,666</u>	<u>3,242,373</u>
Expenditures:									
Current:									
Instruction:									
Regular	\$ 1,819,644	1,748,316	1,485,428	1,546,516	1,559,368	1,374,303	1,305,718	1,301,060	1,218,443
Special	442,950	351,381	343,217	323,256	326,864	312,220	203,249	184,931	224,890
Other	670,589	481,706	493,505	447,058	394,144	425,547	342,909	359,441	302,734
Support services:									
Student	118,322	153,220	159,454	100,320	99,192	131,502	83,375	78,838	74,863
Instructional staff	120,383	147,906	136,881	106,009	113,186	115,979	122,060	112,324	102,358
Administration	649,141	601,104	604,441	584,217	560,410	550,534	555,113	473,409	442,879
Operation and maintenance of plant	384,412	446,470	402,519	427,196	386,243	436,435	348,217	289,695	271,323
Transportation	258,483	157,478	193,501	177,720	145,105	226,416	155,952	145,956	137,455
Non-instructional programs	-	-	-	-	-	-	-	281	227
Capital outlay	100,442	85,676	100,847	110,715	126,758	149,120	3,567,484	902,055	18,494
Long-term debt:									
Principal	300,000	285,000	321,500	293,986	276,472	283,448	265,788	209,710	118,687
Interest and fiscal charges	120,685	132,986	142,134	152,073	161,774	166,341	160,663	170,417	94,936
Other expenditures:									
AEA flow-through	143,190	142,721	142,330	134,025	123,149	111,514	103,006	92,979	91,946
Total	<u>\$ 5,128,241</u>	<u>4,733,964</u>	<u>4,525,757</u>	<u>4,403,091</u>	<u>4,272,665</u>	<u>4,283,359</u>	<u>7,213,534</u>	<u>4,321,096</u>	<u>3,099,235</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

**NOLTE, CORNMAN & JOHNSON P.C.**  
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Independent Auditor's Report on Internal Control  
over Financial Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in Accordance with  
Government Auditing Standards

To the Board of Education of  
Baxter Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Baxter Community School District as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 8, 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 Baxter Community School District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Baxter Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Baxter Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Baxter Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, we identified a certain deficiency 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 deficiency 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 a 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 through I-F-12 to be significant deficiencies.

Members American Institute & Iowa Society of Certified Public Accountants

Compliance and Other Matters

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

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

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

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



NOLTE, CORMAN & JOHNSON, P.C.

March 8, 2013

BAXTER COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2012

**Part I: Findings Related to the 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. One individual has control over data processing in general, receipt posting, investing, disbursement journalizing, payroll preparation and bank reconciling. We also noted that an independent person does not verify payroll contracts after they have been entered into the accounting software

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

Response - The District will continue to review the control procedures to obtain maximum segregation of duties whenever feasible.

Conclusion - Response accepted.

I-B-12 Outstanding Checks - We noted that the District's bank reconciliation for the Nutrition fund had outstanding checks over a year old. These checks were for payroll withholdings that were likely electronically paid, however not cleared.

Recommendation - The District should review the bank reconciliation and determine the disposition of these items.

Response - The stale-dated outstanding checks have been researched and voided.

Conclusion - Response accepted.

I-C-12 Payroll Withholding Checks - During review of the payroll files, we noted checks that are generated during the payroll process retained in the files. The payroll process creates a check written to the bank for withholdings that will actually be electronically drawn from the account. The electronic withdrawal occurs and the check is cleared on the bank reconciliation. However, the physical check is retained in the file, not voided, and is payable to the bank. These checks are legal tender and could still be cashed.

Recommendation - The District should mark the physical checks "Voided" or adjust the process and allow for an automatic payment option within the accounting software.

Response - All physical checks have been marked "void". In addition, an update in software now allows the district to print an automatic payment stub, rather than an actual check.

Conclusion - Response accepted.

I-D-12 Transfers/Bank Reconciliations - We noted that the District transferred statewide sales, services and use tax money monthly to Bankers Trust escrow accounts in compliance with the 2004 Revenue Bond covenant; however, the District recorded the payment out of the Debt Service Fund cash rather than the Capital Projects: Statewide Sales, Services and Use Tax Fund. Correcting entries were proposed and recorded; however, it did not appear that the escrow accounts were being reconciled on a monthly basis.

Recommendation - The District should reconcile the Bankers Trust Debt Sinking Fund and the Reserve Fund accounts which will help ensure that the transactions are completed timely and appropriately.

Response - The District now reconciles the Banker's Trust Statements to ensure correct and appropriate transactions.

Conclusion - Response accepted.

I-E-12 Supporting Documents for Payments with Credit Cards - Payments made with credit cards do not always have detailed supporting documentation.

Recommendation - Board policy 803.9 states that the users of the credit cards need to provide detailed receipts for purchases made. The District should review procedures in place with personnel using the district credit cards to ensure the proper detailed documentation will be available with paid credit card statements.

Response - The District has taken measures to ensure detailed receipts are provided when purchases are made with the District credit card in addition to detailed purchase orders.

Conclusion - Response accepted.

I-F-12 Quarterly Reports - We noted that the quarterly report for June 2012 was amended in an effort to add additional payrolls paid on 7/9/12 but posted back to June 2012. This resulted in requiring an amended 941 since the District had already filed the return.

Recommendation - The District should record the payments when paid and report those wages in the appropriate quarter. The District may also consider holding the quarterly reports for a reasonable period of time prior to filing in case there is a need to adjust them.

Response - The District will delay the submission of 941 quarterly reports an appropriate amount of time to avoid possible submission of adjustments.

Conclusion - Response accepted.

BAXTER 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 amounts budgeted.

II-B-12 Questionable Disbursements - We noted during our audit that the District purchased clothing for coaches out of the Special Revenue, Student Activity Fund.

Recommendation - Article III, Section 31 of the Constitution of the State of Iowa requires that public funds may only be spent for the public benefit. Since Student Activity Funds are “public funds” the District must determine the propriety and document the public purpose and public benefit to be derived. The District should establish a policy to preclude purchases of personal clothing from public funds, and/or define the exceptions, if any, including the requirement for Board consideration, documentation of public purpose and approval.

The District should refrain from allowing public funds to be used to purchase personal items of clothing under any circumstances since this establishes a precedent which may be difficult to justify and/or administer fairly and consistently among employees and student groups. The costs associated with the clothing should be reimbursed from the employee or added to their W-2’s as additional compensation.

A better alternative may be to ask the Booster Club or other affiliated organization to provide clothing for coaches and other District employees in lieu of using public funds.

Response - We will ask the Booster Club to provide coaches clothing.

Conclusion - Response accepted.

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

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 - No variances in the basic enrollment data certified to the Iowa Department of Education were noted.

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 the District has certificates of deposit as investments and the interest rates earned on these investments appear to meet the rates required by the Iowa Division of Banking. However, it appears that the District is not verifying that the rates received are compliant.

Recommendation - The District should review the rates in effect when a certificate deposit is renewed, to ensure that the required rate is received.

Response - Going forward, the District will verify that the proper rate is received at renewal and/or purchase of new certificates of deposit.

Conclusion - Response accepted.

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 used to supplant rather than supplement other funds.

II-L-12 Statewide Sales, Services and Use Tax - No instances of non-compliance with the allowable uses of the statewide sales, services and use tax revenue provided in 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		\$	67,096
Revenues:			
Sales tax revenues			354,984
			<u>422,080</u>
Expenditures:			
Equipment	\$	82,856	
Other		29,509	
Transfers to other funds:			
Debt service fund		135,769	248,134
Ending Balance			<u><u>\$ 173,946</u></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 the Code of Iowa.

II-M-12 Payments to Athletic Officials - We noted that the District paid an entire officiating crew by giving one check to the crew's captain. This practice distorts the amounts needed for tax reporting purposes. Additionally, there is no way to determine if the other members received their portion of the compensation.

Recommendation - The District should pay each athletic official individually.

Response - The District now pays each athletic official individually.

Conclusion - Response accepted.