

BATTLE CREEK-IDA GROVE COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2013

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Battle Creek-Ida Grove Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
Brian Riessen	President	2015
Berny Sohm	Vice President	2015
Bev Bower	Board Member	2013
Stephani Konradi	Board Member	2015
Dr. Michael Luft	Board Member (Resigned August 15, 2012)	2015
Jill Godbersen	Board Member (Appointed September 10, 2012)	2015
Mark Bogue	Board Member	2013
Jeff Rasmussen	Board Member	2013
School Officials		
Dr. Nick Ouellette	Superintendent	2013
Kathy Leonard	District Secretary/ Business Manager	2013
Rick Franck	Attorney	2013

Battle Creek - Ida Grove Community School District

NOLTE, CORNMAN & JOHNSON P.C.
Certified Public Accountants
(a professional corporation)
117 West 3rd Street North, Newton, Iowa 50208-3040
Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Battle Creek-Ida Grove Community School District, Ida Grove, Iowa, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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 Battle Creek-Ida Grove Community School District as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

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 16 and 42 through 45 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of 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 information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Battle Creek-Ida Grove Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2012 (which are not presented herein) and expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the 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 basic financial statements or to the basic 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.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated February 18, 2014 on our consideration of Battle Creek-Ida Grove Community School District's internal control over financial reporting and on 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 in considering Battle Creek-Ida Grove Community School District's internal control over financial reporting and compliance.



NOLTE, CORNMAN & JOHNSON, P.C.

February 18, 2014
Newton, Iowa

MANAGEMENT'S DISCUSSION AND ANALYSIS

Battle Creek-Ida Grove Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2013. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2013 FINANCIAL HIGHLIGHTS

- General Fund revenues decreased from \$7,919,421 in fiscal 2012 to \$7,578,127 in fiscal 2013, while General Fund expenditures decreased from \$7,395,159 in fiscal 2012 to \$7,344,888 in fiscal 2013. This resulted in an increase in the District's General Fund balance from \$1,988,061 in fiscal 2012 to a balance of \$2,221,300 in fiscal 2013, an 11.73% increase over the prior year.
- The fiscal year 2013 General Fund revenue decrease was mainly attributable to decreases in local, state and federal source revenues. The decrease in expenditures was due primarily to decreases in instruction expenditures.

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 Position and a Statement of Activities. These provide information about the activities of Battle Creek-Ida Grove Community School District as a whole and present an overall view of the District's finances.

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

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

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

Supplementary Information provides detailed information about the nonmajor governmental funds.

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

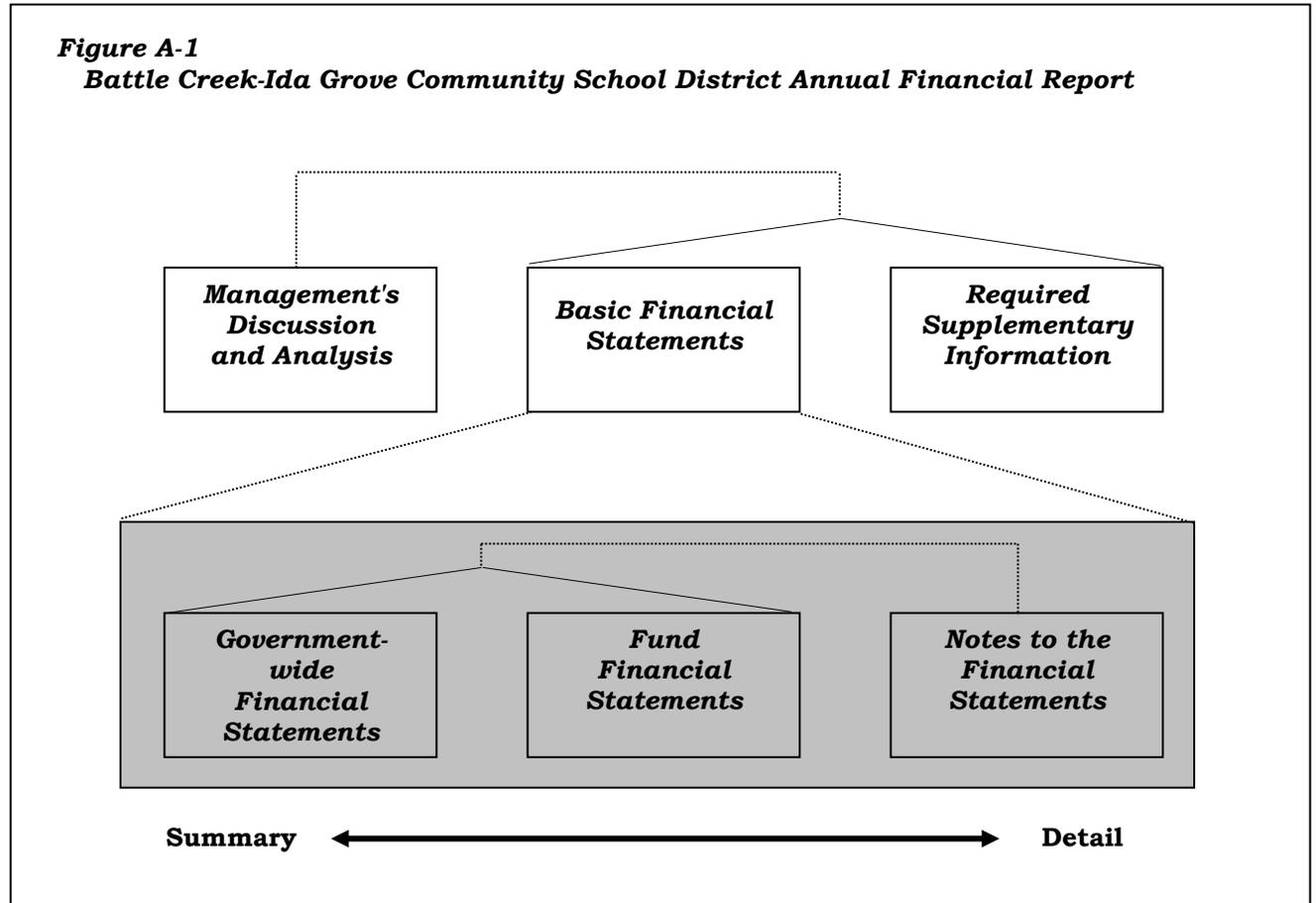


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

Figure A-2			
Major Features of the Government-wide and Fund Financial Statements			
	Government-wide Statements	Fund Statements	
		Governmental Funds	Proprietary Funds
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"> • Statement of Net Position • Statement of Activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of Revenues, Expenditures, and Changes in Fund Balances 	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Revenues, Expenses and Changes in Fund Net Position • Statement of Cash Flows
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 Position 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 position and how they have changed. Net position - 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 position is an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

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

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

Fund Financial Statements

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

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

The District has two kinds of funds:

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

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

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

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

The required financial statements for the proprietary funds include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Net Position 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 position at June 30, 2013 compared to June 30, 2012.

Figure A-3 Condensed Statement of Net Position							
	Governmental Activities		Business type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June, 30
	2013	2012	2013	2012	2013	2012	2012-13
Current and other assets	\$ 7,917,789	7,425,244	95,542	109,152	8,013,331	7,534,396	6.36%
Capital assets	4,322,733	2,618,367	25,700	27,305	4,348,433	2,645,672	64.36%
Total assets	12,240,522	10,043,611	121,242	136,457	12,361,764	10,180,068	21.43%
Long-term obligations	2,011,781	393,415	-	-	2,011,781	393,415	411.36%
Other liabilities	4,489,734	4,170,877	32,511	46,757	4,522,245	4,217,634	7.22%
Total liabilities	6,501,515	4,564,292	32,511	46,757	6,534,026	4,611,049	41.70%
Net position:							
Invested in capital assets, net of related debt	2,614,322	2,418,367	25,700	27,305	2,640,022	2,445,672	7.95%
Restricted	1,429,769	1,212,172	-	-	1,429,769	1,212,172	17.95%
Unrestricted	1,694,916	1,848,780	63,031	62,395	1,757,947	1,911,175	-8.02%
Total net position	\$ 5,739,007	5,479,319	88,731	89,700	5,827,738	5,569,019	4.65%

The District's combined net position increased by 4.65%, or \$258,719 over the prior year. The largest portion of the District's net position is the invested in capital assets (e.g., land, infrastructure, buildings, and equipment), less the related debt. The debt related to the invested in capital assets is liquidated with sources other than capital assets.

Restricted net position represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position increased \$217,597, or 17.95% from the prior year. The increase in restricted net position was primarily a result of the increase in categorical funding ending balances as compared to the prior year.

Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements - decreased \$153,228, or 8.02%. This decrease in unrestricted net position was partially a result of the District's increase in restricted fund balances as compared to the prior year.

Figure A-4 shows the changes in net position for the year ended June 30, 2013 compared to June 30, 2012.

	Figure A-4						
	Changes of Net Position						
	Governmental Activities		Business type Activities		Total School District		Total Change
	2013	2012	2013	2012	2013	2012	2012-13
Revenues:							
Program revenues:							
Charges for services	\$ 1,375,847	1,456,479	142,775	136,057	1,518,622	1,592,536	-4.64%
Operating grants and contributions and restricted interest	494,332	639,403	172,250	186,273	666,582	825,676	-19.27%
Capital grants, contributions and restricted interest	37,500	49,540	-	-	37,500	49,540	-24.30%
General revenues:							
Property tax	2,815,756	2,891,079	-	-	2,815,756	2,891,079	-2.61%
Income surtax	112,524	177,005	-	-	112,524	177,005	-36.43%
Statewide sales, services and use tax	546,082	482,563	-	-	546,082	482,563	13.16%
Unrestricted state grants	3,296,242	3,202,623	-	-	3,296,242	3,202,623	2.92%
Nonspecific program federal grants	-	76,796	-	-	-	76,796	-100.00%
Unrestricted investment earnings	3,560	3,756	14	16	3,574	3,772	-5.25%
Other	8,967	20,631	54	-	9,021	20,631	-56.27%
Total revenues	8,690,810	8,999,875	315,093	322,346	9,005,903	9,322,221	-3.39%
Program expenses:							
Governmental activities:							
Instruction	5,728,833	5,747,744	18,922	19,537	5,747,755	5,767,281	-0.34%
Support services	2,311,029	2,396,384	2,013	3,339	2,313,042	2,399,723	-3.61%
Non-instructional programs	-	-	295,127	283,344	295,127	283,344	4.16%
Other expenses	391,260	344,638	-	-	391,260	344,638	13.53%
Total expenses	8,431,122	8,488,766	316,062	306,220	8,747,184	8,794,986	-0.54%
Change in net position	259,688	511,109	(969)	16,126	258,719	527,235	-50.93%
Beginning net position	5,479,319	4,968,210	89,700	73,574	5,569,019	5,041,784	10.46%
Ending net position	\$ 5,739,007	5,479,319	88,731	89,700	5,827,738	5,569,019	4.65%

In fiscal 2013, property tax, income surtax, statewide sales, services and use tax and unrestricted state grants account for 77.91% of the revenue from governmental activities. Charges for services and operating grants and contributions accounted for almost all of the revenue for the business type activities. The District's total revenues were \$9,005,903, of which \$8,690,810 was for governmental activities and \$315,093 was for business type activities.

As shown, in Figure A-4, the District as a whole experienced 3.39% decrease in revenues and a decrease of 0.54% in expenditures. The decrease in revenues were related to the decrease in operating grants and contributions and restricted interest. The decreases in expenditures can be attributed to a decrease instruction expenditures.

Governmental Activities

Revenues for governmental activities were \$8,690,810 and expenses were \$8,431,122 for the year ended June 30, 2013.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services and other expenses, for the year ended June 30, 2013 compared to the year ended June 30, 2012.

	Total Cost of Services			Net Cost of Services		
	2013	2012	Change 2012-13	2013	2012	Change 2012-13
Instruction	\$ 5,728,833	5,747,744	-0.33%	4,201,613	3,954,224	6.26%
Support services	2,311,029	2,396,384	-3.56%	2,172,760	2,282,019	-4.79%
Other expenses	391,260	344,638	13.53%	149,070	107,101	39.19%
Totals	\$ 8,431,122	8,488,766	-0.68%	6,523,443	6,343,344	2.84%

For the year ended June 30, 2013:

- The cost financed by users of the District's programs was \$1,375,847.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$531,832.
- The net cost of governmental activities was financed with \$2,815,756 in property tax, \$112,524 in income surtax, \$546,082 in statewide sales, services and use tax, \$3,296,242 in unrestricted state grants, \$3,560 in interest income and \$8,967 in other general revenues.

Business type Activities

Revenues of the District's business type activities for the year ended June 30, 2013, were \$315,093 representing a 2.25% decrease over the prior year, while expenses totaled \$316,062, a 3.21% increase from the prior year. The District's business type activities include the School Nutrition Fund and Day Care Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balances of \$3,382,202, over last year's ending fund balances of a \$3,067,267. The primary reason for the increase in combined fund balances in fiscal 2013 is due to the increase in ending fund balance of the General Fund.

Governmental Fund Highlights

- The District's General Fund financial position increased from \$1,988,061 at June 30, 2012 to \$2,221,300 at June 30, 2013 and is the product of many factors. A decreases in local revenue sources during the year resulted in a decrease in revenues. The decrease in instruction expenditures resulted in a decrease in expenses.

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- The Management Levy Fund balance increased from \$219,076 at June 30, 2012 to \$231,386 at June 30, 2013. This increase in fund balance is due mainly to the increase in property tax revenues received in fiscal year 2013 as compared to fiscal year 2012.
 - The Capital Projects Accounts balance increased from \$742,515 at June 30, 2012 to \$813,222 at June 30, 2013. The Capital Projects: Statewide Sales, Services and Use Tax Fund - Woodbury County, decreased from fund balance of \$32,783 at June 30, 2012 to \$2,106 at June 30, 2013.. The Capital Projects: Statewide Sales, Services and Use Tax Fund - Ida and Crawford Counties, increased from fund balance of \$435,558 at June 30, 2012 to \$584,978 at June 30, 2013. The Capital Projects: Physical Plant and Equipment Levy Fund balance decreased from \$274,174 at June 30, 2012 to \$226,138 at June 30, 2013.

Proprietary Fund Highlights

The School Nutrition Fund net position decreased from \$74,760 at June 30, 2012 to \$72,413 at June 30, 2013, representing a decrease of 3.14%. The Day Care Fund net position increased from \$14,940 at June 30, 2012 to \$16,318 at June 30, 2013, representing an increase of 9.22%.

BUDGETARY HIGHLIGHTS

The District's revenues were \$101,619 more than budgeted revenues, a variance of 1.13%. The most significant variance resulted from the District receiving more in local revenue sources than originally anticipated.

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

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2013, the District had invested \$4,348,433, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net increase of 64.36% over last year. More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$247,780.

The original cost of the District's capital assets was \$9,638,583. Governmental funds account for \$9,540,400 with the remainder of \$98,183 in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress totaled \$2,018,761 at June 30, 2013, compared to \$202,186 reported at June 30, 2012. This increase resulted from the continuing construction costs for the elementary addition project and elementary ceiling project.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental		Business type		Total		Total Change June 30, 2012-13
	Activities		Activities		School District		
	June 30,		June 30,		June 30,		
	2013	2012	2013	2012	2013	2012	
Land	\$ 124,260	124,260	-	-	124,260	124,260	0.00%
Construction in progress	2,018,761	202,186	-	-	2,018,761	202,186	898.47%
Buildings	1,614,374	1,718,072	-	-	1,614,374	1,718,072	-6.04%
Land improvements	272,967	226,730	-	-	272,967	226,730	20.39%
Machinery and equipment	292,371	347,119	25,700	27,305	318,071	374,424	-15.05%
Total	\$ 4,322,733	2,618,367	25,700	27,305	4,348,433	2,645,672	64.36%

Long-Term Debt

At June 30, 2013, the District had \$2,011,781 in long-term debt outstanding. This represents an increase of 411.36% 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 also had outstanding revenue bonds payable of \$1,895,000 at June 30, 2013.

The District had a net OPEB liability of \$75,346 as of June 30, 2013.

The District has a net pension liability of \$41,435 as of June 30, 2013.

Figure A-7
Outstanding Long-Term Obligations

	Total School District		Total Change June 30, 2012-13
	June 30,		
	2013	2012	
Revenue bonds	\$ 1,895,000	200,000	847.50%
Net OPEB liability	75,346	49,832	51.20%
Net pension liability	41,435	143,583	100.00%
Total	\$ 2,011,781	393,415	411.36%

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:

- Low allowable growth over several years and enrollment decreases have negatively impacted the District's Unspent Authorized Budget (UAB) in the past. Even though the District has shown an increase in UAB in recent years, fiscal year 2013 ended with an approximate \$68,628 decrease. The District must realize contractual increases and program changes cannot be made without thorough consideration of the Unspent Authorized Budget.
- The District continued discussions with the Odebolt-Arthur Community School District's School Board regarding the possibility of sharing other positions in the future. Prior to the end of FY13, the following sharing agreements were put in place for FY14: Business Manager Services, Middle School Principal, State Reporting Services, Director of Innovation, District Librarian and Curriculum Director. These shared positions would make the District eligible for operational sharing incentives from the state and were approved in June 2013 at the close of the legislative session.

-
- The Board approved an aggressive budget reduction plan in January 2013 that resulted in some positions being reduced as well as some reduction in program costs. With the added shared positions and budget reductions, the administration projected estimated savings would be approximately \$500,000 heading into fiscal year 2014.
 - In fiscal year 2013 the District was in its fourth year of a whole grade sharing agreement with Odebolt-Arthur Community School District for grades 6-12. Both Districts have seen financial savings due to efficiencies in staff and shared costs as well as increased academic offerings for students. However, with the failure of the reorganization vote in September 2011, the share incentive money from the state ended and resulted in a loss of revenue of approximately \$106,000 for Battle Creek-Ida Grove Community School District.
 - The District shares a Maintenance Director (50/50) and Transportation Supervisor (80/20) with the Odebolt-Arthur Community School District. This saves approximately \$45,000 in payroll costs. Fiscal year 2013 was the fifth year for sharing these two positions and each year the operational sharing incentive from the state decreased as part of a five year phase out. The operational sharing money from the state helps, but the District will continue to see the savings in payroll costs should the state money end.
 - In fiscal year 2013, the District was in its fourth year of sharing a superintendent with Odebolt-Arthur. In addition to receiving state incentive money for sharing, the District saved approximately \$70,000 in payroll costs.
 - The board used PPEL and SAVE funds to demolish the Early Childhood Center in fiscal year 2013 and put the land up for sale. General Fund dollars were saved in reduction of insurance, utilities, maintenance costs, etc.
 - The Battle Creek attendance center was closed at the end of fiscal year 2013 and the programs moved to attendance centers in Ida Grove. The board voted to put the building and adjoining land up for sale. General Fund dollars will be saved in reduction of insurance, utilities, maintenance costs, staffing reduction, etc.
 - The administration and the board are constantly re-evaluating programs in an effort to reduce expenditures and yet maintain a quality education program.
 - The District offered a generous early retirement incentive package in fiscal year 2013 that resulted in 5 certified staff and 3 support staff retiring at the end of the year. This represented 204 years of experience the District hated to lose, but by not re-hiring some positions as well as hiring less experienced staff for others, the District was able to save some ongoing payroll related expenditures.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

BASIC FINANCIAL STATEMENTS

BATTLE CREEK-IDA GROVE COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2013

	Governmental Activities	Business type Activities	Total
Assets			
Cash and pooled investments	\$ 4,236,123	83,085	4,319,208
Receivables:			
Property tax:			
Delinquent	38,464	-	38,464
Succeeding year	3,008,609	-	3,008,609
Income surtax	68,634	-	68,634
Accounts	5,998	-	5,998
Due from other funds	24,594	-	24,594
Due from other governments	535,367	-	535,367
Inventories	-	12,457	12,457
Capital assets, net of accumulated depreciation	4,322,733	25,700	4,348,433
Total assets	12,240,522	121,242	12,361,764
Liabilities			
Due to other funds	-	24,594	24,594
Accounts payable	810,120	308	810,428
Salaries and benefits payable	648,224	2,300	650,524
Interest payable	22,781	-	22,781
Deferred revenue:			
Succeeding year property tax	3,008,609	-	3,008,609
Unearned revenue	-	5,309	5,309
Long-term liabilities:			
Portion due within one year:			
Revenue bonds payable	40,000	-	40,000
Portion due after one year:			
Revenue bonds payable	1,855,000	-	1,855,000
Net OPEB liability	75,346	-	75,346
Net pension liability	41,435	-	41,435
Total liabilities	6,501,515	32,511	6,534,026
Net position			
Invested in capital assets, net of related debt	2,614,322	25,700	2,640,022
Restricted for:			
Categorical funding	455,456	-	455,456
Management levy	231,386	-	231,386
Student activities	116,294	-	116,294
School infrastructure	400,495	-	400,495
Physical plant and equipment levy	226,138	-	226,138
Unrestricted	1,694,916	63,031	1,757,947
Total net position	\$ 5,739,007	88,731	5,827,738

SEE NOTES TO FINANCIAL STATEMENTS

BATTLE CREEK-IDA GROVE COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2013

	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
Functions/Programs:							
Governmental activities:							
Instruction:							
Regular	\$ 3,371,238	858,063	59,757	-	(2,453,418)	-	(2,453,418)
Special	1,043,435	192,111	66,105	-	(785,219)	-	(785,219)
Other	1,314,160	226,398	124,786	-	(962,976)	-	(962,976)
	<u>5,728,833</u>	<u>1,276,572</u>	<u>250,648</u>	<u>-</u>	<u>(4,201,613)</u>	<u>-</u>	<u>(4,201,613)</u>
Support services:							
Student	192,635	40,035	-	-	(152,600)	-	(152,600)
Instructional staff	333,261	-	-	-	(333,261)	-	(333,261)
Administration	528,043	-	-	-	(528,043)	-	(528,043)
Operation and maintenance of plant	835,685	36,068	-	37,500	(762,117)	-	(762,117)
Transportation	421,405	23,172	1,494	-	(396,739)	-	(396,739)
	<u>2,311,029</u>	<u>99,275</u>	<u>1,494</u>	<u>37,500</u>	<u>(2,172,760)</u>	<u>-</u>	<u>(2,172,760)</u>
Long-term debt interest	44,929	-	-	-	(44,929)	-	(44,929)
Other expenses:							
AEA flowthrough	242,190	-	242,190	-	-	-	-
Depreciation(unallocated)*	104,141	-	-	-	(104,141)	-	(104,141)
	<u>346,331</u>	<u>-</u>	<u>242,190</u>	<u>-</u>	<u>(104,141)</u>	<u>-</u>	<u>(104,141)</u>
Total governmental activities	8,431,122	1,375,847	494,332	37,500	(6,523,443)	-	(6,523,443)
Business type activities:							
Instruction:							
Other	18,922	10,300	10,000	-	-	1,378	1,378
Support services:							
Operation and maintenance of plant	2,013	-	-	-	-	(2,013)	(2,013)
Non-instructional programs:							
Food service operations	295,127	132,475	162,250	-	-	(402)	(402)
Total business type activities	<u>316,062</u>	<u>142,775</u>	<u>172,250</u>	<u>-</u>	<u>-</u>	<u>(2,415)</u>	<u>(2,415)</u>
Total	<u>\$ 8,747,184</u>	<u>1,518,622</u>	<u>666,582</u>	<u>37,500</u>	<u>(6,523,443)</u>	<u>(1,037)</u>	<u>(6,524,480)</u>
General Revenues:							
Local tax for:							
General purposes					\$ 2,608,511	-	2,608,511
Capital outlays					207,245	-	207,245
Income surtax					112,524	-	112,524
Statewide sales, services and use tax					546,082	-	546,082
Unrestricted state grants					3,296,242	-	3,296,242
Unrestricted investment earnings					3,560	14	3,574
Other general revenues					8,967	54	9,021
Total general revenues					<u>6,783,131</u>	<u>68</u>	<u>6,783,199</u>
Change in net position					259,688	(969)	258,719
Net position beginning of year					5,479,319	89,700	5,569,019
Net position end of year					<u>\$ 5,739,007</u>	<u>88,731</u>	<u>5,827,738</u>

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

SEE NOTES TO FINANCIAL STATEMENTS

BATTLE CREEK-IDA GROVE COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2013

	General	Management Levy	Capital Projects	Nonmajor Student Activity	Total
Assets					
Cash and pooled investments	\$ 2,864,935	228,648	1,022,324	120,216	4,236,123
Receivables:					
Property tax:					
Delinquent	32,918	2,738	2,808	-	38,464
Succeeding year	2,305,408	485,000	218,201	-	3,008,609
Income surtax	34,317	-	34,317	-	68,634
Accounts	5,998	-	-	-	5,998
Due from other funds	24,594	-	-	-	24,594
Due from other governments	364,161	-	171,206	-	535,367
Total assets	\$ 5,632,331	716,386	1,448,856	120,216	7,917,789
Liabilities and Fund Balances					
Liabilities					
Accounts payable	\$ 423,082	-	383,116	3,922	810,120
Salaries and benefits payable	648,224	-	-	-	648,224
Deferred revenue:					
Succeeding year property tax	2,305,408	485,000	218,201	-	3,008,609
Income surtax	34,317	-	34,317	-	68,634
Total liabilities	3,411,031	485,000	635,634	3,922	4,535,587
Fund balances:					
Restricted for:					
Categorical funding	455,456	-	-	-	455,456
Management levy purposes	-	231,386	-	-	231,386
Student activities	-	-	-	116,294	116,294
School infrastructure	-	-	587,084	-	587,084
Physical plant and equipment	-	-	226,138	-	226,138
Assigned	9,180	-	-	-	9,180
Unassigned	1,756,664	-	-	-	1,756,664
Total fund balances	2,221,300	231,386	813,222	116,294	3,382,202
Total liabilities and fund balances	\$ 5,632,331	716,386	1,448,856	120,216	7,917,789

SEE NOTES TO FINANCIAL STATEMENTS

BATTLE CREEK-IDA GROVE COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET POSITION
 JUNE 30, 2013

Total fund balances of governmental funds(page 20) \$ 3,382,202

***Amounts reported for governmental activities in the
 Statement of Net Position are different because:***

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in in the governmental funds. 4,322,733

Accounts receivable income surtax, are not yet available to finance expenditures of the current period. 68,634

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. (22,781)

Long-term liabilities, including revenue bonds payable, other postemployment benefits payable and net pension liability payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds. (2,011,781)

Net position of governmental activities(page 18) \$ 5,739,007

BATTLE CREEK-IDA GROVE COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2013

	General	Management Levy	Capital Projects	Nonmajor Student Activity	Nonmajor Debt Service	Total
Revenues:						
Local sources:						
Local tax	\$ 2,603,398	200,313	792,367	-	-	3,596,078
Tuition	463,171	-	-	-	-	463,171
Other	736,840	1,486	37,500	212,750	-	988,576
State sources	3,555,953	-	-	-	-	3,555,953
Federal sources	208,748	-	-	-	-	208,748
Total revenues	7,568,110	201,799	829,867	212,750	-	8,812,526
Expenditures:						
Current:						
Instruction:						
Regular	3,302,253	132,267	-	-	-	3,434,520
Special	1,034,036	-	-	-	-	1,034,036
Other	869,562	-	-	178,512	-	1,048,074
	5,205,851	132,267	-	178,512	-	5,516,630
Support services:						
Student	155,313	-	-	35,559	-	190,872
Instructional staff	268,702	-	64,419	-	-	333,121
Administration	548,406	-	-	-	-	548,406
Operation and maintenance of plant	561,947	48,335	32,414	-	-	642,696
Transportation	362,479	8,887	21,928	-	-	393,294
	1,896,847	57,222	118,761	35,559	-	2,108,389
Capital outlay	-	-	2,310,001	-	-	2,310,001
Long-term debt:						
Principal	-	-	-	-	200,000	200,000
Interest and fiscal charges	-	-	-	-	25,398	25,398
	-	-	-	-	225,398	225,398
Other expenditures:						
AEA flowthrough	242,190	-	-	-	-	242,190
Total expenditures	7,344,888	189,489	2,428,762	214,071	225,398	10,402,608
Excess(Deficiency) of revenues over(under) expenditures	223,222	12,310	(1,598,895)	(1,321)	(225,398)	(1,590,082)
Other financing sources(uses):						
Transfer in	-	-	-	-	225,398	225,398
Transfer out	-	-	(225,398)	-	-	(225,398)
Revenue bond issuance	-	-	1,895,000	-	-	1,895,000
Sale of equipment	10,017	-	-	-	-	10,017
Total other financing sources(uses)	10,017	-	1,669,602	-	225,398	1,905,017
Change in fund balances	233,239	12,310	70,707	(1,321)	-	314,935
Fund balance beginning of year	1,988,061	219,076	742,515	117,615	-	3,067,267
Fund balance end of year	\$ 2,221,300	231,386	813,222	116,294	-	3,382,202

SEE NOTES TO FINANCIAL STATEMENTS

BATTLE CREEK-IDA GROVE COMMUNITY SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2013

Change in fund balances - total governmental funds(page 22) \$ 314,935

Amounts reported for governmental activities in the

Statement of Activities are different because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays, depreciation expense and loss on disposal in the year, are as follows:

Capital outlay	\$ 1,974,004	
Depreciation expense	(243,767)	
Loss on disposal	(25,871)	
	1,704,366	

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position

Issued	(1,895,000)	
Repaid	200,000	
	(1,695,000)	

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

(19,531)

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

(121,716)

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.

Other postemployment benefits	(25,514)	
Net pension liability	102,148	
	76,634	

Change in net position of governmental activities(page 19)

\$ 259,688

SEE NOTES TO FINANCIAL STATEMENTS

BATTLE CREEK-IDA GROVE COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2013

	School Nutrition	Day Care	Total
Assets			
Cash and pooled investments	\$ 64,467	18,618	83,085
Inventories	12,457	-	12,457
Capital assets, net of accumulated depreciation	25,700	-	25,700
Total assets	102,624	18,618	121,242
Liabilities			
Due to other funds	24,594	-	24,594
Accounts payable	308	-	308
Salaries and benefits payable	-	2,300	2,300
Unearned revenue	5,309	-	5,309
Total liabilities	30,211	2,300	32,511
Net Position			
Invested in capital assets	25,700	-	25,700
Unrestricted	46,713	16,318	63,031
Total net position	\$ 72,413	16,318	88,731

SEE NOTES TO FINANCIAL STATEMENTS

BATTLE CREEK-IDA GROVE COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2013

	School Nutrition	Day Care	Total
Operating revenues:			
Local sources:			
Charges for services	\$ 132,475	10,300	142,775
Miscellaneous	54	-	54
Total operating revenue	<u>132,529</u>	<u>10,300</u>	<u>142,829</u>
Operating expenses:			
Instruction:			
Other:			
Salaries	-	16,042	16,042
Benefits	-	2,619	2,619
Services	-	199	199
Supplies	-	62	62
	<u>-</u>	<u>18,922</u>	<u>18,922</u>
Support services:			
Operation and maintenance of plant Services	2,013	-	2,013
Non-instructional programs:			
Food service operations:			
Salaries	101,093	-	101,093
Benefits	16,382	-	16,382
Services	2,965	-	2,965
Supplies	170,639	-	170,639
Other	35	-	35
Depreciation	4,013	-	4,013
	<u>295,127</u>	<u>-</u>	<u>295,127</u>
Total operating expenses	<u>297,140</u>	<u>18,922</u>	<u>316,062</u>
Operating loss	<u>(164,611)</u>	<u>(8,622)</u>	<u>(173,233)</u>
Non-operating revenues:			
State sources	2,862	10,000	12,862
Federal sources	159,388	-	159,388
Interest on investments	14	-	14
Total non-operating revenues	<u>162,264</u>	<u>10,000</u>	<u>172,264</u>
Change in net position	(2,347)	1,378	(969)
Net position beginning of year	<u>74,760</u>	<u>14,940</u>	<u>89,700</u>
Net position end of year	<u>\$ 72,413</u>	<u>16,318</u>	<u>88,731</u>

SEE NOTES TO FINANCIAL STATEMENTS

BATTLE CREEK-IDA GROVE COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2013

	School Nutrition	Day Care	Total
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	\$ 132,961	-	132,961
Cash received from daycare operations	-	10,300	10,300
Cash received from miscellaneous	54	-	54
Cash payments to employees for services	(117,475)	(19,520)	(136,995)
Cash payments to suppliers for goods or services	(150,299)	(261)	(150,560)
Net cash used by operating activities	<u>(134,759)</u>	<u>(9,481)</u>	<u>(144,240)</u>
Cash flows from non-capital financing activities:			
Repayments to General Fund	(13,710)	-	(13,710)
State grants received	2,862	10,000	12,862
Federal grants received	137,394	-	137,394
Net cash provided by non-capital financing activities	<u>126,546</u>	<u>10,000</u>	<u>136,546</u>
Cash flows from capital and related financing activities:			
Acquisition of capital assets	(2,408)	-	(2,408)
Cash flows from investing activities:			
Interest on investments	14	-	14
Net increase(decrease) in cash and cash equivalents	(10,607)	519	(10,088)
Cash and cash equivalents at beginning of year	75,074	18,099	93,173
Cash and cash equivalents at end of year	<u>\$ 64,467</u>	<u>18,618</u>	<u>83,085</u>
Reconciliation of operating loss to net cash used by operating activities:			
Operating loss	\$ (164,611)	(8,622)	(173,233)
Adjustments to reconcile operating loss to net cash used by operating activities:			
Commodities used	21,994	-	21,994
Depreciation	4,013	-	4,013
Decrease in inventories	3,522	-	3,522
Decrease in accounts payable	(163)	-	(163)
Decrease in salaries and benefits payable	-	(859)	(859)
Increase in unearned revenue	486	-	486
Net cash used by operating activities	<u>\$ (134,759)</u>	<u>(9,481)</u>	<u>(144,240)</u>

Non-cash investing, capital and related financing activities:

During the year ended June 30, 2013, the District received Federal commodities valued at \$21,994.

SEE NOTES TO FINANCIAL STATEMENTS

BATTLE CREEK-IDA GROVE COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

(1) Summary of Significant Accounting Policies

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

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

A. Reporting Entity

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

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

B. Basis of Presentation

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

The Statement of Net Position presents the District's nonfiduciary assets and liabilities, with the difference reported as net position. Net position is reported in the following categories:

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

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

Unrestricted net position consists of net position not meeting the definition of the two preceding categories. Unrestricted net position often has constraints on resources that are imposed by management, but can be removed or modified.

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

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

The District reports the following major governmental funds:

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

The Management Levy Fund is used to account for resources used in the purchase of property insurance and payments for early retirement incentives.

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

The District reports the following nonmajor proprietary funds:

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position 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.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and

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

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

D. Assets, Liabilities and Fund Balances

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

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

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2011 assessed property valuations; is for the tax accrual period July 1, 2012 through June 30, 2013 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2012.

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

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

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

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

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

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

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

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

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

Unearned Revenues - Unearned revenues are monies collected for lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The lunch account balances are reflected on the Statement of Net Position 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 Position.

Fund Balances - 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.

Assigned - Amounts are not available for appropriation but are set aside for a specific purpose. The assigned fund balances in the District's General Fund are for book fairs and smaller projects that are not able to be accounted for in other governmental funds.

Unassigned - All amounts not included in other spendable classifications. Negative unassigned balances may be reported in other governmental funds when expenditures incurred for specific purposes exceed the amounts restricted, committed or assigned. At June 30, 2013, the District's only unassigned amount was in the General Fund.

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

E. Budgeting and Budgetary Control

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

(2) **Cash and Pooled Investments**

The District's deposits at June 30, 2013 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

At June 30, 2013, the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$171,908 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investments in the Iowa Schools Joint Investment Trust was rated AAA by Standard & Poor's Financial Services.

(3) Interfund Transfers

The detail of transfers for the year ended June 30, 2013 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects: Statewide Sales, Services and Use Tax	\$ 225,398

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

(4) Capital Assets

Capital assets activity for the year ended June 30, 2013 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 124,260	-	-	124,260
Construction in progress	202,186	1,816,575	-	2,018,761
Total capital assets not being depreciated	326,446	1,816,575	-	2,143,021
Capital assets being depreciated:				
Buildings	4,956,887	-	220,550	4,736,337
Land improvements	520,177	72,551	-	592,728
Machinery and equipment	2,043,326	84,878	59,890	2,068,314
Total capital assets being depreciated	7,520,390	157,429	280,440	7,397,379
Less accumulated depreciation for:				
Buildings	3,238,815	77,827	194,679	3,121,963
Land improvements	293,447	26,314	-	319,761
Machinery and equipment	1,696,207	139,626	59,890	1,775,943
Total accumulated depreciation	5,228,469	243,767	254,569	5,217,667
Total capital assets being depreciated, net	2,291,921	(86,338)	25,871	2,179,712
Governmental activities capital assets, net	\$ 2,618,367	1,730,237	25,871	4,322,733
Business type activities:				
Machinery and equipment	\$ 95,775	2,408	-	98,183
Less accumulated depreciation	68,470	4,013	-	72,483
Business type activities capital assets, net	\$ 27,305	(1,605)	-	25,700

Depreciation expense was charged by the District as follows:

Governmental activities:		
Instruction:		
Regular		\$ 49,259
Special		968
Other		14,409
Support services:		
Instructional staff		6,326
Administrative		7,031
Operation and maintenance of plant		12,312
Transportation		49,321
		<u>139,626</u>
Unallocated depreciation		<u>104,141</u>
		<u>\$ 243,767</u>
Business type activities:		
Food services		<u>\$ 4,013</u>

(5) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2013 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Revenue bonds	\$ 200,000	1,895,000	200,000	1,895,000	40,000
Net OPEB liability	49,832	25,514	-	75,346	-
Net pension liability	143,583	-	102,148	41,435	-
Total	<u>\$ 393,415</u>	<u>1,920,514</u>	<u>302,148</u>	<u>2,011,781</u>	<u>40,000</u>

Revenue Bonds

Details of the District's June 30, 2013 statewide sales, services and use tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Interest Rate	Bond issue dated July 6, 2012		
		Principal	Interest	Total
2014	0.53	% \$ 40,000	45,457	85,457
2015	0.73	100,000	44,990	144,990
2016	0.93	95,000	44,188	139,188
2017	1.13	95,000	43,214	138,214
2018	1.33	95,000	42,051	137,051
2019-2023	1.58-2.43	505,000	183,644	688,644
2024-2028	2.63-3.35	570,000	114,982	684,982
2029-2030	3.45-3.60	395,000	19,061	414,061
		<u>\$ 1,895,000</u>	<u>537,587</u>	<u>2,432,587</u>

The District has pledged future statewide sales, services and use tax revenues to repay the \$1,895,000 of bonds issued July 2012. The bonds were issued for the purpose of financing renovations to the elementary building. 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 2030. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require nearly 16% of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the bonds is \$2,432,587. For the current year, \$200,000 in principal and \$25,398 in interest was paid on the bonds and total statewide sales, services and use tax revenues were \$546,082.

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

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

(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 5.78% of their annual covered salary and the District is required to contribute 8.67% of annual covered salary. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2013, 2012, and 2011, were \$269,293, \$339,859, and \$280,686, respectively, equal to the required contributions for each year.

(7) Other Postemployment Benefits (OPEB)

Plan Description - The District operates a single-employer health benefit plan which provides medical and prescription drug benefits for employees, retirees and their spouses. There are 42 active and 4 retired members in the plan. Retired participants must be age 55 or older at retirement.

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

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

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

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2013, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 38,153
Interest on net OPEB obligation	1,246
Adjustment to annual required contribution	(4,422)
Annual OPEB cost	<u>34,977</u>
Contributions made	<u>(9,463)</u>
Increase in net OPEB obligation	25,514
Net OPEB obligation beginning of year	49,832
Net OPEB obligation end of year	<u><u>\$ 75,346</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, 2013.

For the year ended June 30, 2013, the District contributed \$9,463 to the medical plan. Plan members eligible for benefits contributed \$390,699, or 97.64% 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, 2013 are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2011	\$ 26,191	39.05%	\$ 33,860
2012	\$ 27,509	39.05%	\$ 49,832
2013	\$ 34,977	27.05%	\$ 75,346

Funded Status and Funding Progress - As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2012 through June 30, 2013, the actuarial accrued liability was \$225,943, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$225,943. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$1,940,961, and the ratio of the UAAL to covered payroll was 11.64%. As of June 30, 2013, there were no trust fund assets.

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

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

As of the July 1, 2012 actuarial valuation date, the entry age actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the District's funding policy. The health cost trend rate is 6% per year.

Mortality rates are from the 94 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the 2006 Society of Actuaries Study. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(8) Supplemental Pension Plan

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

There are 107 active members in the plan as of June 30, 2013. The pension benefit is defined as 60% of the retiree's final salary.

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

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

The following table shows the components of the District's annual pension cost for the year ended June 30, 2013, the amount actually contributed to the plan and changes in the District's net pension obligation:

Annual required contribution	\$ 160,861
Interest on net pension obligation	3,590
Adjustment to annual required contribution	(7,059)
Annual net pension obligation cost	<u>157,392</u>
Contributions made	(259,540)
Decrease in net pension obligation	<u>(102,148)</u>
Net pension obligation beginning of year	143,583
Net pension obligation end of year	<u><u>\$ 41,435</u></u>

For calculation of the net pension obligation, the actuary has set the transition day as July 1, 2011. The end of year net pension obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2013.

For the year ended June 30, 2013, the District contributed \$259,540 to the pension plan. The District's annual pension cost, the percentage of annual pension cost contributed to the plan and the net pension obligation as of June 30, 2013 are summarized as follows:

Year Ended June 30,	Annual Pension Cost	Percentage of Annual Pension Cost Contributed	Net Pension Obligation
2012	\$ 143,583	0.00%	\$ 143,583
2013	\$ 157,392	164.90%	\$ 41,435

Funded Status and Funding Progress - As of July 1, 2011, the most recent actuarial valuation date for the period July 1, 2012 through June 30, 2013, the actuarial accrued liability was approximately \$1,082,685 with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of approximately \$1,082,685. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$1,895,132 and the ratio of the UAAL to covered payroll was 57.13%. As of June 30, 2013, there were no trust fund assets.

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

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

As of July 1, 2011 actuarial valuation date, the entry age actuarial cost method was used. The actuarial assumptions include a 2.50% discount rate based on the District's funding policy. The salary increase rate was assumed to be 3% per year. The actuarial assumptions used for mortality rates, employee termination by age and group, employee retirement by age and group and others are similar or identical to the GASB Statement No. 45 assumptions used to determine the net OPEB liability. The remaining amortization period at June 30, 2013 is 28 years.

(9) Risk Management

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

(10) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$242,190 for the year ended June 30, 2013 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(11) Categorical Funding

The District's restricted fund balance for categorical funding at June 30, 2013 is comprised of the following programs:

Program	Amount
Home school assistance program	20,038
Gifted and talented programs	60,701
Dropout and dropout prevention	131,461
Teacher salary supplement	36,065
Market factor	3,656
Market factor incentives	570
Four-year old preschool state aid	140,894
Professional development for model core curriculum	32,190
Professional development	29,881
Total	<u>\$ 455,456</u>

(12) Construction Commitment

The District has entered into a construction contract totaling \$1,889,385 for an elementary addition project. As of June 30, 2013, costs of \$1,634,482 had been incurred against the contract. The remaining balance \$254,903 at June 30, 2013 will be paid as work on the project progresses.

(13) Detailed Reconciliation of Governmental Fund Balances to Net Position

The following is the detailed reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position:

	Invested in capital assets	School Infrastructure	Unassigned/ Restricted balances
Fund balance (Exhibit C)	\$ -	587,084	1,756,664
Capital assets	4,322,733	-	-
Revenue bond proceeds expended for capital assets	(1,708,411)	-	-
Revenue bond proceeds not expended	-	(186,589)	-
Accrued interest payable	-	-	(22,781)
Income surtax	-	-	68,634
Assigned	-	-	9,180
Net pension liability	-	-	(41,435)
Net OPEB liability	-	-	(75,346)
Net position (Exhibit A)	<u>\$ 2,614,322</u>	<u>400,495</u>	<u>1,694,916</u>

REQUIRED SUPPLEMENTARY INFORMATION

BATTLE CREEK-IDA GROVE COMMUNITY SCHOOL DISTRICT
 BUDGETARY COMPARISON OF REVENUES, EXPENDITURES/EXPENSES AND
 CHANGES IN BALANCES -
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
 AND PROPRIETARY FUNDS
 REQUIRED SUPPLEMENTARY INFORMATION
 YEAR ENDED JUNE 30, 2013

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to Actual Variance
	Fund Types	Fund Type		Original	Final	
	Actual	Actual				
Revenues:						
Local sources	\$ 5,047,825	142,843	5,190,668	5,085,673	5,085,673	104,995
State sources	3,555,953	12,862	3,568,815	3,601,327	3,601,327	(32,512)
Federal sources	208,748	159,388	368,136	339,000	339,000	29,136
Total revenues	<u>8,812,526</u>	<u>315,093</u>	<u>9,127,619</u>	<u>9,026,000</u>	<u>9,026,000</u>	<u>101,619</u>
Expenditures/expenses:						
Instruction	5,516,630	18,922	5,535,552	6,468,133	6,468,133	932,581
Support services	2,108,389	2,013	2,110,402	2,707,276	2,707,276	596,874
Non-instructional programs	-	295,127	295,127	365,102	365,102	69,975
Other expenditures	2,777,589	-	2,777,589	1,231,836	3,215,042	437,453
Total expenditures/expenses	<u>10,402,608</u>	<u>316,062</u>	<u>10,718,670</u>	<u>10,772,347</u>	<u>12,755,553</u>	<u>2,036,883</u>
Deficiency of revenues under expenditures/expenses	(1,590,082)	(969)	(1,591,051)	(1,746,347)	(3,729,553)	2,138,502
Other financing sources, net	<u>1,905,017</u>	<u>-</u>	<u>1,905,017</u>	<u>-</u>	<u>-</u>	<u>1,905,017</u>
Excess(Deficiency) of revenues and other financing sources over(under) expenditures/expenses	314,935	(969)	313,966	(1,746,347)	(3,729,553)	4,043,519
Balance beginning of year	<u>3,067,267</u>	<u>89,700</u>	<u>3,156,967</u>	<u>2,128,011</u>	<u>2,128,011</u>	<u>1,028,956</u>
Balance end of year	<u>\$ 3,382,202</u>	<u>88,731</u>	<u>3,470,933</u>	<u>381,664</u>	<u>(1,601,542)</u>	<u>5,072,475</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

BATTLE CREEK-IDA GROVE COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2013

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

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

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functional areas, not by fund or fund type. These four functional areas are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment, increasing budgeted expenditures by \$1,983,206.

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

For Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	\$ -	\$ 240,618	\$ 240,618	0.0%	\$ 1,890,594	12.73%
2011	July 1, 2009	-	234,777	234,777	0.0%	2,094,555	11.21%
2012	July 1, 2009	-	208,305	208,305	0.0%	1,891,237	11.01%
2013	July 1, 2012	-	225,943	225,943	0.0%	1,940,961	11.64%

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

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

For Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAAL as a Percentage of Covered Payroll ((b-a)/c)
2012	July 1, 2011	\$ -	\$ 1,632,972	\$ 1,632,972	0.0%	\$ 3,284,645	49.72%
2013	July 1, 2011	-	1,082,685	1,082,685	0.0%	1,895,132	57.13%

See Note 8 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual pension cost, net pension obligation, funded status and funding progress.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

Battle Creek - Ida Grove Community School District

SUPPLEMENTARY INFORMATION

BATTLE CREEK-IDA GROVE COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 CAPITAL PROJECT ACCOUNTS
 JUNE 30, 2013

	Capital Projects			
	Statewide Sales, Services and Use Tax- Woodbury County	Statewide Sales, Services and Use Tax- Ida and Crawford Counties	Physical Plant and Equipment Levy	Total
Assets				
Cash and pooled investments	\$ 1,000	677,387	343,937	1,022,324
Receivables:				
Property tax:				
Delinquent	-	-	2,808	2,808
Succeeding year	-	-	218,201	218,201
Income surtax	-	-	34,317	34,317
Due from other governments	1,106	170,100	-	171,206
Total assets	\$ 2,106	847,487	599,263	1,448,856
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ -	262,509	120,607	383,116
Deferred revenue:				
Succeeding year property tax	-	-	218,201	218,201
Income surtax	-	-	34,317	34,317
Total liabilities	-	262,509	373,125	635,634
Fund balances:				
Restricted for:				
School infrastructure	2,106	584,978	-	587,084
Physical plant and equipment	-	-	226,138	226,138
Total fund balances	2,106	584,978	226,138	813,222
Total liabilities and fund balances	\$ 2,106	847,487	599,263	1,448,856

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

BATTLE CREEK-IDA GROVE COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 CAPITAL PROJECT ACCOUNTS
 YEAR ENDED JUNE 30, 2013

	Capital Projects			Total
	Statewide Sales, Services and Use Tax- Woodbury County	Statewide Sales, Services and Use Tax- Ida and Crawford Counties	Physical Plant and Equipment Levy	
Revenues:				
Local sources:				
Local tax	\$ 7,027	539,055	246,285	792,367
Other	37,500	-	-	37,500
Total revenues	44,527	539,055	246,285	829,867
Expenditures:				
Current:				
Support services:				
Instructional staff	-	-	64,419	64,419
Operation and maintenance of plant	-	-	32,414	32,414
Transportation	-	-	21,928	21,928
Capital outlay	75,204	2,059,237	175,560	2,310,001
Total expenditures	75,204	2,059,237	294,321	2,428,762
Deficiency of revenues under expenditures	(30,677)	(1,520,182)	(48,036)	(1,598,895)
Other financing sources(uses):				
Transfer out	-	(225,398)	-	(225,398)
Revenue bond issuance	-	1,895,000	-	1,895,000
Total other financing sources(uses)	-	1,669,602	-	1,669,602
Change in fund balances	(30,677)	149,420	(48,036)	70,707
Fund balances beginning of year	32,783	435,558	274,174	742,515
Fund balances end of year	\$ 2,106	584,978	226,138	813,222

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

BATTLE CREEK-IDA GROVE COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2013

Account	Balance Beginning of Year	Revenues	Expendi- tures	Intra- Fund Transfers	Balance End of Year
Coed athletics	\$ -	-	255	255	-
Cross country	2,118	2,090	2,472	1,012	2,748
Falcons boy's basketball	2,370	1,422	2,612	154	1,334
Falcon football	9,015	3,407	5,442	713	7,693
HS Falcon baseball	3,287	1,091	818	397	3,957
Falcon High School Bowling	2,435	-	-	242	2,677
Falcon boys golf	511	-	-	141	652
Falcon wrestling	185	4,006	3,915	1,769	2,045
Falcon girls basketball	6,667	300	692	(141)	6,134
Falcon volleyball	5,109	161	1,127	465	4,608
Falcon girls softball	4,064	965	1,889	374	3,514
Falcon girls golf	501	-	-	-	501
Concessions	5,838	36,201	27,250	(9,878)	4,911
Interest	-	30	-	(30)	-
Class of 2012	1,418	-	-	(1,418)	-
Class of 2013	60	2,206	2,708	448	6
Class of 2014	200	16,262	13,682	-	2,780
Class of 2015	249	-	53	-	196
Class of 2016	64	104	51	-	117
OA/BCIG coed athletics	17,151	82,382	82,558	269	17,244
HS vocal	1,005	-	-	-	1,005
HS band	5,526	2,338	2,588	-	5,276
Senior memories	1,431	850	800	-	1,481
Quiz bowl fund	852	-	290	-	562
STEP program	180	1,516	1,512	83	267
HS Art club	1,257	350	17	-	1,590
FCCLA	987	-	-	-	987
Spanish club	698	752	749	-	701
HS student council	6,497	2,354	2,993	1,265	7,123
FFA	17,385	34,183	35,561	615	16,622
OA/BCIG cheerleaders	2,936	2,520	4,673	1,744	2,527
OA/BCIG drama	9,123	4,225	5,963	-	7,385
OA/BCIG dance team	4,980	12,241	12,473	1,388	6,136
OA/BCIG NHS	3,516	794	928	133	3,515
Total	\$ 117,615	212,750	214,071	-	116,294

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

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

	Modified Accrual Basis									
	Years Ended June 30,									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Revenues:										
Local sources:										
Local tax	\$ 3,596,078	3,613,771	3,307,160	3,369,800	2,898,063	2,672,242	2,616,624	2,564,373	2,299,301	2,123,977
Tuition	463,171	512,383	350,538	371,539	393,603	383,799	380,045	300,685	323,148	316,081
Other	988,576	1,071,207	1,103,449	1,073,640	480,107	409,600	468,740	430,455	402,431	307,577
State sources	3,555,953	3,594,327	3,405,209	2,920,947	3,418,749	3,350,240	3,233,158	3,166,741	3,091,914	3,046,556
Federal sources	208,748	271,311	363,313	574,536	231,666	170,078	175,486	214,114	190,284	206,952
Total	\$ 8,812,526	9,062,999	8,529,669	8,310,462	7,422,188	6,985,959	6,874,053	6,676,368	6,307,078	6,001,143
Expenditures:										
Current:										
Instruction:										
Regular	\$ 3,434,520	3,569,167	3,529,824	3,278,275	2,885,135	2,834,221	2,791,135	2,685,879	2,554,133	2,516,048
Special	1,034,036	1,059,916	950,589	849,285	833,349	830,788	788,325	823,163	889,485	892,439
Other	1,048,074	1,023,746	869,611	945,366	886,965	723,737	715,866	706,376	493,172	467,234
Support services:										
Student	190,872	179,239	168,576	160,926	113,074	113,476	159,825	150,047	137,394	137,103
Instructional staff	333,121	323,429	453,164	313,285	359,992	330,225	313,868	293,904	263,161	214,155
Administration	548,406	526,952	526,898	554,948	603,513	637,155	649,696	646,404	628,141	619,820
Operation and maintenance of plant	642,696	630,292	530,868	605,919	620,908	690,685	683,858	674,114	607,453	547,542
Transportation	393,294	392,454	316,567	381,100	319,064	361,473	366,948	358,952	265,725	284,302
Capital outlay	2,310,001	555,971	363,594	797,419	425,984	266,409	315,829	172,932	207,088	29,538
Long-term debt:										
Principal	200,000	200,000	200,000	-	-	-	-	-	-	-
Interest	25,398	9,500	15,250	4,500	-	-	-	-	-	-
Other expenditures:										
ABA flow-through	242,190	237,537	266,330	264,023	244,531	239,274	233,619	227,081	226,110	231,726
Total	\$ 10,402,608	8,708,203	8,191,271	8,155,046	7,292,515	7,027,443	7,018,969	6,738,852	6,271,862	5,939,907

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

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

Telephone (641) 792-1910

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

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

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Battle Creek-Ida Grove Community School District as of and for the year ended June 30, 2013, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated February 18, 2014.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified deficiencies in internal control we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in Part I of the accompanying Schedule of Findings as item I-A-13 to be a material weakness.

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2013 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Battle Creek-Ida Grove Community School District's Responses to Findings

Battle Creek-Ida Grove Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. Battle Creek-Ida Grove Community School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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



NOLTE, CORNMAN & JOHNSON, P.C.

February 18, 2014
Newton, Iowa

BATTLE CREEK-IDA GROVE COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2013

Part I: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

I-A-13 Segregation of Duties - One important aspect of internal accounting control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. One individual has control over each of the following areas for the District.

- 1) Cash - initiating cash receipt and disbursement transactions and handling and recording cash.
- 2) Investments - investing, detailed recordkeeping, custody of investments and reconciling earnings.
- 3) Receipts - collecting, recording, depositing, journalizing, posting and reconciling.
- 4) Inventories - ordering, receiving, issuing and storing.
- 5) Capital assets - purchasing, recording and reconciling.
- 6) Wire transfers - processing and approving.
- 7) Payroll - recording approved pay rates and deductions, recordkeeping, preparation, posting and distribution.
- 8) Transfers - preparing and approving.
- 9) Computer systems - performing all general accounting functions and controlling all data input and output.
- 10) School lunch program - collecting, recording, journalizing, posting, reconciling, purchase order processing, check preparation, mailing and recording.

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

Response - We will investigate alternatives and implement as soon as possible. At the end of fiscal year 2013, we were in the process of hiring a part time person to do data entry at the central office that would help shift and share some of the duties listed.

Conclusion - Response acknowledged.

OTHER MATTERS:

I-B-13 Board Policies - We noted during our audit the District has policies that have not been updated within five years.

Recommendation - Board policies should be reviewed by the Board at a minimum every five years, with the date of review/revision being documented.

Response - The policy revision will continue with the last two series to be approved during fiscal year 2014. Annual reviews of other series will then be scheduled.

Conclusion - Response accepted.

Part II: Other Findings Related to Required Statutory Reporting:

II-A-13 Certified Budget - District disbursements for the year ended June 30, 2013, did not exceed the amount budgeted.

II-B-13 Questionable Disbursements - No expenditures we believe may not meet the requirements of public purpose as defined in the Attorney General’s opinion dated April 25, 1979 were noted.

II-C-13 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-13 Business Transactions - Business transactions between the District and District officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Roger Walter, General Maintenance Director Owner, Walter Construction	Purchased Services	\$ 1,000

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

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

II-E-13 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-13 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

II-G-13 Certified Enrollment - We noted a variance in the basic enrollment data certified to the Department of Education. The number of resident students was understated by 3.0 students.

Recommendation - The District should contact the Iowa Department of Education and the Department of Management to resolve this matter.

Response - The District's auditor will contact the Iowa Department of Education and Department of Management to resolve this matter.

Conclusion - Response accepted.

- II-H-13 Supplementary Weighting - No variance regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- II-I-13 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- II-J-13 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-13 Categorical Funding - No instances were noted of categorical funding being used to supplant rather than supplement other funds.
- II-L-13 Statewide Sales, Services and Use Tax - No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services, and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2013, the following information includes the amounts the District reported for the statewide sales, services and use tax revenue in the District's CAR including adjustments identified during the fiscal year 2013 audit:

Beginning Balance		\$	468,341
Revenues:			
Sales tax revenues	\$	546,082	
Other revenues		37,500	
Sale of long-term debt		1,895,000	2,478,582
Expenditures/transfers out:			
School infrastructures construction	2,134,441		
Transfer to other funds:			
Debt service fund		225,398	2,359,839
Ending Balance		\$	587,084

For the year ended June 30, 2013, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of Code of Iowa.