

BAXTER COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2013

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**Baxter Community School District**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education</b>		
Curt Hansen	President	2015
Deborah Meyer	Vice President	2015
Colette Kunkel	Board Member	2015
Randy Fuchs	Board Member	2013
Jon Northrup	Board Member	2013

**School Officials**

Matt Patton	Superintendent	2013
Julie McWhirter	District Secretary/Treasurer and Business Manager	2013

**BAXTER COMMUNITY SCHOOL DISTRICT**

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

**INDEPENDENT AUDITOR'S REPORT**

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

**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 Baxter Community School District, Baxter, 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 Baxter 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.

Members American Institute & Iowa Society of Certified Public Accountants

## **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 15 and 42 through 44 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of 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 Baxter 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 seven years ended June 30, 2012 (which are not presented herein) and expressed unqualified opinions on those financial statements. Another auditor previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the two years ended June 30, 2005 (which are not presented herein) and expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 6, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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 March 21, 2014 on our consideration of Baxter 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 Baxter Community School District's internal control over financial reporting and compliance.



NOLTE, CORNMAN & JOHNSON, P.C.

March 21, 2014  
Newton, Iowa

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

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Baxter Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 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 \$4,246,253 in fiscal 2012 to \$4,162,782 in fiscal 2013, while General Fund expenditures increased from \$4,108,485 in fiscal 2012 to \$4,144,980 in fiscal 2013. Revenues still outpaced expenditures resulting in an increase in the District's General Fund balance from \$962,251 at June 30, 2012 to a balance of \$980,053 at June 30, 2014.
- The decrease in General Fund revenues occurred mainly in the state sources and federal sources categories. The increase in expenditures was due primarily to increases in negotiated salaries and benefits for District employees during fiscal 2013.

### **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 Baxter Community School District as a whole and present an overall view of the District's finances.

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

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

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

Supplementary Information provides detailed information about the nonmajor governmental funds.

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

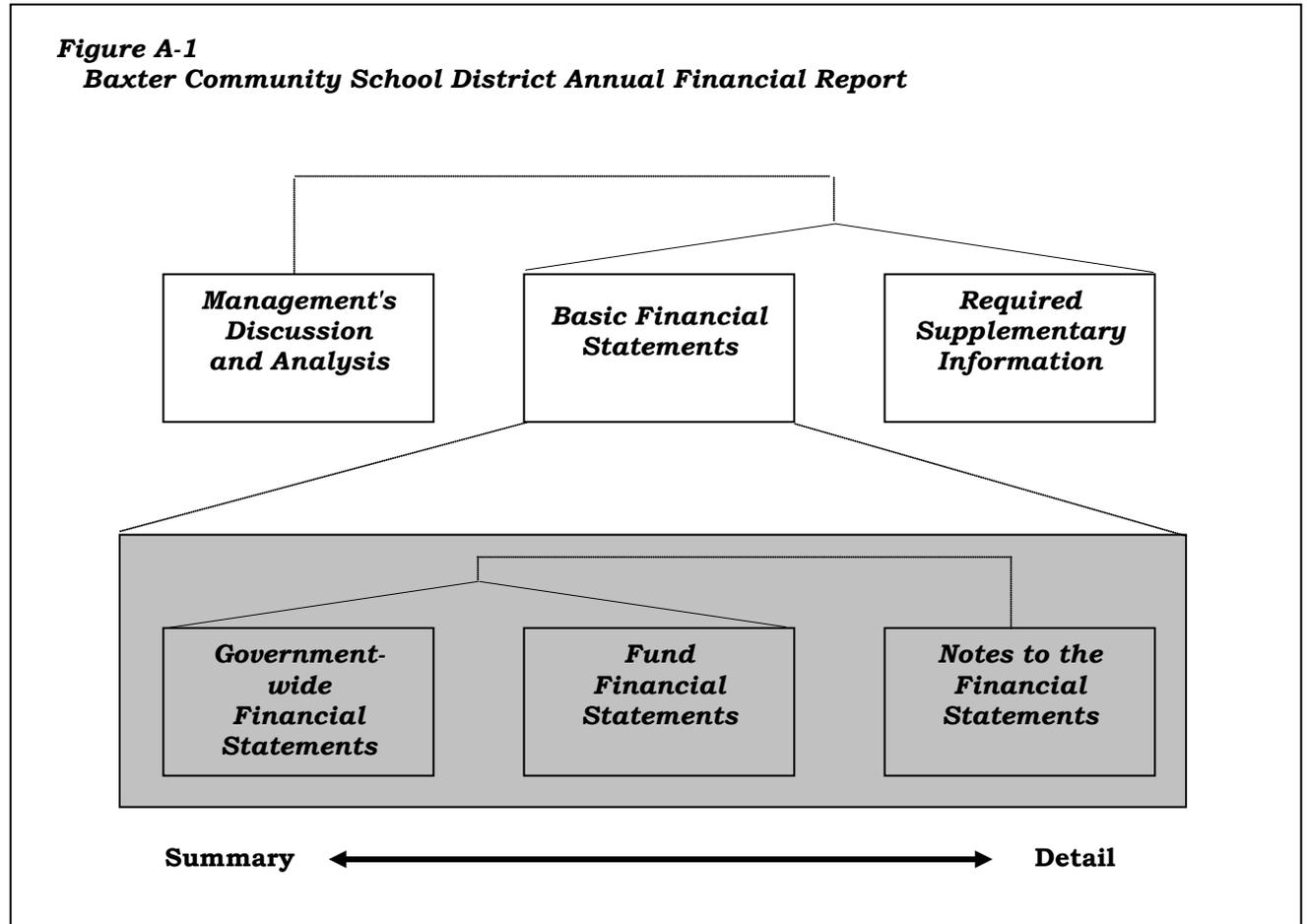


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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

	Government-wide Statements	Fund Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire District (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: food services and adult education
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net position</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net position</li> <li>• Statement of revenues, expenses and changes in fund net position</li> <li>• Statement of cash flows</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

## REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES

### Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net 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 it has changed. Net position – the difference between the District’s assets and liabilities – are one way to measure the District’s financial health or financial 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.

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

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

### **Fund Financial Statements**

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

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

The District has two kinds of funds:

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

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

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

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

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

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2013	2012	2013	2012	2013	2012	2012-13
Current and other assets	\$ 3,918,900	3,341,699	9,001	11,838	3,927,901	3,353,537	17.13%
Capital assets	6,013,462	6,170,066	24,287	28,057	6,037,749	6,198,123	-2.59%
Total assets	<u>9,932,362</u>	<u>9,511,765</u>	<u>33,288</u>	<u>39,895</u>	<u>9,965,650</u>	<u>9,551,660</u>	<u>4.33%</u>
Long-term obligations	2,134,843	2,404,183	1,600	853	2,136,443	2,405,036	-11.17%
Other liabilities	2,058,784	1,651,583	14,337	3,412	2,073,121	1,654,995	25.26%
Total liabilities	<u>4,193,627</u>	<u>4,055,766</u>	<u>15,937</u>	<u>4,265</u>	<u>4,209,564</u>	<u>4,060,031</u>	<u>3.68%</u>
Net position:							
Invested in capital assets, net of related debt	3,998,462	3,810,066	24,287	28,057	4,022,749	3,838,123	4.81%
Restricted	744,624	633,236	-	-	744,624	633,236	17.59%
Unrestricted	995,649	1,012,697	(6,936)	7,573	988,713	1,020,270	-3.09%
Total net position	<u>\$ 5,738,735</u>	<u>5,455,999</u>	<u>17,351</u>	<u>35,630</u>	<u>5,756,086</u>	<u>5,491,629</u>	<u>4.82%</u>

The District's total net position increased by 4.82%, or \$264,457 over the prior year. The largest portion of the District's net position is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net position represents 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 by \$111,388, or 17.59% over the prior year. The increase in restricted net position was attributable to increases in the Capital Projects: Statewide Sales, Services and Use Tax Fund, the Capital Projects: Physical Plant and Equipment Levy Fund and restricted for Categorical Funding balances.

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 \$31,557, or 3.09%. The main reason for the decrease in unrestricted net position was the decrease in the General Fund unassigned balance.

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 in Net Position								
	Governmental Activities		Business Type Activities		Total District		Total Change	
	June 30,		June 30,		June 30,		June 30,	
	2013	2012	2013	2012	2013	2012	2012-13	
Revenues:								
Program revenues:								
Charges for services	\$ 626,106	689,014	104,096	109,847	730,202	798,861	-8.59%	
Operating grants, contributions and restricted interest	358,395	338,868	72,610	75,382	431,005	414,250	4.04%	
General revenues:								
Property tax	1,553,141	1,338,845	-	-	1,553,141	1,338,845	16.01%	
Income surtax	178,998	174,655	-	-	178,998	174,655	2.49%	
Statewide sales, services, and use tax	325,754	354,984	-	-	325,754	354,984	-8.23%	
Nonspecific program federal grants	-	1,048	-	-	-	1,048	-100.00%	
Unrestricted state grants	2,109,235	2,262,355	-	-	2,109,235	2,262,355	-6.77%	
Unrestricted investment earnings	7,100	7,029	15	32	7,115	7,061	0.76%	
Other	85,779	106,639	4,043	-	89,822	106,639	-15.77%	
Total revenues	<u>5,244,508</u>	<u>5,273,437</u>	<u>180,764</u>	<u>185,261</u>	<u>5,425,272</u>	<u>5,458,698</u>	<u>-0.61%</u>	
Program expenses:								
Governmental activities:								
Instruction	2,780,644	2,899,520	-	-	2,780,644	2,899,520	-4.10%	
Support services	1,767,326	1,586,054	2,020	2,750	1,769,346	1,588,804	11.36%	
Non-instructional programs	-	-	197,023	191,047	197,023	191,047	3.13%	
Other expenditures	413,802	425,186	-	-	413,802	425,186	-2.68%	
Total expenses	<u>4,961,772</u>	<u>4,910,760</u>	<u>199,043</u>	<u>193,797</u>	<u>5,160,815</u>	<u>5,104,557</u>	<u>1.10%</u>	
Change in net position	282,736	362,677	(18,279)	(8,536)	264,457	354,141	-25.32%	
Net position beginning of year	<u>5,455,999</u>	<u>5,093,322</u>	<u>35,630</u>	<u>44,166</u>	<u>5,491,629</u>	<u>5,137,488</u>	<u>6.89%</u>	
Net position end of year	<u>\$ 5,738,735</u>	<u>5,455,999</u>	<u>17,351</u>	<u>35,630</u>	<u>5,756,086</u>	<u>5,491,629</u>	<u>4.82%</u>	

In fiscal 2013, local tax, statewide sales, services and use tax and unrestricted state grants account for 79.46% of the revenue from governmental activities while charges for service and operating grants and contributions and restricted interest account for 97.76% of the revenue from business type activities.

The District's total revenues were approximately \$5.43 million, of which approximately \$5.25 million was for governmental activities and approximately \$0.18 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 0.61% decrease in revenues and a 1.10% increase in expenses.

### Governmental Activities

Revenues for governmental activities were \$5,244,508 and expenses were \$4,961,772. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues.

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

Figure A-5						
Total and Net Cost of Governmental Activities						
	Total Cost of Services			Net Cost of Services		
	2013	2012	Change 2012-13	2013	2012	Change 2012-13
Instruction	\$ 2,780,644	2,899,520	-4.10%	1,938,675	2,015,180	-3.80%
Support services	1,767,326	1,586,054	11.43%	1,766,951	1,585,702	11.43%
Other expenses	413,802	425,186	-2.68%	271,645	281,996	-3.67%
Totals	\$ 4,961,772	4,910,760	1.04%	3,977,271	3,882,878	2.43%

For the year ended June 30, 2013:

- The cost financed by users of the District's programs was \$626,106.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$358,395.
- The net cost of governmental activities was financed with \$1,553,141 in property tax, \$178,998 in income surtax, \$325,754 in statewide sales, services and use tax, \$2,109,235 in unrestricted state grants, \$7,100 in interest income and \$85,779 in other general revenues.

### Business type Activities

Revenues of the District's business type activities were \$180,764 and expenses were \$199,043. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

### INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$1,691,738, above last year's ending fund balances of \$1,526,031.

### Governmental Fund Highlights

- The District's increase in the General Fund balance from \$962,251 at June 30, 2012 to \$980,053 at June 30, 2013 is the product of many factors. An increase in local source revenues during the year combined with a minimal increase in expenditures resulted in a net increase of \$17,802.
- The Capital Projects Fund balance increased \$102,982 from \$204,741 at June 30, 2012 to \$307,723 at June 30, 2013. During fiscal year 2013 the Capital Projects: Statewide Sales, Services and Use Tax Fund balance increased \$38,832 and the Capital Projects: Physical Plant and Equipment Levy Fund balance increased \$64,150.

- The District's Debt Service Fund balance increased from \$168,445 at June 30, 2012 to \$181,518 at June 30, 2013. The majority of the increase was due to an increase in property tax collected during the year.

### Proprietary Fund Highlights

The School Nutrition Fund net position decreased from \$35,630 at June 30, 2012 to \$17,351 at June 30, 2013, representing a decrease of 51.30%.

## BUDGETARY HIGHLIGHTS

The District's revenues were \$237,610 less than budgeted revenues, a variance of 4.20%. The most significant variance resulted from the District receiving less from local source revenues than originally anticipated.

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

In spite of the District's budgetary practice, the certified budget was exceeded in the other expenditures functional area.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2013, the District had invested \$6,037,749, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net decrease of 2.59% from last year. More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$198,998.

The original cost of the District's capital assets was \$8,942,148. Governmental funds account for \$8,877,088 with the remaining of \$65,060 in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the machinery and equipment category. The District's machinery and equipment was \$168,737 at June 30, 2013, compared to \$189,113 at June 30, 2012. The change mainly resulted from depreciation expense charged during the year.

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2013	2012	2013	2012	2013	2012	2012-13
Land	\$ 105,602	105,602	-	-	105,602	105,602	0.00%
Buildings	5,662,287	5,804,997	-	-	5,662,287	5,804,997	-2.46%
Land improvements	101,123	98,411	-	-	101,123	98,411	2.76%
Machinery and equipment	144,450	161,056	24,287	28,057	168,737	189,113	-10.77%
Total	\$ 6,013,462	6,170,066	24,287	28,057	6,037,749	6,198,123	-2.59%

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## Long-Term Debt

At June 30, 2013, the District had \$2,136,443 in total long-term debt outstanding. This represents a decrease of 11.17% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 5 to the financial statements.

The District had total outstanding General Obligation Bonds payable of \$1,880,000 at June 30, 2013.

The District had total outstanding Revenue Bonds payable of \$135,000 at June 30, 2013.

The District had total outstanding Termination Benefits payable from the Special Revenue – Management Levy Fund of \$84,413 at June 30, 2013.

The District had net OPEB liability payable of \$37,030 at June 30, 2013, of which, \$35,430 was attributable to governmental activities and \$1,600 to business type activities.

	Figure A-7 Outstanding Long-Term Obligations						
	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2013	2012	2013	2012	2013	2012	2012-13
General obligation bonds	\$ 1,880,000	2,100,000	-	-	1,880,000	2,100,000	-10.48%
Revenue bonds	135,000	260,000	-	-	135,000	260,000	-48.08%
Termination benefits	84,413	17,800	-	-	84,413	17,800	374.23%
Net OPEB liability	35,430	26,383	1,600	853	37,030	27,236	35.96%
	<u>\$ 2,134,843</u>	<u>2,404,183</u>	<u>1,600</u>	<u>853</u>	<u>2,136,443</u>	<u>2,405,036</u>	<u>-11.17%</u>

## ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

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

## CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

**BAXTER COMMUNITY SCHOOL DISTRICT**

BASIC FINANCIAL STATEMENTS

BAXTER COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
JUNE 30, 2013

	Governmental Activities	Business Type Activities	Total
<b>Assets</b>			
Cash and pooled investments	\$ 1,854,454	5,186	1,859,640
Receivables:			
Property tax:			
Delinquent	13,629	-	13,629
Succeeding year	1,626,791	-	1,626,791
Income surtax	161,038	-	161,038
Due from other governments	237,717	-	237,717
Inventories	-	3,815	3,815
Bond discounts and bond issue costs	25,271	-	25,271
Capital assets, net of accumulated depreciation	6,013,462	24,287	6,037,749
<b>Total assets</b>	<b>9,932,362</b>	<b>33,288</b>	<b>9,965,650</b>
<b>Liabilities</b>			
Accounts payable	63,227	-	63,227
Salaries and benefits payable	350,835	11,213	362,048
Accrued interest payable	17,931	-	17,931
Unearned revenue	-	3,124	3,124
Deferred revenue:			
Succeeding year property tax	1,626,791	-	1,626,791
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	155,000	-	155,000
Revenue bonds payable	135,000	-	135,000
Termination benefits payable	77,613	-	77,613
Portion due after one year:			
General obligation bonds payable	1,725,000	-	1,725,000
Termination benefits payable	6,800	-	6,800
Net OPEB liability	35,430	1,600	37,030
<b>Total liabilities</b>	<b>4,193,627</b>	<b>15,937</b>	<b>4,209,564</b>
<b>Net Position</b>			
Invested in capital assets, net of related debt	3,998,462	24,287	4,022,749
Restricted for:			
Categorical funding	135,283	-	135,283
Debt service	163,587	-	163,587
Management levy purposes	30,916	-	30,916
Student activities	77,353	-	77,353
Support trust	29,762	-	29,762
School infrastructure	212,778	-	212,778
Physical plant and equipment	94,945	-	94,945
Unrestricted	995,649	(6,936)	988,713
<b>Total net position</b>	<b>\$ 5,738,735</b>	<b>17,351</b>	<b>5,756,086</b>

SEE NOTES TO FINANCIAL STATEMENTS

**BAXTER COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2013**

	Program Revenues			Net (Expense) Revenue and Changes in Net Position		Total
	Expenses	Charges for Services	Operating Grants, and Restricted Contributions Interest	Governmental Activities	Business Type Activities	
<b>Functions/Programs:</b>						
Governmental activities:						
Instruction:						
Regular	\$ 1,726,070	396,250	67,311	(1,262,509)	-	(1,262,509)
Special	422,470	67,439	48,992	(306,039)	-	(306,039)
Other	632,104	162,417	99,560	(370,127)	-	(370,127)
	<u>2,780,644</u>	<u>626,106</u>	<u>215,863</u>	<u>(1,938,675)</u>	<u>-</u>	<u>(1,938,675)</u>
Support services:						
Student	167,019	-	-	(167,019)	-	(167,019)
Instructional staff	137,131	-	-	(137,131)	-	(137,131)
Administration	747,348	-	-	(747,348)	-	(747,348)
Operation and maintenance of plant	521,913	-	-	(521,913)	-	(521,913)
Transportation	193,915	-	375	(193,540)	-	(193,540)
	<u>1,767,326</u>	<u>-</u>	<u>375</u>	<u>(1,766,951)</u>	<u>-</u>	<u>(1,766,951)</u>
Long-term debt interest	109,581	-	-	(109,581)	-	(109,581)
Other expenses:						
AEA flowthrough	142,157	-	142,157	-	-	-
Depreciation(unallocated)*	162,064	-	-	(162,064)	-	(162,064)
	<u>304,221</u>	<u>-</u>	<u>142,157</u>	<u>(162,064)</u>	<u>-</u>	<u>(162,064)</u>
Total governmental activities	<u>4,961,772</u>	<u>626,106</u>	<u>358,395</u>	<u>(3,977,271)</u>	<u>-</u>	<u>(3,977,271)</u>
Business type activities:						
Support services:						
Administration	1,304	-	-	-	(1,304)	(1,304)
Operation and maintenance of plant	716	-	-	-	(716)	(716)
	<u>2,020</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,020)</u>	<u>(2,020)</u>
Non-instructional programs:						
Food service operations	197,023	104,096	72,610	-	(20,317)	(20,317)
Total business type activities	<u>199,043</u>	<u>104,096</u>	<u>72,610</u>	<u>-</u>	<u>(22,337)</u>	<u>(22,337)</u>
Total	<u>\$ 5,160,815</u>	<u>730,202</u>	<u>431,005</u>	<u>(3,977,271)</u>	<u>(22,337)</u>	<u>(3,999,608)</u>
<b>General Revenues:</b>						
General Revenues:						
Property tax levied for:						
General purposes				\$ 1,166,772	-	1,166,772
Debt service				328,715	-	328,715
Capital outlay				57,654	-	57,654
Income surtax				178,998	-	178,998
Statewide sales, services and use tax				325,754	-	325,754
Unrestricted state grants				2,109,235	-	2,109,235
Unrestricted investment earnings				7,100	15	7,115
Other general revenues				85,779	4,043	89,822
				<u>4,260,007</u>	<u>4,058</u>	<u>4,264,065</u>
Total general revenues				<u>4,260,007</u>	<u>4,058</u>	<u>4,264,065</u>
Change in net position				282,736	(18,279)	264,457
Net position beginning of year				5,455,999	35,630	5,491,629
Net position end of year				<u>\$ 5,738,735</u>	<u>17,351</u>	<u>5,756,086</u>

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

SEE NOTES TO FINANCIAL STATEMENTS

BAXTER COMMUNITY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2013

	General	Capital Projects	Debt Service	Nonmajor	Total
<b>Assets</b>					
Cash and pooled investments	\$ 1,267,600	187,441	178,647	220,766	1,854,454
Receivables:					
Property tax:					
Delinquent	8,801	504	2,871	1,453	13,629
Succeeding year	1,034,061	58,292	329,438	205,000	1,626,791
Income surtax	131,758	29,280	-	-	161,038
Due from other governments	110,364	127,128	-	225	237,717
<b>Total assets</b>	<b>\$ 2,552,584</b>	<b>402,645</b>	<b>510,956</b>	<b>427,444</b>	<b>3,893,629</b>
<b>Liabilities and Fund Balances</b>					
Liabilities:					
Accounts payable	\$ 55,877	7,350	-	-	63,227
Salaries and benefits payable	350,835	-	-	-	350,835
Deferred revenue:					
Succeeding year property tax	1,034,061	58,292	329,438	205,000	1,626,791
Income surtax	131,758	29,280	-	-	161,038
<b>Total liabilities</b>	<b>1,572,531</b>	<b>94,922</b>	<b>329,438</b>	<b>205,000</b>	<b>2,201,891</b>
Fund balances:					
Restricted for:					
Categorical funding	135,283	-	-	-	135,283
Debt service	-	-	181,518	-	181,518
Management levy purposes	-	-	-	115,329	115,329
Student activities	-	-	-	77,353	77,353
Support trust	-	-	-	29,762	29,762
School infrastructure	-	212,778	-	-	212,778
Physical plant and equipment	-	94,945	-	-	94,945
Unassigned	844,770	-	-	-	844,770
<b>Total fund balances</b>	<b>980,053</b>	<b>307,723</b>	<b>181,518</b>	<b>222,444</b>	<b>1,691,738</b>
<b>Total liabilities and fund balances</b>	<b>\$ 2,552,584</b>	<b>402,645</b>	<b>510,956</b>	<b>427,444</b>	<b>3,893,629</b>

SEE NOTES TO FINANCIAL STATEMENTS

BAXTER 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)** \$ 1,691,738

**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 the governmental funds. 6,013,462

Accounts receivable income surtax, are not yet available  
 to finance expenditures of the current period. 161,038

Bond issue costs and bond discounts are an expense  
 when incurred in the governmental funds, but are  
 capitalized and amortized over the life of the bonds  
 for the government-wide financial statements. 25,271

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. (17,931)

Long-term liabilities, including general obligation bonds  
 payable, revenue bonds payable, termination benefits  
 payable and other postemployment benefits are not due and  
 payable in the current period and, therefore, are not  
 reported as liabilities in the governmental funds. (2,134,843)

**Net position of governmental activities(page 18)** \$ 5,738,735

SEE NOTES TO FINANCIAL STATEMENTS

BAXTER COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2013

	General	Capital Projects	Debt Service	Nonmajor	Total
Revenues:					
Local sources:					
Local tax	\$ 1,144,358	415,170	328,715	165,341	2,053,584
Tuition	446,777	-	-	-	446,777
Other	104,735	-	502	167,662	272,899
State sources	2,332,301	27	-	-	2,332,328
Federal sources	134,611	-	-	-	134,611
Total revenues	4,162,782	415,197	329,217	333,003	5,240,199
Expenditures:					
Current:					
Instruction:					
Regular	1,672,741	-	-	62,116	1,734,857
Special	419,456	-	-	-	419,456
Other	463,921	-	-	161,994	625,915
	2,556,118	-	-	224,110	2,780,228
Support services:					
Student	133,325	-	-	-	133,325
Instructional staff	136,153	-	-	-	136,153
Administration	639,533	64,006	-	-	703,539
Operation and maintenance of plant	374,087	-	-	77,043	451,130
Transportation	163,607	1,492	-	-	165,099
	1,446,705	65,498	-	77,043	1,589,246
Capital outlay	-	108,296	-	-	108,296
Long-term debt:					
Principal	-	-	345,000	-	345,000
Interest and fiscal charges	-	-	109,565	-	109,565
	-	-	454,565	-	454,565
Other expenditures:					
AEA flowthrough	142,157	-	-	-	142,157
Total expenditures	4,144,980	173,794	454,565	301,153	5,074,492
Excess(deficiency) of revenues over(under)expenditures	17,802	241,403	(125,348)	31,850	165,707
Other financing sources(uses):					
Operating transfers in	-	-	138,421	-	138,421
Operating transfers out	-	(138,421)	-	-	(138,421)
Total other financing sources(uses)	-	(138,421)	138,421	-	-
Change in fund balances	17,802	102,982	13,073	31,850	165,707
Fund balances beginning of year	962,251	204,741	168,445	190,594	1,526,031
Fund balances end of year	\$ 980,053	307,723	181,518	222,444	1,691,738

SEE NOTES TO FINANCIAL STATEMENTS

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

Change in fund balances - total governmental funds(page 22) \$ 165,707

*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. Capital outlay expenditures, depreciation expense and loss on disposal of assets for the current year are as follows:

Expenditures for capital assets	\$ 42,364	
Depreciation expense	(195,228)	
Loss on disposal of captial assets	<u>(3,740)</u>	(156,604)

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. 345,000

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the governmental funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. 3,736

Income surtax accounts receivable is not available to finance expenditures in the current year period in the governmental funds. 4,309

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

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

Termination benefits	(66,613)	
Other postemployment benefits	<u>(9,047)</u>	<u>(75,660)</u>

Changes in net position of governmental activities(page 19) \$ 282,736

SEE NOTES TO FINANCIAL STATEMENTS

BAXTER COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
PROPRIETARY FUND  
JUNE 30, 2013

	<u>School Nutrition</u>
<b>Assets</b>	
Cash and pooled investments	\$ 5,186
Inventories	3,815
Capital assets, net of accumulated depreciation	<u>24,287</u>
<b>Total assets</b>	<u>33,288</u>
<b>Liabilities</b>	
Salaries and benefits payable	11,213
Unearned revenue	3,124
Net OPEB liability	<u>1,600</u>
<b>Total liabilities</b>	<u>15,937</u>
<b>Net Position</b>	
Invested in capital assets	24,287
Unrestricted	<u>(6,936)</u>
<b>Total net position</b>	<u>\$ 17,351</u>

SEE NOTES TO FINANCIAL STATEMENTS

BAXTER COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2013

	School Nutrition
Operating revenues:	
Local sources:	
Charges for services	\$ 104,096
Other local revenue	4,043
Total operating revenues	108,139
Operating expenses:	
Support services:	
Administration:	
Other	1,304
Operation and maintenance of plant:	
Services	716
	2,020
Non-instructional programs:	
Food service operations:	
Salaries	56,376
Benefits	28,155
Services	72
Supplies	108,650
Depreciation	3,770
	197,023
Total operating expenses	199,043
Operating loss	(90,904)
Non-operating revenues:	
State sources	1,857
Federal sources	70,753
Interest income	15
Total non-operating revenues	72,625
Change in net position	(18,279)
Net position beginning of year	35,630
Net position end of year	\$ 17,351

SEE NOTES TO FINANCIAL STATEMENTS

BAXTER COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2013

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 103,808
Cash received from miscellaneous	4,043
Cash payments to employees for services	(72,571)
Cash payments to suppliers for goods or services	(104,227)
Net cash used in operating activities	(68,947)
Cash flows from non-capital financing activities:	
State grants received	1,857
Federal grants received	64,981
Net cash provided by non-capital financing activities	66,838
Cash flows from investing activities:	
Interest on investments	15
Net decrease in cash and cash equivalents	(2,094)
Cash and cash equivalents at beginning of year	7,280
Cash and cash equivalents at end of year	\$ 5,186
<b>Reconciliation of operating loss to net cash used in operating activities:</b>	
Operating loss	\$ (90,904)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	5,772
Depreciation	3,770
Decrease in inventories	743
Increase in salaries and benefits payable	11,213
Decrease in unearned revenue	(288)
Increase in other postemployment benefits	747
Net cash used in operating activities	\$ (68,947)

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

During the year ended June 30, 2013, the District received \$5,772 of federal commodities.

SEE NOTES TO FINANCIAL STATEMENTS

BAXTER COMMUNITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013

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

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

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

A. Reporting Entity

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

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

B. Basis of Presentation

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

The Statement of Net 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 attributable 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 preceding categories. Unrestricted net position often has constraints on resources that are imposed by management which can be removed or modified.

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

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

The District reports the following major governmental funds:

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

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

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

The District reports the following nonmajor proprietary fund:

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net 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 non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for

enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

D. Assets, Liabilities and Fund Balances

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

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

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1% per month penalty for delinquent payments; is based on January 1, 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, 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 repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

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

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

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

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

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

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

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

Unassigned - All amounts not included in the preceding classification.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2013, expenditures exceeded the amounts budgeted in the other expenditures functional area.

(2) **Cash and Pooled Investments**

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

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district. At June 30, 2013, the District had no investments.

(3) **Interfund Transfers**

The detail of interfund 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	<u>\$ 138,421</u>

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

**(4) Capital Assets**

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 105,602	-	-	105,602
Total capital assets not being depreciated	<u>105,602</u>	<u>-</u>	<u>-</u>	<u>105,602</u>
Capital assets being depreciated:				
Buildings	7,692,120	6,336	-	7,698,456
Land improvements	385,449	15,730	-	401,179
Machinery and equipment	670,251	20,298	18,698	671,851
Total capital assets being depreciated	<u>8,747,820</u>	<u>42,364</u>	<u>18,698</u>	<u>8,771,486</u>
Less accumulated depreciation for:				
Buildings	1,887,123	149,046	-	2,036,169
Land improvements	287,038	13,018	-	300,056
Machinery and equipment	509,195	33,164	14,958	527,401
Total accumulated depreciation	<u>2,683,356</u>	<u>195,228</u>	<u>14,958</u>	<u>2,863,626</u>
Total capital assets being depreciated, net	<u>6,064,464</u>	<u>(152,864)</u>	<u>3,740</u>	<u>5,907,860</u>
Governmental activities capital assets, net	<u>\$ 6,170,066</u>	<u>(152,864)</u>	<u>3,740</u>	<u>6,013,462</u>
<b>Business type activities:</b>				
Machinery and equipment	\$ 65,060	-	-	65,060
Less accumulated depreciation	37,003	3,770	-	40,773
Business type activities capital assets, net	<u>\$ 28,057</u>	<u>(3,770)</u>	<u>-</u>	<u>24,287</u>

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 2,380
Other	982
Support services:	
Operation and maintenance of plant	1,015
Transportation	28,787
	<u>33,164</u>
Unallocated depreciation	<u>162,064</u>
Total governmental activities depreciation expense	<u>\$ 195,228</u>
Business type activities:	
Food service operations	<u>\$ 3,770</u>

(5) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2013 are summarized as follows:

	Balance Beginning of Year			Balance End of Year	Due Within One Year
		Additions	Deletions		
<b>Governmental activities:</b>					
General obligation bonds	\$ 2,100,000	-	220,000	1,880,000	155,000
Revenue bonds	260,000	-	125,000	135,000	135,000
Early retirement	17,800	74,213	7,600	84,413	77,613
Net OPEB liability	26,383	9,047	-	35,430	-
	<u>\$ 2,404,183</u>	<u>83,260</u>	<u>352,600</u>	<u>2,134,843</u>	<u>367,613</u>
<b>Business type activities:</b>					
Net OPEB liability	\$ 853	747	-	1,600	-

General Obligation Bonds Payable

Details of the District's June 30, 2013 general obligation bonded debt is as follows:

Year Ending June 30,	Bond issue of May 1, 2003			Bond issue of July 1, 2004		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2014	4.00%	\$ 55,000	3,375	4.25%	\$ 65,000	75,095
2015		-	-	4.40	125,000	72,333
2016		-	-	4.50	130,000	66,832
2017		-	-	4.60	135,000	60,983
2018		-	-	4.70	145,000	54,772
2019-2023		-	-	4.80-5.05	800,000	163,203
2024		-	-	5.05	165,000	8,332
Total		<u>\$ 55,000</u>	<u>3,375</u>		<u>\$ 1,565,000</u>	<u>501,550</u>

Year Ending June 30,	Bond issue of June 1, 2006			Total		
	Interest Rates	Principal	Interest	Principal	Interest	Total
2014	4.50%	\$ 35,000	11,700	155,000	90,170	245,170
2015	4.50	70,000	10,126	195,000	82,459	277,459
2016	4.50	75,000	6,976	205,000	73,808	278,808
2017	4.50	80,000	3,600	215,000	64,583	279,583
2018		-	-	145,000	54,772	199,772
2019-2023		-	-	800,000	163,203	963,203
2024		-	-	165,000	8,332	173,332
Total		<u>\$ 260,000</u>	<u>32,402</u>	<u>1,880,000</u>	<u>537,327</u>	<u>2,417,327</u>

Revenue Bonds Payable

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 Rates	Bond issue of July 1, 2004		
		Principal	Interest	Total
2014	4.30	\$ 135,000	5,805	140,805

The District has pledged future statewide sales, services and use tax revenues to repay the \$1,100,000 in bonds issued July 1, 2004. The bonds were issued for the purpose of defraying a portion of the cost of building improvements at the school. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2014. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional limitation of the District. Annual principal and interest payments on the bonds are expected to require approximately 43 percent of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the notes is \$140,805. For the current year \$125,000 in principal and \$11,055 in interest was paid on the bonds and total statewide sales, services, and use tax revenues were \$325,754.

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

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

Termination Benefits (Early Retirement)

The District has offered voluntary early retirement plans to its certified employees. Eligible employees must be at least age fifty-five and employees must have completed fifteen years of continuous service to the District. Employees must complete an application which is required to be approved by the Board of Education. At June 30, 2013, the District had obligations to two participants who retired under a former plan that offered \$200/month contributions to health insurance premiums until the participants reach medicare eligibility. The remaining liability

of that offering was \$10,200. The District approved a different plan during fiscal year 2013 that offered a cash payment incentive based on a percentage of current salary and payable in full during the fiscal year following retirement. At June 30, 2013, the District had obligations to two successful candidates under the new plan of \$74,213. Early retirement benefits paid during the year ended June 30, 2013 totaled \$7,600. A liability has been recorded in the government-wide financial statements representing the District's commitment to fund non-current early retirement.

**(6) Pension and Retirement Benefits**

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

Plan members are required to contribute 5.78% 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 \$218,542, \$207,330, and \$173,508, 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 22 active and 3 retired members in the plan. Retired participants must be age 55 or older at retirement.

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

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

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

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

Annual required contribution	\$ 26,525
Interest on net OPEB obligation	681
Adjustment to annual required contribution	(4,016)
Annual OPEB cost	<u>23,190</u>
Contributions made	<u>(13,396)</u>
Increase in net OPEB obligation	9,794
Net OPEB obligation beginning of year	<u>27,236</u>
Net OPEB obligation end of year	<u><u>\$ 37,030</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 \$13,396 to the medical plan.

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	\$ 27,499	76.79%	\$ 16,142
2012	25,861	57.10	27,236
2013	23,190	57.77	37,030

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 \$113,692, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$113,692. The covered payroll (annual payroll of active employees covered by the plan) was \$2,337,561, and the ratio of the UAAL to covered payroll was 4.86%. 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 event far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information in the section following the Notes to Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs

between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

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

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

Projected claim costs of the medical plan are \$1,373 per month for retirees who less than age 65. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

#### **(8) Risk Management**

The District is a member in the Iowa School Employees Benefits Association (ISEBA), an Iowa Code Chapter 28E organization. ISEBA is a local government risk-sharing pool whose members include various schools throughout the State of Iowa. The Association was formed in July 1999 for the purpose of managing and funding employee benefits. The Association provides coverage and protection in the following categories: medical, life, accidental death and dismemberment and long-term disability.

The District's contributions, which include deficit recovery assessments, to the risk pool are recorded as expenditures from its General Fund at the time of payment to the risk pool. District contributions to ISEBA for the year ended June 30, 2013 were \$319,069.

Members agree to continue membership in the pool for a period of not less than one full year. After such period, a member who has given 30 days prior notice may withdraw.

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

#### **(9) Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$142,157 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.

**(10) Categorical Funding**

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

<u>Program</u>	<u>Amount</u>
Weighted At-Risk Programs	\$ 1,514
Gifted and Talented Programs	74,808
Returning Dropouts and Dropout Prevention Programs	28,552
Four-year-old Preschool State Aid	17,545
Iowa Arts Council, Artist in the School	166
Professional Development for Model Core Curriculum	4,150
Professional Development	8,548
Total	<u>\$ 135,283</u>

**(11) Reconciliation of Governmental Fund Balances to Net Position**

Reconciliation of certain governmental fund balances to net position are as follows:

	<u>Invested in Capital Assets</u>	<u>Management Levy</u>	<u>Debt Service</u>	<u>Unassigned/ Unrestricted</u>
Fund balance (Exhibit C)	\$ -	115,329	181,518	844,770
Capital assets, net of accumulated depreciation	6,013,462	-	-	-
General obligation bond capitalized indebtedness	(1,880,000)	-	-	-
Revenue bond capitalized indebtedness	(135,000)	-	-	-
Termination benefits	-	(84,413)	-	-
Accrued interest payable	-	-	(17,931)	-
Income surtax receivable	-	-	-	161,038
Amortized bond discounts/issuance costs	-	-	-	25,271
Net OPEB liability	-	-	-	(35,430)
Net position (Exhibit A)	<u>\$ 3,998,462</u>	<u>30,916</u>	<u>163,587</u>	<u>995,649</u>

**(12) Deficit Net Position**

The School Nutrition Fund had deficit unrestricted net position of \$6,936 at June 30, 2013.

**(13) Budget Overexpenditure**

Per the code of Iowa, expenditures may not legally exceed budget appropriations at the functional area level. During the year ended June 30, 2013, expenditures in the other expenditures functional area exceeded the certified budget.

**BAXTER COMMUNITY SCHOOL DISTRICT**

REQUIRED SUPPLEMENTARY INFORMATION

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

	Governmental	Proprietary	Total	Budgeted Amounts		Final to Actual Variance
	Fund Types	Fund Type		Original	Final	
	Actual	Actual				
Revenues:						
Local sources	\$ 2,773,260	108,154	2,881,414	3,019,756	3,019,756	(138,342)
State sources	2,332,328	1,857	2,334,185	2,357,817	2,357,817	(23,632)
Federal sources	134,611	70,753	205,364	281,000	281,000	(75,636)
Total revenues	5,240,199	180,764	5,420,963	5,658,573	5,658,573	(237,610)
Expenditures/expenses:						
Instruction	2,780,228	-	2,780,228	3,945,000	3,945,000	1,164,772
Support services	1,589,246	2,020	1,591,266	2,518,700	2,518,700	927,434
Non-instructional programs	-	197,023	197,023	234,000	234,000	36,977
Other expenditures	705,018	-	705,018	667,079	667,079	(37,939)
Total expenditures/expenses	5,074,492	199,043	5,273,535	7,364,779	7,364,779	2,091,244
Excess(Deficiency) of revenues over(under) expenditures/expenses	165,707	(18,279)	147,428	(1,706,206)	(1,706,206)	1,853,634
Balances beginning of year	1,526,031	35,630	1,561,661	1,785,007	1,785,007	(223,346)
Balances end of year	\$ 1,691,738	17,351	1,709,089	78,801	78,801	1,630,288

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

BAXTER 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 a GAAP basis.

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

During the year ended June 30, 2013, expenditures in the other expenditures functional area exceeded the amounts budgeted.

BAXTER COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FUNDING PROGRESS FOR THE  
RETIREE HEALTH PLAN  
REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2013

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial		Funded Ratio (a/b)	Covered Payroll ( c )	UAAAL as a Percentage of Covered Payroll ((b-a)/c)
			Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)			
2010	July 1, 2009	-	\$ 298,483	298,483	0.00%	\$ 2,391,245	12.48%
2011	July 1, 2009	-	267,402	267,402	0.00	2,144,386	12.47
2012	July 1, 2009	-	183,755	183,755	0.00	2,326,999	7.90
2013	July 1, 2012	-	113,692	113,692	0.00	2,337,561	4.86

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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

SUPPLEMENTARY INFORMATION

BAXTER COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2013

	Special Revenue			
	Manage- ment Levy	Student Activity	Support Trust	Total
<b>Assets</b>				
Cash and pooled investments	\$ 113,876	77,128	29,762	220,766
Receivables:				
Property tax:				
Delinquent	1,453	-	-	1,453
Succeeding year	205,000	-	-	205,000
Due from other governments	-	225	-	225
<b>Total assets</b>	<b>\$ 320,329</b>	<b>77,353</b>	<b>29,762</b>	<b>427,444</b>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Deferred revenue:				
Succeeding year property tax	\$ 205,000	-	-	205,000
Fund Balances:				
Restricted for:				
Management levy purposes	115,329	-	-	115,329
Student activities	-	77,353	-	77,353
Support trust	-	-	29,762	29,762
Total fund balances	115,329	77,353	29,762	222,444
<b>Total liabilities and fund balances</b>	<b>\$ 320,329</b>	<b>77,353</b>	<b>29,762</b>	<b>427,444</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

BAXTER COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 YEAR ENDED JUNE 30, 2013

	Special Revenue			Total
	Manage- ment Levy	Student Activity	Support Trust	
Revenues:				
Local sources:				
Local tax	\$ 165,341	-	-	165,341
Other	2,450	163,815	1,397	167,662
Total revenues	<u>167,791</u>	<u>163,815</u>	<u>1,397</u>	<u>333,003</u>
Expenditures:				
Current:				
Instruction:				
Regular	62,116	-	-	62,116
Other	-	159,824	2,170	161,994
Support services:				
Operation and maintenance of plant	77,043	-	-	77,043
Total expenditures	<u>139,159</u>	<u>159,824</u>	<u>2,170</u>	<u>301,153</u>
Change in fund balances	28,632	3,991	(773)	31,850
Fund balances beginning of year	<u>86,697</u>	<u>73,362</u>	<u>30,535</u>	<u>190,594</u>
Fund balances end of year	<u>\$ 115,329</u>	<u>77,353</u>	<u>29,762</u>	<u>222,444</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

BAXTER COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 CAPITAL PROJECT ACCOUNTS  
 JUNE 30, 2013

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
<b>Assets</b>			
Cash and pooled investments	\$ 93,000	94,441	187,441
Receivables:			
Property tax:			
Delinquent	-	504	504
Succeeding year	-	58,292	58,292
Income surtax	-	29,280	29,280
Due from other governments	127,128	-	127,128
<b>Total assets</b>	<b>\$ 220,128</b>	<b>182,517</b>	<b>402,645</b>
<b>Liabilities and Fund Balances</b>			
Liabilities:			
Accounts payable	\$ 7,350	-	7,350
Deferred revenue:			
Succeeding year property tax	-	58,292	58,292
Income surtax	-	29,280	29,280
<b>Total liabilities</b>	<b>7,350</b>	<b>87,572</b>	<b>94,922</b>
Fund Balances:			
Restricted for:			
School infrastructure	212,778	-	212,778
Physical plant and equipment	-	94,945	94,945
<b>Total fund balances</b>	<b>212,778</b>	<b>94,945</b>	<b>307,723</b>
<b>Total liabilities and fund balances</b>	<b>\$ 220,128</b>	<b>182,517</b>	<b>402,645</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

BAXTER COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 CAPITAL PROJECT ACCOUNTS  
 YEAR ENDED JUNE 30, 2013

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ 325,754	89,416	415,170
State sources	-	27	27
Total revenues	<u>325,754</u>	<u>89,443</u>	<u>415,197</u>
Expenditures:			
Current:			
Support services:			
Administration	51,130	12,876	64,006
Transportation	1,492	-	1,492
Capital outlay	95,879	12,417	108,296
Total expenditures	<u>148,501</u>	<u>25,293</u>	<u>173,794</u>
Excess of revenues over expenditures	177,253	64,150	241,403
Other financing uses:			
Operating transfers out	<u>(138,421)</u>	-	<u>(138,421)</u>
Change in fund balances	38,832	64,150	102,982
Fund balances beginning of year	<u>173,946</u>	<u>30,795</u>	<u>204,741</u>
Fund balances end of year	<u>\$ 212,778</u>	<u>94,945</u>	<u>307,723</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

BAXTER COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
YEAR ENDED JUNE 30, 2013

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Drama	\$ 3,019	2,093	1,225	3,887
FCCLA	-	2,456	1,963	493
Sinfully delicious	-	362	197	165
Speech	-	196	196	-
Vocal music	1,982	122	1,141	963
Instrumental music	7,920	123	872	7,171
Athletics	3,971	7,955	4,675	7,251
CMB shared athletics	13,702	23,867	24,235	13,334
CMB hall of fame	-	3,910	2,084	1,826
CMB boys basketball	-	3,666	3,666	-
Ranck Volleyball	353	6,134	5,731	756
CMB football	-	22,271	22,271	-
Luther football	14,610	26,327	26,765	14,172
CMB baseball	-	3,973	3,973	-
CMB boys track	-	6,380	6,380	-
CMB wrestling	-	467	467	-
CMB girls basketball	-	4,486	4,486	-
CMB volleyball	-	2,584	2,584	-
CMB softball	-	915	915	-
CMB girls track	-	3,369	3,369	-
CMB cross country	-	885	885	-
Swalwell athletic donation	-	1,397	-	1,397
Cheerleading	-	1,659	-	1,659
Drill team	135	-	11	124
Student council	-	1,781	1,781	-
Class of 2008	916	-	-	916
Class of 2009	341	-	-	341
Class of 2010	1,602	-	-	1,602
Class of 2011	1,191	-	-	1,191
Class of 2012	248	-	27	221
Class of 2013	293	4,926	4,787	432
Class of 2014	-	5,877	4,575	1,302
Honor society	-	428	428	-
SAAD	225	-	-	225
Fourth grade	66	-	-	66
Art club	1,460	1,564	2,185	839
Plunkett basketball	2,680	1,537	2,208	2,009
Padget basketball	1,978	5,115	6,675	418
Interest	5,613	78	5,691	-
Yearbook	6,422	8,185	5,784	8,823
FFA	200	-	-	200
Special activities	3,060	-	-	3,060
PBIS	1,356	8,666	7,592	2,430
Library	19	61	-	80
Total	\$ 73,362	163,815	159,824	77,353

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

BAXTER COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION  
 ALL GOVERNMENTAL FUNDS  
 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	\$ 2,053,584	1,869,511	1,906,598	1,736,270	1,675,453	1,507,373	1,538,509	1,407,863	1,254,508	1,264,146
Tuition	446,777	449,299	447,630	393,026	433,004	369,585	342,593	333,183	301,927	322,783
Other	272,899	357,049	334,597	258,832	271,924	251,382	611,037	303,030	1,005,798	141,647
Intermediate sources	-	-	-	-	-	1,385	5,267	-	-	-
State sources	2,332,328	2,445,064	1,958,552	1,775,379	2,092,757	2,055,222	1,778,228	1,695,082	1,495,322	1,414,577
Federal sources	134,611	153,541	306,966	322,827	163,183	92,714	258,869	510,090	103,111	99,220
Total	<u>\$ 5,240,199</u>	<u>5,274,464</u>	<u>4,954,343</u>	<u>4,486,334</u>	<u>4,636,321</u>	<u>4,277,661</u>	<u>4,534,503</u>	<u>4,249,248</u>	<u>4,160,666</u>	<u>3,242,373</u>
Expenditures:										
Current:										
Instruction:										
Regular	\$ 1,734,857	1,819,644	1,748,316	1,485,428	1,546,516	1,559,368	1,374,303	1,305,718	1,301,060	1,218,443
Special	419,456	442,950	351,381	343,217	323,256	326,864	312,220	203,249	184,931	224,890
Other	625,915	670,589	481,706	493,505	447,058	394,144	425,547	342,909	359,441	302,734
Support services:										
Student	133,325	118,322	153,220	159,454	100,320	99,192	131,502	83,375	78,838	74,863
Instructional staff	136,153	120,383	147,906	136,881	106,009	113,186	115,979	122,060	112,324	102,358
Administration	703,539	649,141	601,104	604,441	584,217	560,410	550,534	555,113	473,409	442,879
Operation and maintenance of plant	451,130	384,412	446,470	402,519	427,196	386,243	436,435	348,217	289,695	271,323
Transportation	165,099	258,483	157,478	193,501	177,720	145,105	226,416	155,952	145,956	137,455
Non-instructional programs	-	-	-	-	-	-	-	-	281	227
Capital outlay	108,296	100,442	85,676	100,847	110,715	126,758	149,120	3,567,484	902,055	18,494
Long-term debt:										
Principal	345,000	300,000	285,000	321,500	293,986	276,472	283,448	265,788	209,710	118,687
Interest and fiscal charges	109,565	120,685	132,986	142,134	152,073	161,774	166,341	160,663	170,417	94,936
Other expenditures:										
AEA flow-through	142,157	143,190	142,721	142,330	134,025	123,149	111,514	103,006	92,979	91,946
Total	<u>\$ 5,074,492</u>	<u>5,128,241</u>	<u>4,733,964</u>	<u>4,525,757</u>	<u>4,403,091</u>	<u>4,272,665</u>	<u>4,283,359</u>	<u>7,213,534</u>	<u>4,321,096</u>	<u>3,099,235</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

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

**Certified Public Accountants**

**(a professional corporation)**

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

**Telephone (641) 792-1910**

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

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

We have audited 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 Baxter 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 March 21, 2014.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Baxter 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 Baxter Community School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Baxter 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 and significant deficiencies.

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

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part I of the accompanying Schedule of Findings as items I-B-13 and I-C-13 to be significant deficiencies.

## **Compliance and Other Matters**

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

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 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.

## **Baxter Community School District's Responses to Findings**

Baxter Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. Baxter 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 Baxter Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



NOLTE, CORNMAN & JOHNSON, P.C.

March 21, 2014  
Newton, Iowa

BAXTER COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2013

**Part I: Findings Related to the 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 - bank reconciliations, initiating cash receipt and disbursement transactions and handling and recording cash.
- 2) Receipts - collecting, recording, depositing, journalizing, posting and reconciling.
- 3) Disbursements - purchase order processing, check preparation, mailing and recording.
- 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) Journal entries - approval and posting
- 10) Financial reporting - preparing, reconciling and approving.
- 11) Computer systems - performing all general accounting functions and controlling all data input and output.
- 12) School lunch program - collecting, receipting and depositing.

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

Conclusion - Response accepted.

I-B-13 Supporting Documentation - We noted one instance out of 22 disbursements (4.5% of population) in our sample from the Student Activity Fund of a check lacking supporting documentation. Check #9415 for a pizza party lacked an actual invoice that could be used for supporting documentation.

Recommendation - The District should review its procedures to ensure that all bills are properly supported and paid from an invoice. The District should adopt policies and procedures to use when an invoice may not be available, such as requiring additional approval or supporting documentation other than an invoice.

Response - The District will continue to work diligently to be sure that this doesn't happen. It is the District's general practice to have supporting documentation for all bills.

Conclusion - Response accepted.

I-C-13 Purchase Orders - Of the 22 disbursements in our sample from the Student Activity Fund, we noted 2 instances of purchase orders that were not numbered or dated to document administrative approval before the ordering of supplies or services took place. We also noted an instance of a transaction processed without a purchase order.

Recommendation - The advantage of using a purchase order system is that approvals of the items being purchased are noted prior to ordering of the items. In addition, when the items are approved and the purchase order is properly generated, it also reflects on the financial records as an outstanding order, which represents the amount as an obligation against the budget. When monitoring actual expenses, it can be helpful to know the outstanding orders which will be subsequently paid, therefore allowing the person who approves purchase orders the insight to know if there is still available funding to make the purchase.

Although districts are not required to use a purchase order system, the benefits to financial management make the system desirable. The District's current purchase order system should be reviewed and necessary changes made so that all disbursements are approved by the appropriate administrator before ordering of supplies takes place.

Response - We have reviewed the correct process with the appropriate personnel to ensure this doesn't continue to happen.

Conclusion - Response accepted.

BAXTER COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2013

**Part II: Other Findings Related to Required Statutory Reporting:**

II-A-13 Certified Budget - Expenditures for the year ended June 30, 2013 exceeded the certified budget amounts in the other expenditures functional area.

Recommendation - The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.

Response - This was due to an additional payment on a bond and the final amount of total obligations not getting carried over to the appropriate document. The District will ensure that the final amounts decided upon by the board are reflected in the final budget documents.

Conclusion - Response accepted.

II-B-13 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.

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

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

II-H-13 Supplementary Weighting - We noted variances regarding the supplementary weighting certified to the Iowa Department of Education were noted. The District's supplementary weighting was overstated by 0.21 students.

Recommendation - the District should contact the Iowa Department of Education and the Iowa Department of Management to resolve the issue.

Response - Our auditors will contact the Iowa Department of Education and the Iowa Department of Management on our behalf to resolve the matter.

Conclusion - Response accepted.

II-I-13 Deposits and Investments - 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 were noted.

- 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 used to supplant rather than supplement other funds.
- II-L-13 Statewide Sales, Services and Use Tax - No instances of non-compliance with the allowable uses of the statewide sales, services and use tax revenue provided in Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 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		\$ 173,946
Revenues:		
Sales tax revenues		325,754
		<u>499,700</u>
Expenditures:		
Equipment	\$ 62,407	
Other	86,094	
Transfers to other funds:		
Debt service fund	<u>138,421</u>	<u>286,922</u>
Ending Balance		<u><u>\$ 212,778</u></u>

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 the Code of Iowa.

- II-M-13 Financial Condition - The District's School Nutrition Fund had deficit unrestricted net position of \$6,936 at June 30, 2013.

Recommendation - The District should continue to monitor the deficit balance and investigate alternatives to eliminate the deficit.

Response - The District is continually monitoring the Nutrition account balance and has taken steps to help curb or eliminate the negative balance.

Conclusion - Response accepted.