

BATTLE CREEK-IDA GROVE COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2014

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Battle Creek-Ida Grove Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
(Before September 2013 Election)		
Brian Riessen	President	2015
Berny Sohm	Vice President (Resigned July 8, 2013)	2015
Bev Bower	Board Member	2013
Stephanie Konradi	Board Member	2015
Jill Godbersen	Board Member	2015
Mark Bogue	Board Member	2013
Jeff Rasmussen	Board Member	2013
(After September 2013 Election)		
Brian Riessen	President	2015
Jill Godbersen	Vice President	2015
Tony Bennett	Board Member	2015
Wendy Cadwell	Board Member	2017
Crystal Endrulat	Board Member	2017
Stephanie Konradi	Board Member	2015
Jeff Rasmussen	Board Member	2017
School Officials		
Dr. Nick Ouellette	Superintendent	2014
Kathy Leonard	District Secretary/ Business Manager	2014
Rick Franck	Attorney	2014

*Battle Creek - Ida Grove Community School
District*

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

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Battle Creek-Ida Grove Community School District, Ida Grove, Iowa, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Battle Creek-Ida Grove Community School District as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 16 and 38 through 40 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Battle Creek-Ida Grove Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2013 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated February 13, 2015 on our consideration of Battle Creek-Ida Grove Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Battle Creek-Ida Grove Community School District's internal control over financial reporting and compliance.



NOLTE, CORNMAN & JOHNSON, P.C.

February 13, 2015
Newton, Iowa

MANAGEMENT'S DISCUSSION AND ANALYSIS

Battle Creek-Ida Grove Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2014. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2014 FINANCIAL HIGHLIGHTS

- General Fund revenues decreased from \$7,578,127 in fiscal 2013 to \$7,194,243 in fiscal 2014, while General Fund expenditures increased from \$7,344,888 in fiscal 2013 to \$7,525,910 in fiscal 2014. This resulted in a decrease in the District's General Fund balance from \$2,221,300 in fiscal 2013 to a balance of \$1,889,633 in fiscal 2014, a 14.93% decrease over the prior year.
- The fiscal year 2014 General Fund revenue decrease was attributable to decreases in local, state and federal source revenues. The decrease in expenditures was due primarily to decreases in instruction expenditures.

USING THIS ANNUAL REPORT

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

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

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

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

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

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

Supplementary Information provides detailed information about the nonmajor governmental funds.

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

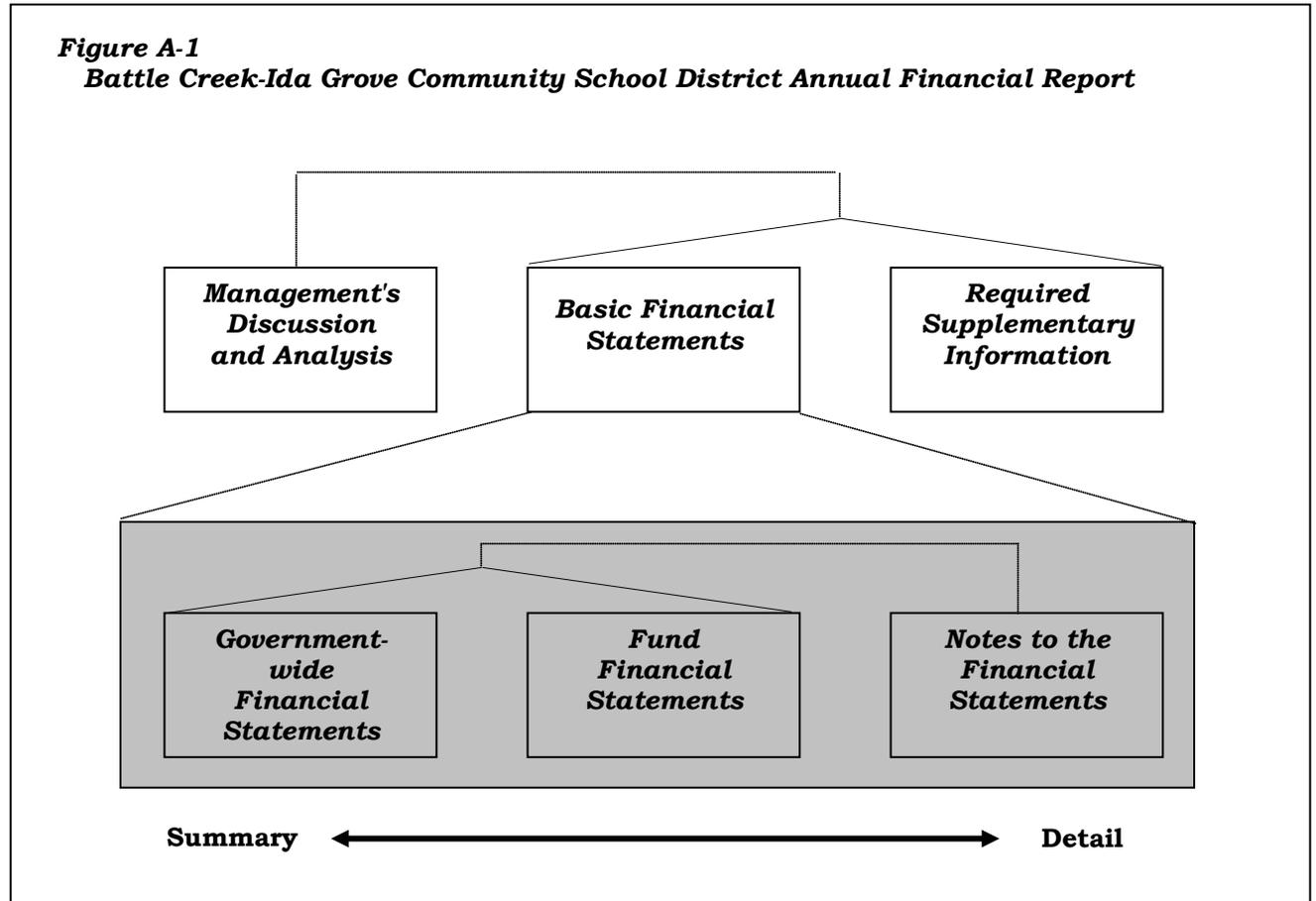


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

Figure A-2			
Major Features of the Government-wide and Fund Financial Statements			
	Government-wide Statements	Fund Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services and adult education
Required financial statements	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of Revenues, Expenditures, and Changes in Fund Balances 	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Revenues, Expenses and Changes in Fund Net Position • Statement of Cash Flows
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/ liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of inflow/ outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

The two government-wide financial statements report the District's net position and how they have changed. Net position is 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.

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

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

Fund Financial Statements

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

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

The District has two kinds of funds:

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

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

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net position at June 30, 2014 compared to June 30, 2013.

Figure A-3 Condensed Statement of Net Position							
	Governmental Activities		Business Type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June, 30
	2014	2013	2014	2013	2014	2013	2013-14
Current and other assets	\$ 7,413,582	7,917,789	88,348	95,542	7,501,930	8,013,331	-6.38%
Capital assets	4,832,378	4,322,733	24,884	25,700	4,857,262	4,348,433	11.70%
Total assets	12,245,960	12,240,522	113,232	121,242	12,359,192	12,361,764	-0.02%
Long-term obligations	1,956,271	2,011,781	-	-	1,956,271	2,011,781	-2.76%
Other liabilities	1,457,642	1,481,125	8,437	32,511	1,466,079	1,513,636	-3.14%
Total liabilities	3,413,913	3,492,906	8,437	32,511	3,422,350	3,525,417	-2.92%
Deferred inflows of resources	3,098,264	3,008,609	-	-	3,098,264	3,008,609	2.98%
Net position:							
Net investment in capital assets	2,977,378	2,614,322	24,884	25,700	3,002,262	2,640,022	13.72%
Restricted	1,312,135	1,429,769	-	-	1,312,135	1,429,769	-8.23%
Unrestricted	1,444,270	1,694,916	79,911	63,031	1,524,181	1,757,947	-13.30%
Total net position	\$ 5,733,783	5,739,007	104,795	88,731	5,838,578	5,827,738	0.19%

The District's combined net position increased by 0.19%, or \$10,840 over the prior year. The largest portion of the District's net position is the invested in capital assets (e.g., land, infrastructure, buildings, and equipment), less the related debt. The debt related to the invested in capital assets is liquidated with sources other than capital assets.

Restricted net position represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position decreased \$117,634, or 8.23% from the prior year. The decrease in restricted net position was primarily a result of the decrease in fund balance of the Capital Projects: Physical Plant and Equipment Levy Fund as compared to the previous year.

Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements - decreased \$233,766, or 13.30%. The decrease in unrestricted net position was primarily a result of the decrease in General Fund ending balance as compared to the previous year.

Figure A-4 shows the changes in net position for the year ended June 30, 2014 compared to June 30, 2013.

	Figure A-4 Changes of Net Position						
	Governmental Activities		Business Type Activities		Total School District		Total Change
	2014	2013	2014	2013	2014	2013	2013-14
Revenues:							
Program revenues:							
Charges for services	\$ 1,311,601	1,375,847	128,791	142,775	1,440,392	1,518,622	-5.15%
Operating grants and contributions and restricted interest	590,193	494,332	183,173	172,250	773,366	666,582	16.02%
Capital grants, contributions and restricted interest	-	37,500	-	-	-	37,500	-100.00%
General revenues:							
Property tax	2,974,745	2,815,756	-	-	2,974,745	2,815,756	5.65%
Income surtax	110,214	112,524	-	-	110,214	112,524	-2.05%
Statewide sales, services and use tax	568,546	546,082	-	-	568,546	546,082	4.11%
Unrestricted state grants	3,146,796	3,296,242	-	-	3,146,796	3,296,242	-4.53%
Unrestricted investment earnings	4,225	3,560	17	14	4,242	3,574	18.69%
Other	27,397	8,967	509	54	27,906	9,021	209.34%
Total revenues	8,733,717	8,690,810	312,490	315,093	9,046,207	9,005,903	0.45%
Program expenses:							
Governmental activities:							
Instruction	5,812,104	5,728,833	-	18,922	5,812,104	5,747,755	1.12%
Support services	2,462,868	2,311,029	2,063	2,013	2,464,931	2,313,042	6.57%
Non-instructional programs	-	-	294,363	295,127	294,363	295,127	-0.26%
Other expenses	463,969	391,260	-	-	463,969	391,260	18.58%
Total expenses	8,738,941	8,431,122	296,426	316,062	9,035,367	8,747,184	3.29%
Change in net position	(5,224)	259,688	16,064	(969)	10,840	258,719	-95.81%
Beginning net position	5,739,007	5,479,319	88,731	89,700	5,827,738	5,569,019	4.65%
Ending net position	\$ 5,733,783	5,739,007	104,795	88,731	5,838,578	5,827,738	0.19%

In fiscal 2014, property tax, income surtax, statewide sales, services and use tax and unrestricted state grants account for 77.86% of the revenue from governmental activities. Charges for services and operating grants and contributions accounted 99.83% of the revenue for the business type activities. The District's total revenues were approximately \$9.05 million, of which approximately \$8.73 million was for governmental activities and approximately \$0.32 million was for business type activities.

As shown, in Figure A-4, the District as a whole experienced 0.45% increase in revenues and an increase of 3.29% in expenditures. Property tax increased \$158,989 to help fund the increase in expenses. The increase in expenses is related to increases in negotiated salaries and benefits to District employees.

Governmental Activities

Revenues for governmental activities were \$8,733,717 and expenses were \$8,738,941 for the year ended June 30, 2014.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services and other expenses, for the year ended June 30, 2014 compared to the year ended June 30, 2013.

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2014	2013	Change 2013-14	2014	2013	Change 2013-14
Instruction	\$ 5,812,104	5,728,833	1.45%	4,309,613	4,201,613	2.57%
Support services	2,462,868	2,311,029	6.57%	2,318,500	2,172,760	6.71%
Other expenses	463,969	391,260	18.58%	209,034	149,070	40.23%
Totals	\$ 8,738,941	8,431,122	3.65%	6,837,147	6,523,443	4.81%

For the year ended June 30, 2014:

- The cost financed by users of the District's programs was \$1,311,601.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$590,193.
- The net cost of governmental activities was financed with \$2,974,745 in property tax, \$110,214 in income surtax, \$568,546 in statewide sales, services and use tax, \$3,146,796 in unrestricted state grants, \$4,225 in interest income and \$27,397 in other general revenues.

Business type Activities

Revenues of the District's business type activities for the year ended June 30, 2014, were \$312,490 representing a 0.83% decrease over the prior year, while expenses totaled \$296,426, a 6.21% decrease from the prior year. The District's business type activities include the School Nutrition Fund and Day Care Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balances of \$2,802,208, below last year's ending fund balances of a \$3,382,202. The primary reason for the decrease in combined fund balances in fiscal 2014 is due to the decrease in ending fund balance of the General Fund.

Governmental Fund Highlights

- The District's General Fund financial position decreased from \$2,221,300 at June 30, 2013 to \$1,889,633 at June 30, 2014 and is the product of many factors. A decrease in local revenue sources during the year resulted in a decrease in revenues. The increase in instruction expenditures resulted in an increase in expenses.
- The Management Levy Fund balance increased from \$231,386 at June 30, 2013 to \$329,871 at June 30, 2014. This increase in fund balance is due mainly to the increase in property tax revenues collected in fiscal year 2014 as compared to fiscal year 2013.

- The Capital Projects Accounts balance decreased from \$813,222 at June 30, 2013 to \$321,674 at June 30, 2014. The Capital Projects: Statewide Sales, Services and Use Tax Fund: Woodbury County increased from fund balance of \$2,106 at June 30, 2013 to \$6,098 at June 30, 2014. The Capital Projects: Statewide Sales, Services and Use Tax Fund: Ida and Crawford Counties decreased from fund balance of \$584,978 at June 30, 2013 to \$172,776 at June 30, 2014. The Capital Projects: Physical Plant and Equipment Levy Fund balance decreased from \$226,138 at June 30, 2013 to \$142,800 at June 30, 2014.

Proprietary Fund Highlights

The School Nutrition Fund net position increased from \$72,413 at June 30, 2013 to \$86,605 at June 30, 2014, representing an increase of 19.60%. The Day Care Fund net position increased from \$16,318 at June 30, 2013 to \$18,190 at June 30, 2014, representing an increase of 11.47%.

BUDGETARY HIGHLIGHTS

The District's revenues were \$94,658 more than budgeted revenues, a variance of 1.06%. The most significant variance resulted from the District receiving more in state source revenues than originally anticipated.

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

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2013, the District had invested \$4,857,262, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net increase of 11.70% over last year. More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$292,188.

The original cost of the District's capital assets was \$10,176,043. Governmental funds account for \$10,074,494 with the remainder of \$101,549 in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the buildings category. The District's buildings totaled \$1,614,374 at June 30, 2013, compared to \$3,952,444 reported at June 30, 2014. This increase resulted from the completion of construction for the elementary addition project and elementary ceiling project.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental Activities		Business Type Activities		Total School District		Total Change
	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013	2013-14
Land	\$ 73,855	124,260	-	-	73,855	124,260	-40.56%
Construction in progress	-	2,018,761	-	-	-	2,018,761	-100.00%
Buildings	3,952,444	1,614,374	-	-	3,952,444	1,614,374	144.83%
Land improvements	458,840	272,967	-	-	458,840	272,967	68.09%
Machinery and equipment	347,239	292,371	24,884	25,700	372,123	318,071	16.99%
Total	\$ 4,832,378	4,322,733	24,884	25,700	4,857,262	4,348,433	11.70%

Long-Term Debt

At June 30, 2014, the District had \$1,956,271 in long-term debt outstanding. This represents a decrease of 2.76% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 5 to the financial statements.

The District also had outstanding revenue bonds payable of \$1,855,000 at June 30, 2014.

The District had a net OPEB liability of \$101,271 as of June 30, 2014.

	Figure A-7		
	Outstanding Long-Term Obligations		
	Total School District		Total Change
	June 30,	June 30,	
	2014	2013	2013-14
Revenue bonds	\$ 1,855,000	1,895,000	-2.11%
Net OPEB liability	101,271	75,346	34.41%
Net pension liability	-	41,435	-100.00%
Total	\$ 1,956,271	2,011,781	-2.76%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- Low allowable growth over several years and only small enrollment increases have negatively impacted the district's Unspent Budget Authority (previously known as Unspent Balance) FY 2013-2014 showed a decrease of \$276,000 in unspent budget authority. Although some of the decrease can be attributed to spending more state categorical funds and higher special education costs, the district must realize annual contractual increases and must monitor any program changes with consideration of this recent trend of decreasing Unspent Authority.

- The district continued discussions with the Odebolt-Arthur Board regarding the sharing of staff and resources. Prior to the end of FY 2013-2014, the following sharing agreements were approved for FY 14-15: Superintendent, Maintenance Director, Transportation Director, Business Manager Services, Middle School Principal, State Reporting Services, Director of Innovation, District Librarian and Curriculum Director. The district is eligible for the maximum amount of funding for several of these shared positions. Since the cost for salaries and benefits for these positions are shared between the two districts, BCIG realizes general fund savings as well. The district continues to monitor any legislative action that might add additional eligible positions.

- In 2013-2014 the district was in its fifth year of a whole grade sharing agreement with Odebolt-Arthur for grades 6-12. Both districts have seen financial savings due to efficiencies in staff and shared costs as well as increased academic offerings for students. We continue to investigate opportunities to share staff as well as supplies, equipment, etc. that would create a savings for either district.

- The Early Childhood Center property at 301 Moorehead Street in Ida Grove and the Battle Creek attendance center at 600 S. Chestnut in Battle Creek, were both sold in FY 13-14 for a total of \$14,883. Per state code, the proceeds of the sale were receipted into the PPEL fund, however, the

district no longer has the costs associated with operating and maintaining two additional attendance centers, which are general fund savings.

- The administration and the board are constantly re-evaluating programs in an effort to reduce expenditures and yet maintain a quality education programs.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

BASIC FINANCIAL STATEMENTS

BATTLE CREEK-IDA GROVE COMMUNITY SCHOOL DISTRICT
 STATEMENT OF NET POSITION
 JUNE 30, 2014

	Governmental Activities	Business Type Activities	Total
ASSETS			
Cash and pooled investments	\$ 3,588,828	97,998	3,686,826
Receivables:			
Property tax:			
Delinquent	38,549	-	38,549
Succeeding year	3,098,264	-	3,098,264
Income surtax	78,144	-	78,144
Accounts	12,525	-	12,525
Due from other funds	23,526	(23,526)	-
Due from other governments	573,746	-	573,746
Inventories	-	13,876	13,876
Capital assets, net of accumulated depreciation	4,832,378	24,884	4,857,262
TOTAL ASSETS	12,245,960	113,232	12,359,192
LIABILITIES			
Accounts payable	722,760	688	723,448
Salaries and benefits payable	712,206	2,300	714,506
Interest payable	22,676	-	22,676
Unearned revenue	-	5,449	5,449
Long-term liabilities:			
Portion due within one year:			
Revenue bonds payable	100,000	-	100,000
Portion due after one year:			
Revenue bonds payable	1,755,000	-	1,755,000
Net OPEB liability	101,271	-	101,271
TOTAL LIABILITIES	3,413,913	8,437	3,422,350
DEFERRED INFLOWS OF RESOURCES			
Unavailable property tax revenue	3,098,264	-	3,098,264
NET POSITION			
Net investment in capital assets	2,977,378	24,884	3,002,262
Restricted for:			
Categorical funding	422,236	-	422,236
Management levy purposes	329,871	-	329,871
Student activities	138,354	-	138,354
School infrastructure	178,874	-	178,874
Physical plant and equipment levy	142,800	-	142,800
Debt service	100,000	-	100,000
Unrestricted	1,444,270	79,911	1,524,181
TOTAL NET POSITION	\$ 5,733,783	104,795	5,838,578

SEE NOTES TO FINANCIAL STATEMENTS

**BATTLE CREEK-IDA GROVE COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2014**

	Program Revenues			Net (Expense) Revenue and Changes in Net Position		Total
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	
Functions/Programs:						
Governmental activities:						
Instruction:						
Regular	\$ 3,799,649	821,502	38,087	(2,940,060)	-	(2,940,060)
Special	983,259	106,030	45,622	(831,607)	-	(831,607)
Other	1,029,196	242,063	249,187	(537,946)	-	(537,946)
	<u>5,812,104</u>	<u>1,169,595</u>	<u>332,896</u>	<u>(4,309,613)</u>	<u>-</u>	<u>(4,309,613)</u>
Support services:						
Student	202,571	41,751	-	(160,820)	-	(160,820)
Instructional staff	490,565	15,398	-	(475,167)	-	(475,167)
Administration	674,805	29,558	-	(645,247)	-	(645,247)
Operation and maintenance of plant	690,270	39,202	-	(651,068)	-	(651,068)
Transportation	404,657	16,097	2,362	(386,198)	-	(386,198)
	<u>2,462,868</u>	<u>142,006</u>	<u>2,362</u>	<u>(2,318,500)</u>	<u>-</u>	<u>(2,318,500)</u>
Long-term debt interest	45,353	-	-	(45,353)	-	(45,353)
Other expenses:						
AEA flowthrough	254,935	-	254,935	-	-	-
Depreciation(unallocated)*	163,681	-	-	(163,681)	-	(163,681)
	<u>418,616</u>	<u>-</u>	<u>254,935</u>	<u>(163,681)</u>	<u>-</u>	<u>(163,681)</u>
Total governmental activities	8,738,941	1,311,601	590,193	(6,837,147)	-	(6,837,147)
Business type activities:						
Support services:						
Operation and maintenance of plant	2,063	-	-	-	(2,063)	(2,063)
Non-instructional programs:						
Food service operations	274,677	117,233	173,173	-	15,729	15,729
Community service operations	19,686	11,558	10,000	-	1,872	1,872
Total non-instructional programs	<u>294,363</u>	<u>128,791</u>	<u>183,173</u>	<u>-</u>	<u>17,601</u>	<u>17,601</u>
Total business type activities	<u>296,426</u>	<u>128,791</u>	<u>183,173</u>	<u>-</u>	<u>15,538</u>	<u>15,538</u>
Total	<u>\$ 9,035,367</u>	<u>1,440,392</u>	<u>773,366</u>	<u>(6,837,147)</u>	<u>15,538</u>	<u>(6,821,609)</u>
General Revenues:						
Local tax for:						
General purposes				\$ 2,760,973	-	2,760,973
Capital outlay				213,772	-	213,772
Income surtax				110,214	-	110,214
Statewide sales, services and use tax				568,546	-	568,546
Unrestricted state grants				3,146,796	-	3,146,796
Unrestricted investment earnings				4,225	17	4,242
Other general revenues				27,397	509	27,906
Total general revenues				<u>6,831,923</u>	<u>526</u>	<u>6,832,449</u>
Change in net position				(5,224)	16,064	10,840
Net position beginning of year				<u>5,739,007</u>	<u>88,731</u>	<u>5,827,738</u>
Net position end of year				<u>\$ 5,733,783</u>	<u>104,795</u>	<u>5,838,578</u>

SEE NOTES TO FINANCIAL STATEMENTS

BATTLE CREEK-IDA GROVE COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014

	General	Management Levy	Capital Projects	Nonmajor Student Activity	Nonmajor Debt Service	Total
ASSETS						
Cash and pooled investments	\$ 2,762,091	323,563	232,248	148,250	122,676	3,588,828
Receivables:						
Property tax:						
Delinquent	29,501	6,308	2,740	-	-	38,549
Succeeding year	2,306,932	575,000	216,332	-	-	3,098,264
Income surtax	39,072	-	39,072	-	-	78,144
Accounts	12,525	-	-	-	-	12,525
Due from other funds	23,526	-	-	-	-	23,526
Due from other governments	327,489	-	246,257	-	-	573,746
TOTAL ASSETS	\$ 5,501,136	904,871	736,649	148,250	122,676	7,413,582
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 553,293	-	159,571	9,896	-	722,760
Salaries and benefits payable	712,206	-	-	-	-	712,206
Total liabilities	1,265,499	-	159,571	9,896	-	1,434,966
Deferred inflows of resources:						
Unavailable revenues:						
Succeeding year property tax	2,306,932	575,000	216,332	-	-	3,098,264
Income surtax	39,072	-	39,072	-	-	78,144
Total deferred inflows of resources	2,346,004	575,000	255,404	-	-	3,176,408
Fund balances:						
Restricted for:						
Categorical funding	422,236	-	-	-	-	422,236
Management levy purposes	-	329,871	-	-	-	329,871
Student activities	-	-	-	138,354	-	138,354
School infrastructure	-	-	178,874	-	-	178,874
Physical plant and equipment	-	-	142,800	-	-	142,800
Debt service	-	-	-	-	122,676	122,676
Assigned	6,856	-	-	-	-	6,856
Unassigned	1,460,541	-	-	-	-	1,460,541
Total fund balances	1,889,633	329,871	321,674	138,354	122,676	2,802,208
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 5,501,136	904,871	736,649	148,250	122,676	7,413,582

SEE NOTES TO FINANCIAL STATEMENTS

BATTLE CREEK-IDA GROVE COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET POSITION
 JUNE 30, 2014

Total fund balances of governmental funds(page 20)	\$	2,802,208
 <i>Amounts reported for governmental activities in the Statement of Net Position are different because:</i>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in in the governmental funds.		4,832,378
Accounts receivable income surtax, are not yet available to finance current year expenditures of the current fiscal period and, therefore, are recognized as deferred inflows of resources in the governmental funds.		78,144
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.		(22,676)
Long-term liabilities, including revenue bonds payable and other postemployment benefits payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.		<u>(1,956,271)</u>
Net position of governmental activities(page 18)	\$	<u><u>5,733,783</u></u>

SEE NOTES TO FINANCIAL STATEMENTS

BATTLE CREEK-IDA GROVE COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2014

	General	Management Levy	Capital Projects	Nonmajor Student Activity	Nonmajor Debt Service	Total
Revenues:						
Local sources:						
Local tax	\$ 2,325,574	485,751	264,124	-	-	3,075,449
Tuition	427,488	-	-	-	-	427,488
Other	691,571	16,218	-	208,911	-	916,700
State sources	3,544,484	-	568,546	-	-	4,113,030
Federal sources	191,540	-	-	-	-	191,540
Total revenues	7,180,657	501,969	832,670	208,911	-	8,724,207
Expenditures:						
Current:						
Instruction:						
Regular	3,409,300	233,043	-	156,231	-	3,798,574
Special	948,923	-	-	-	-	948,923
Other	987,759	-	-	-	-	987,759
	5,345,982	233,043	-	156,231	-	5,735,256
Support services:						
Student	164,867	-	-	30,620	-	195,487
Instructional staff	254,830	-	220,322	-	-	475,152
Administration	648,990	11,966	-	-	-	660,956
Operation and maintenance of plant	510,493	147,722	-	-	-	658,215
Transportation	345,813	10,753	-	-	-	356,566
	1,924,993	170,441	220,322	30,620	-	2,346,376
Capital outlay	-	-	910,645	-	-	910,645
Long-term debt:						
Principal	-	-	-	-	40,000	40,000
Interest and fiscal charges	-	-	-	-	45,458	45,458
	-	-	-	-	85,458	85,458
Other expenditures:						
AEA flowthrough	254,935	-	-	-	-	254,935
Total expenditures	7,525,910	403,484	1,130,967	186,851	85,458	9,332,670
Excess(Deficiency) of revenues over(under) expenditures	(345,253)	98,485	(298,297)	22,060	(85,458)	(608,463)
Other financing sources(uses):						
Transfer in	-	-	-	-	208,134	208,134
Transfer out	-	-	(208,134)	-	-	(208,134)
Insurance proceeds	9,609	-	-	-	-	9,609
Proceeds from sale of real property	-	-	14,883	-	-	14,883
Sale of equipment	3,977	-	-	-	-	3,977
Total other financing sources(uses)	13,586	-	(193,251)	-	208,134	28,469
Change in fund balances	(331,667)	98,485	(491,548)	22,060	122,676	(579,994)
Fund balance beginning of year	2,221,300	231,386	813,222	116,294	-	3,382,202
Fund balance end of year	\$ 1,889,633	329,871	321,674	138,354	122,676	2,802,208

SEE NOTES TO FINANCIAL STATEMENTS

BATTLE CREEK-IDA GROVE COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 YEAR ENDED JUNE 30, 2014

Change in fund balances - total governmental funds(page 22) \$ (579,994)

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

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

Capital outlay	\$ 871,802	
Depreciation expense	(288,006)	
Loss on disposal of assets	<u>(74,151)</u>	509,645

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position 40,000

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. 105

Income surtax account receivable is not considered available revenue and is recognized as deferred inflows of resources in the governmental funds. 9,510

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

Other postemployment benefits	\$ (25,925)	
Net pension liability	<u>41,435</u>	<u>15,510</u>

Change in net position of governmental activities(page 19) \$ (5,224)

BATTLE CREEK-IDA GROVE COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2014

	Business Type Activities: Nonmajor Enterprise Funds		
	School Nutrition	Day Care	Total
ASSETS			
Current assets:			
Cash and pooled investments	\$ 77,508	20,490	97,998
Inventories	13,876	-	13,876
Total current assets	91,384	20,490	111,874
Noncurrent assets:			
Capital assets, net of accumulated depreciation	24,884	-	24,884
TOTAL ASSETS	116,268	20,490	136,758
LIABILITIES			
Current liabilities:			
Due to other funds	23,526	-	23,526
Accounts payable	688	-	688
Salaries and benefits payable	-	2,300	2,300
Unearned revenue	5,449	-	5,449
TOTAL LIABILITIES	29,663	2,300	31,963
NET POSITION			
Net investment in capital assets	24,884	-	24,884
Unrestricted	61,721	18,190	79,911
TOTAL NET POSITION	\$ 86,605	18,190	104,795

SEE NOTES TO FINANCIAL STATEMENTS

BATTLE CREEK-IDA GROVE COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2014

	Business Type Activities:		
	Nonmajor Enterprise Funds		
	School Nutrition	Daycare	Total
Operating revenues:			
Local sources:			
Charges for services	\$ 117,233	11,558	128,791
Donations	-	10,000	10,000
Miscellaneous	509	-	509
Total operating revenue	117,742	21,558	139,300
Operating expenses:			
Operation and maintenance of plant:			
Services	2,063	-	2,063
Non-instructional programs:			
Food service operations:			
Salaries	104,139	-	104,139
Benefits	17,596	-	17,596
Services	4,324	-	4,324
Supplies	144,045	-	144,045
Other	391	-	391
Depreciation	4,182	-	4,182
	274,677	-	274,677
Community service operations:			
Salaries	-	16,902	16,902
Benefits	-	2,784	2,784
	-	19,686	19,686
Total non-instructional programs	274,677	19,686	294,363
Total operating expenses	276,740	19,686	296,426
Operating income(loss)	(158,998)	1,872	(157,126)
Non-operating revenues:			
State sources	2,724	-	2,724
Federal sources	170,449	-	170,449
Interest income	17	-	17
Total non-operating revenues	173,190	-	173,190
Change in net position	14,192	1,872	16,064
Net position beginning of year	72,413	16,318	88,731
Net position end of year	\$ 86,605	18,190	104,795

SEE NOTES TO FINANCIAL STATEMENTS

BATTLE CREEK-IDA GROVE COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2014

	Business Type Activities; Nonmajor Enterprise Funds		
	School Nutrition	Day Care	Total
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	\$ 117,373	-	117,373
Cash received from daycare operations	-	11,558	11,558
Cash received from donations	-	10,000	10,000
Cash received from miscellaneous	509	-	509
Cash payments to employees for services	(146,329)	(19,686)	(166,015)
Cash payments to suppliers for goods or services	(129,622)	-	(129,622)
Net cash provided by(used by) operating activities	(158,069)	1,872	(156,197)
Cash flows from non-capital financing activities:			
Borrowings from General Fund	23,526	-	23,526
State grants received	2,724	-	2,724
Federal grants received	148,209	-	148,209
Net cash provided by non-capital financing activities	174,459	-	174,459
Cash flows from capital and related financing activities:			
Acquisition of capital assets	(3,366)	-	(3,366)
Cash flows from investing activities:			
Interest on investments	17	-	17
Net increase in cash and cash equivalents	13,041	1,872	14,913
Cash and cash equivalents at beginning of year	64,467	18,618	83,085
Cash and cash equivalents at end of year	\$ 77,508	20,490	97,998
Reconciliation of operating income(loss) to net cash provided by(used by) operating activities:			
Operating income(loss)	\$ (158,998)	1,872	(157,126)
Adjustments to reconcile operating income(loss) to net cash provided by(used by) operating activities:			
Commodities used	22,240	-	22,240
Depreciation	4,182	-	4,182
Increase in inventories	(1,419)	-	(1,419)
Increase in accounts payable	380	-	380
Decrease in salaries and benefits payable	(24,594)	-	(24,594)
Increase in unearned revenue	140	-	140
Net cash provided by(used by) operating activities	\$ (158,069)	1,872	(156,197)
Non-cash investing, capital and related financing activities:			

During the year ended June 30, 2014, the District received Federal commodities valued at \$22,240.

SEE NOTES TO FINANCIAL STATEMENTS

BATTLE CREEK-IDA GROVE COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

(1) Summary of Significant Accounting Policies

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

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

A. Reporting Entity

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

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

B. Basis of Presentation

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

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

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

Restricted net position results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

Unrestricted net position consists of net position not meeting the definition of the two preceding categories. Unrestricted net position is often subject to constraints 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 segments are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

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

The District reports the following major governmental funds:

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

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

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

The District reports the following nonmajor proprietary funds:

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

D. Assets, Liabilities, Deferred Inflows of Resources and Fund Balances

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

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

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2012 assessed property valuations; is for the tax accrual period July 1, 2013 through June 30, 2014 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2013.

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

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

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

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

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

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

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

Deferred Inflows of Resources - 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 inflows of resources 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 inflows of resources consist of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

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

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

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

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

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

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

Unassigned - All amounts not included in other spendable classifications. Negative unassigned balances may be reported in other governmental funds when expenditures incurred for specific purposes exceed the amounts restricted, committed or assigned. At June 30, 2014, the District's only unassigned amount was in the General Fund.

E. Budgeting and Budgetary Control

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

(2) Cash and Pooled Investments

The District's deposits at June 30, 2014 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

At June 30, 2014, the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$202,623 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investments in the Iowa Schools Joint Investment Trust was rated AAA by Standard & Poor's Financial Services.

(3) Interfund Transfers

The detail of transfers for the year ended June 30, 2014 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects: Statewide Sales, Services and Use Tax	\$ 208,134
		\$ 208,134

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

(4) Capital Assets

Capital assets activity for the year ended June 30, 2014 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 124,260	-	50,405	73,855
Construction in progress	2,018,761	413,141	2,431,902	-
Total capital assets not being depreciated	2,143,021	413,141	2,482,307	73,855
Capital assets being depreciated:				
Buildings	4,736,337	2,466,691	28,280	7,174,748
Land improvements	592,728	240,674	23,574	809,828
Machinery and equipment	2,068,314	183,198	235,449	2,016,063
Total capital assets being depreciated	7,397,379	2,890,563	287,303	10,000,639
Less accumulated depreciation for:				
Buildings	3,121,963	126,512	26,171	3,222,304
Land improvements	319,761	37,169	5,942	350,988
Machinery and equipment	1,775,943	124,325	231,444	1,668,824
Total accumulated depreciation	5,217,667	288,006	263,557	5,242,116
Total capital assets being depreciated, net	2,179,712	2,602,557	23,746	4,758,523
Governmental activities capital assets, net	\$ 4,322,733	3,015,698	2,506,053	4,832,378
Business type activities:				
Machinery and equipment	\$ 98,183	3,366	-	101,549
Less accumulated depreciation	72,483	4,182	-	76,665
Business type activities capital assets, net	\$ 25,700	(816)	-	24,884

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 68,537
Other	8,660
Support services:	
Instructional staff	1,354
Administrative	1,275
Operation and maintenance of plant	9,202
Transportation	35,297
	124,325
Unallocated depreciation	163,681
Total governmental activities depreciation expense	\$ 288,006
Business type activities:	
Food services	\$ 4,182

(5) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2014 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Revenue bonds	\$ 1,895,000	-	40,000	1,855,000	100,000
Net OPEB liability	75,346	25,925	-	101,271	-
Net pension liability	41,435	-	41,435	-	-
Total	\$ 2,011,781	25,925	81,435	1,956,271	100,000

Revenue Bonds

Details of the District's June 30, 2014 statewide sales, services and use tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Interest Rate	Bond issue dated July 6, 2012		
		Principal	Interest	Total
2015	0.725 %	\$ 100,000	44,990	144,990
2016	0.925	95,000	44,188	139,188
2017	1.125	95,000	43,214	138,214
2018	1.325	95,000	42,051	137,051
2019	1.575	95,000	40,674	135,674
2020-2024	1.875-2.625	520,000	172,516	692,516
2025-2029	2.825-3.450	585,000	97,182	682,182
2029-2030	3.500-3.600	270,000	7,315	277,315
		\$ 1,855,000	492,130	2,347,130

The District has pledged future statewide sales, services and use tax revenues to repay the \$1,895,000 of bonds issued July 2012. The bonds were issued for the purpose of financing renovations to the elementary building. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2030. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require nearly 26% of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the bonds is \$2,347,130. For the current year, \$40,000 in principal and \$45,457 in interest was paid on the bonds and total statewide sales, services and use tax revenues were \$568,546.

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

- a) The bonds will only be redeemed from future earnings of the statewide sales, services and use tax revenues received by the District and the bond holders hold a lien on the future revenues received.
- b) All proceeds from the statewide sales, services and use tax shall be placed in a revenue account.
- c) Any monies remaining in the revenue account after the required transfer to the sinking account may be transferred to the project account to be used for any lawful purpose.

(6) Pension and Retirement Benefits

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

Plan members are required to contribute 5.95% of their annual covered salary and the District is required to contribute 8.93% of annual covered salary. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2014, 2013, and 2012, were \$360,083, \$269,293, and \$339,859, respectively, equal to the required contributions for each year.

(7) Other Postemployment Benefits (OPEB)

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

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

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

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

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2014, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$	33,319
Interest on net OPEB obligation		1,884
Adjustment to annual required contribution		(6,634)
Annual OPEB cost		<u>28,569</u>
Contributions made		<u>(2,644)</u>
Increase in net OPEB obligation		25,925
Net OPEB obligation beginning of year		75,346
Net OPEB obligation end of year	\$	<u><u>101,271</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, 2014.

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, 2014 are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2012	\$ 27,509	39.05%	\$ 49,832
2013	34,977	7.56%	75,346
2014	28,569	9.25%	101,271

Funded Status and Funding Progress - As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2013 through June 30, 2014, the actuarial accrued liability was \$217,311, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$217,311. The covered payroll (annual payroll of active employees covered by the plan) was \$2,234,627, and the ratio of the UAAL to covered payroll was 9.72%. As of June 30, 2014, there were no trust fund assets.

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

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

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

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

(8) Risk Management

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

(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 \$254,935 for the year ended June 30, 2014 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, 2014 is comprised of the following programs:

Program	Amount
Home school assistance program	45,103
Gifted and talented programs	44,270
Dropout and dropout prevention	148,852
Teacher salary supplement	10,338
Market factor	3,656
Market factor incentives	570
Four-year old preschool state aid	109,256
Successful progression for early readers	12,564
Professional development for model core curriculum	36,383
Professional development	10,445
Teacher leadership grants	799
Total	<u>\$ 422,236</u>

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

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

	Net Investment in Capital Assets	Debt Service	Unassigned/ Restricted
Fund balance (Exhibit C)	\$ -	122,676	1,460,541
Capital assets	4,832,378	-	-
Revenue bond proceeds expended for capital assets	(1,855,000)	-	-
Accrued interest payable	-	(22,676)	-
Income surtax	-	-	78,144
Assigned	-	-	6,856
Net OPEB liability	-	-	(101,271)
Net position (Exhibit A)	<u>\$ 2,977,378</u>	<u>100,000</u>	<u>1,444,270</u>

(12) Prospective Accounting Change

The Governmental Accounting Standard Board has issued Statement No. 68, Accounting and Financial Reporting for Pensions-an amendment of GASB No. 27. This statement will be implemented for the fiscal year ending June 30, 2015. The revised requirements established new financial reporting requirements for state and local government which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, the Statement of Net Position is expected to include a significant liability for the government's proportionate share of the employee pension plan.

REQUIRED SUPPLEMENTARY INFORMATION

BATTLE CREEK-IDA GROVE COMMUNITY SCHOOL DISTRICT
 BUDGETARY COMPARISON OF REVENUES, EXPENDITURES/EXPENSES AND
 CHANGES IN BALANCES -
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
 AND PROPRIETARY FUNDS
 REQUIRED SUPPLEMENTARY INFORMATION
 YEAR ENDED JUNE 30, 2014

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to
	Funds	Funds		Original	Final	Actual
	Actual	Actual				Variance
Revenues:						
Local sources	\$ 4,419,637	139,317	4,558,954	5,138,926	5,138,926	(579,972)
State sources	4,113,030	2,724	4,115,754	3,441,113	3,441,113	674,641
Federal sources	191,540	170,449	361,989	362,000	362,000	(11)
Total revenues	8,724,207	312,490	9,036,697	8,942,039	8,942,039	94,658
Expenditures/expenses:						
Instruction	5,735,256	-	5,735,256	6,388,000	6,388,000	652,744
Support services	2,346,376	2,063	2,348,439	2,355,600	2,655,600	307,161
Non-instructional programs	-	294,363	294,363	300,000	300,000	5,637
Other expenditures	1,251,038	-	1,251,038	949,172	1,413,205	162,167
Total expenditures/expenses	9,332,670	296,426	9,629,096	9,992,772	10,756,805	1,127,709
Excess(Deficiency) of revenues over(under) expenditures/expenses	(608,463)	16,064	(592,399)	(1,050,733)	(1,814,766)	1,222,367
Other financing sources, net	28,469	-	28,469	-	-	28,469
Excess(Deficiency) of revenues and other financing sources over(under) expenditures/expenses	(579,994)	16,064	(563,930)	(1,050,733)	(1,814,766)	1,250,836
Balance beginning of year	3,382,202	88,731	3,470,933	2,204,919	2,204,919	1,266,014
Balance end of year	\$ 2,802,208	104,795	2,907,003	1,154,186	390,153	2,516,850

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

BATTLE CREEK-IDA GROVE COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2014

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

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

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functional areas, not by fund or fund type. These four functional areas are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment, increasing budgeted expenditures by \$764,033.

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

For Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	\$ -	\$ 240,618	\$ 240,618	0.0%	\$ 1,890,594	12.73%
2011	July 1, 2009	-	234,777	234,777	0.0%	2,094,555	11.21%
2012	July 1, 2009	-	208,305	208,305	0.0%	1,891,237	11.01%
2013	July 1, 2012	-	225,943	225,943	0.0%	1,940,961	11.64%
2014	July 1, 2012	-	217,311	217,311	0.0%	2,234,627	9.72%

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

BATTLE CREEK-IDA GROVE COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 CAPITAL PROJECT ACCOUNTS
 JUNE 30, 2014

	Capital Projects			Total
	Statewide Sales, Services and Use Tax: Woodbury County	Statewide Sales, Services and Use Tax: Ida and Crawford Counties	Physical Plant and Equipment Levy	
ASSETS				
Cash and pooled investments	\$ 4,860	75,728	151,660	232,248
Receivables:				
Property tax:				
Delinquent	-	-	2,740	2,740
Succeeding year	-	-	216,332	216,332
Income surtax	-	-	39,072	39,072
Due from other governments	1,238	245,019	-	246,257
TOTAL ASSETS	\$ 6,098	320,747	409,804	736,649
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ -	147,971	11,600	159,571
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	-	-	216,332	216,332
Income surtax	-	-	39,072	39,072
Total deferred inflows of resources	-	-	255,404	255,404
Fund balances:				
Restricted for:				
School infrastructure	6,098	172,776	-	178,874
Physical plant and equipment	-	-	142,800	142,800
Total fund balances	6,098	172,776	142,800	321,674
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 6,098	320,747	154,400	736,649

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

BATTLE CREEK-IDA GROVE COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 CAPITAL PROJECT ACCOUNTS
 YEAR ENDED JUNE 30, 2014

	Capital Projects			Total
	Statewide Sales, Services and Use Tax: Woodbury County	Statewide Sales, Services and Use Tax: Ida and Crawford Counties	Physical Plant and Equipment Levy	
Revenues:				
Local sources:				
Local tax	\$ -	-	264,124	264,124
State sources	7,792	560,754	-	568,546
Total revenues	7,792	560,754	264,124	832,670
Expenditures:				
Current:				
Support services:				
Instructional staff	-	-	220,322	220,322
Capital outlay	3,800	764,822	142,023	910,645
Total expenditures	3,800	764,822	362,345	1,130,967
Excess(Deficiency) of revenues over(under) expenditures	3,992	(204,068)	(98,221)	(298,297)
Other financing sources(uses):				
Transfer out	-	(208,134)	-	(208,134)
Proceeds from sale of real property	-	-	14,883	14,883
Total other financing sources(uses)	-	(208,134)	14,883	(193,251)
Change in fund balances	3,992	(412,202)	(83,338)	(491,548)
Fund balances beginning of year	2,106	584,978	226,138	813,222
Fund balances end of year	\$ 6,098	172,776	142,800	321,674

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

BATTLE CREEK-IDA GROVE COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2014

Account	Balance Beginning of Year	Revenues	Expendi- tures	Intra- Fund Transfers	Balance End of Year
Coed Athletics	\$ -	-	-	-	-
Cross Country	2,748	535	2,484	835	1,634
Falcons Boy's Basketball	1,334	-	-	359	1,693
Falcon Football	7,693	1,131	3,780	268	5,312
HS Falcon Baseball	3,957	1,243	935	576	4,841
Falcon High School Bowling	2,677	-	38	238	2,877
Falcon Boys Golf	652	560	583	59	688
Falcon Wrestling	2,045	3,515	5,585	1,459	1,434
Falcon Girls Basketball	6,134	115	25	134	6,358
Falcon Volleyball	4,608	1,001	1,354	493	4,748
Falcon Girls Softball	3,514	2,664	1,586	-	4,592
Falcon Girls Golf	501	-	-	-	501
Concessions	4,911	36,918	26,480	(8,352)	6,997
Interest	-	42	-	(42)	-
Class of 2013	6	-	-	(6)	-
Class of 2014	2,780	4,161	4,402	(2,539)	-
Class of 2015	196	12,232	9,765	450	3,113
Class of 2016	117	145	-	-	262
Class of 2017	-	92	25	-	67
OA/BCIG Coed Athletics	17,244	83,219	73,349	487	27,601
HS Vocal	1,005	-	-	250	1,255
HS Band	5,276	1,590	2,671	1,180	5,375
Drill Team	-	-	406	406	-
Senior Memories	1,481	1,287	1,440	-	1,328
Quiz Bowl Fund	562	34	235	42	403
STEP Program	267	-	-	-	267
HS Art Club	1,590	1,866	1,544	-	1,912
FCCLA	987	-	42	-	945
Spanish Club	701	976	1,640	-	37
HS Student Council	7,123	2,407	3,746	969	6,753
FFA	16,622	38,357	30,620	176	24,535
OA/BCIG Cheerleaders	2,527	2,728	3,030	1,729	3,954
OA/BCIG Drama	7,385	2,278	2,060	(430)	7,173
OA/BCIG Dance Team	6,136	9,701	8,826	1,164	8,175
OA/BCIG NHS	3,515	114	200	95	3,524
Total	\$ 116,294	208,911	186,851	-	138,354

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

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

	Modified Accrual Basis									
	Years Ended June 30,									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Revenues:										
Local sources:										
Local tax	\$ 3,075,449	3,596,078	3,613,771	3,307,160	3,369,800	2,898,063	2,672,242	2,616,624	2,564,373	2,299,301
Tuition	427,488	463,171	512,383	350,538	371,539	393,603	383,799	380,045	300,685	323,148
Other	916,700	988,576	1,071,207	1,103,449	1,073,640	480,107	409,600	468,740	430,455	402,431
State sources	4,113,030	3,555,953	3,594,327	3,405,209	2,920,947	3,418,749	3,350,240	3,233,158	3,166,741	3,091,914
Federal sources	191,540	208,748	271,311	363,313	574,536	231,666	170,078	175,486	214,114	190,284
Total	\$ 8,724,207	8,812,526	9,062,999	8,529,669	8,310,462	7,422,188	6,985,959	6,874,053	6,676,368	6,307,078
Expenditures:										
Current:										
Instruction:										
Regular	\$ 3,798,574	3,434,520	3,569,167	3,529,824	3,278,275	2,885,135	2,834,221	2,791,135	2,685,879	2,554,133
Special	948,923	1,034,036	1,059,916	950,589	849,285	833,349	830,788	788,325	823,163	889,485
Other	987,759	1,048,074	1,023,746	869,611	945,366	886,965	723,737	715,866	706,376	493,172
Support services:										
Student	195,487	190,872	179,239	168,576	160,926	113,074	113,476	159,825	150,047	137,394
Instructional staff	475,152	333,121	323,429	453,164	313,285	359,992	330,225	313,868	293,904	263,161
Administration	660,956	548,406	526,952	526,898	554,948	603,513	637,155	649,696	646,404	628,141
Operation and maintenance of plant	658,215	642,696	630,292	530,868	605,919	620,908	690,685	683,858	674,114	607,453
Transportation	356,566	393,294	392,454	316,567	381,100	319,064	361,473	366,948	358,952	265,725
Capital outlay	910,645	2,310,001	555,971	363,594	797,419	425,984	266,409	315,829	172,932	207,088
Long-term debt:										
Principal	40,000	200,000	200,000	200,000	-	-	-	-	-	-
Interest	45,458	25,398	9,500	15,250	4,500	-	-	-	-	-
Other expenditures:										
AEA flow-through	254,935	242,190	237,537	266,330	264,023	244,531	239,274	233,619	227,081	226,110
Total	\$ 9,332,670	10,402,608	8,708,203	8,191,271	8,155,046	7,292,515	7,027,443	7,018,969	6,738,852	6,271,862

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

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

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

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Battle Creek-Ida Grove Community School District as of and for the year ended June 30, 2014, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated February 13, 2015.

Internal Control Over Financial Reporting

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

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

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in Part I of the accompanying Schedule of Findings as item I-A-14 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Battle Creek-Ida Grove Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts.

However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2014 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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

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

Purpose of this Report

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

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



NOLTE, CORNMAN & JOHNSON, P.C.

February 13, 2015
Newton, Iowa

BATTLE CREEK-IDA GROVE COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2014

Part I: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

I-A-14 Segregation of Duties - One important aspect of internal accounting control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. One individual has control over each of the following areas for the District.

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

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

Response - We will investigate available alternatives and implement as soon as possible. We have hired a part time person to do data entry and other miscellaneous duties at the central office that will help shift and share some of the duties listed

Conclusion – Response accepted

Part II: Other Findings Related to Required Statutory Reporting:

II-A-14 Certified Budget - District disbursements for the year ended June 30, 2014, did not exceed the amounts budgeted.

II-B-14 Questionable Disbursements - We noted during our audit that the District purchased gift cards to give to students as prizes for the prom.

Recommendation - Gift cards are not an appropriate District purchase since Iowa code Section 279.29 requires districts to 'audit and allow' all bills and the gift card does not provide that board with the ability to perform the required function of approval of the final purchase. Also, some gift cards may be for establishments which may have items which are not an allowable purchase with public funds. The district should refrain from purchasing gift cards to be given as prizes, gifts or incentives.

Response – The District is aware that we cannot purchase gift cards. This expense was included with several prom expenditures for reimbursement that the former prom sponsor submitted after she had purchased the gift cards. All coaches and sponsors have been reminded that gift cards are not allowable expenditures.

Conclusion – Response accepted

- II-C-14 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-14 Business Transactions - No business transaction between the District and District officials or employees were noted
- II-E-14 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-14 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.
- II-G-14 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.
- II-H-14 Supplementary Weighting - No variance regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- II-I-14 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- II-J-14 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-14 Categorical Funding - No instances were noted of categorical funding being used to supplant rather than supplement other funds.
- II-L-14 Statewide Sales, Services and Use Tax - No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services, and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2014, 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 2014 audit:

Beginning Balance		\$	587,084
Revenues:			
Sales tax revenues			<u>568,546</u>
			1,155,630
Expenditures/transfer out:			
School infrastructures construction	\$	768,622	
Transfer to other funds:			
Debt service fund		<u>208,134</u>	<u>976,756</u>
Ending Balance		\$	<u><u>178,874</u></u>

For the year ended June 30, 2014, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of Code of Iowa.