

BATTLE CREEK-IDA GROVE COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2015

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**Battle Creek-Ida Grove Community School District**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education</b>		
Brian Riessen	President	2015
Jill Godbersen	Vice President	2015
Tony Bennett	Board Member	2015
Kim Claussen	Board Member (appointed April 2014)	2015
Crystal Endrulat	Board Member	2017
Stephanie Konradi	Board Member	2015
Wendy Cadwell	Board Member (resigned March 2014)	2015
Jeff Rasmussen	Board Member	2017
<b>School Officials</b>		
Dr. Nick Ouellette	Superintendent	2015
Kathy Leonard	District Secretary/ Business Manager	2015
Rick Franck	Attorney	2015

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(a professional corporation)  
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**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, 2015, 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.

The financial statements of the William W. Smith Endowment have not been audited, and we were not engaged to audit the Endowment financial statements as part of our audit of the Battle Creek-Ida Grove Community School District's basic financial statements. The Endowment's financial statements are included in the District's financial statements as a discretely presented component unit. Because we were not engaged to audit the Endowment's financial statements and because we did not apply any auditing procedures to the Endowment's financial statements, we do not express an opinion on the discretely presented component unit.

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, 2015, 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.

## **Emphasis of Matter**

As discussed in Note 14 to the financial statements, Battle Creek-Ida Grove Community School District adopted new accounting guidance related to Government Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27. Our opinions are not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the District's Proportionate Share of the Net Pension Liability, the Schedule of District Contributions, the Schedule of Funding Progress for the Retiree Health Plan and the combining statements for the discretely presented component unit on pages 7 through 16 and 44 through 52 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, 2014 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 6, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

**Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated March 1, 2016 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.

March 1, 2016  
Newton, Iowa

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

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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, 2015. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### **2015 FINANCIAL HIGHLIGHTS**

- General Fund revenues increased from \$7,194,243 in fiscal year 2014 to \$7,450,217 in fiscal year 2015, while General Fund expenditures increased from \$7,525,910 in fiscal year 2014 to \$7,588,556 in fiscal year 2015. This resulted in a decrease in the District's General Fund balance from \$1,889,633 at June 30, 2014 to \$1,751,294 at June 30, 2015, a 7.32% decrease from the prior year.
- The increase in General Fund revenue was attributable to an increase in state sources received as compared to the previous year. The increase in expenditures was due primarily to an increase in instruction expenditures incurred compared to the prior year.

### **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.

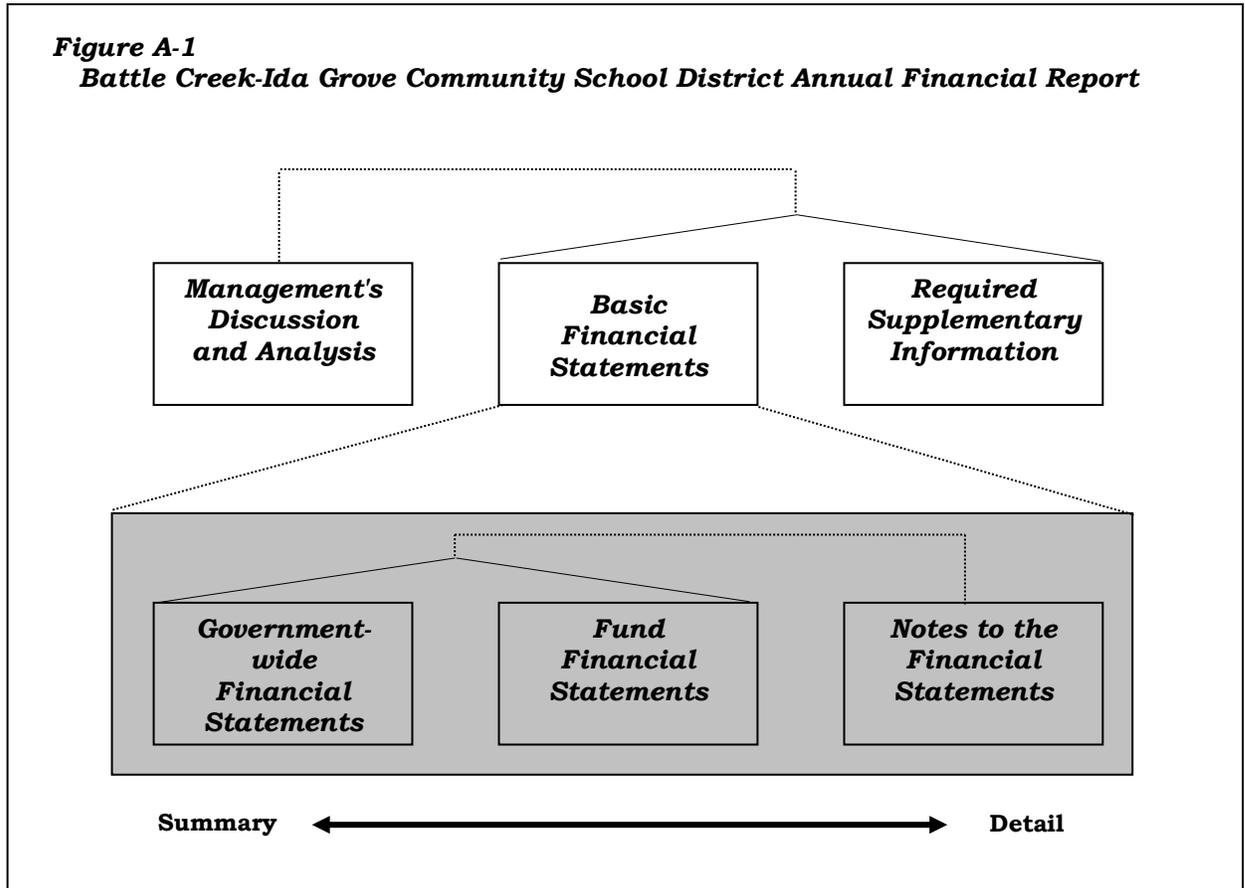
The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Battle Creek-Ida Grove Community School District's operations in more detail than the government-wide statements by providing information 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 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, the District's proportionate share of the net pension liability and related contributions, the Schedule of Funding Progress for the Retiree Health Plan and the financial statements for the discretely presented component unit.

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.

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

## **REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES**

### **Government-wide Financial Statements**

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net 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.

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The two government-wide financial statements report the District's net position and how it has 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.
- *Component Unit:* This includes the activities of the William W. Smith Endowment. The District receives significant financial benefits from the Foundation although they are legally separate entities.

### **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, the Special Revenue Funds, the Debt Service Fund, and the 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 Fund Net Position and a Statement of Cash Flows.

3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds include the Private-Purpose Trust.

- Private-Purpose Trust Fund - The District accounts for outside donations for scholarships for individual students in this fund.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position.

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, 2015 compared to June 30, 2014.

Figure A-3 Condensed Statement of Net Position							
	Governmental Activities		Business Type Activities		Total District	Total Change	
	June 30,		June 30,		June 30,	June 30,	
	2015	2014 (Not restated)	2015	2014 (Not restated)	2015	2014 (Not restated)	2014-15
Current and other assets	\$ 7,305,628	7,413,582	110,605	88,348	7,416,233	7,501,930	-1.14%
Capital assets	5,150,103	4,832,378	30,927	24,884	5,181,030	4,857,262	6.67%
Total assets	12,455,731	12,245,960	141,532	113,232	12,597,263	12,359,192	1.93%
Deferred outflows of resources	503,211	-	12,579	-	515,790	-	100.00%
Long-term liabilities	4,269,773	1,956,271	57,393	-	4,327,166	1,956,271	121.19%
Other liabilities	1,252,465	1,457,642	13,125	8,437	1,265,590	1,466,079	-13.68%
Total liabilities	5,522,238	3,413,913	70,518	8,437	5,592,756	3,422,350	63.42%
Deferred inflows of resources	4,258,178	3,098,264	27,840	-	4,286,018	3,098,264	38.34%
Net position:							
Net investment in capital assets	3,395,103	2,977,378	30,927	24,884	3,426,030	3,002,262	14.11%
Restricted	1,417,291	1,312,135	-	-	1,417,291	1,312,135	8.01%
Unrestricted	(1,633,868)	1,444,270	24,826	79,911	(1,609,042)	1,524,181	-205.57%
Total net position	\$ 3,178,526	5,733,783	55,753	104,795	3,234,279	5,838,578	-44.61%

The District's combined net position decreased by 44.61%, or \$2,604,299 from the prior year. The largest portion of the District's net position is invested in capital assets, net of related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net position represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position increased \$105,156, or 8.01% from the prior year. The increase in restricted net position was primarily a result of the increase in fund balance of the Management 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 \$3,133,223, or 205.57%. The decrease in unrestricted net position was primarily a result of the District's net pension liability net pension expense recorded in the current year.

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27 was implemented during fiscal year 2015. The beginning net position as of July 1, 2014 for governmental activities and business type activities were restated by \$3,289,832 and \$79,172, respectively, to retroactively report the net pension liability as of June 30, 2013 and deferred outflows of resources related to contributions made after June 30, 2013 but prior to July 1, 2014. Fiscal year 2013 and 2014 financial statement amounts for net pension liabilities, pension expense, deferred outflows of resources and deferred inflows of resources were not restated because the information was not available. In the past, pension expense was the amount of employer contribution. Current reporting provides a more comprehensive measure of pension expense which is more reflective of the amounts employees earned during the year.

**Figure A-4** shows the changes in net position for the year ended June 30, 2015 compared to the year ended June 30, 2014.

	Figure A-4 Changes in Net Position						
	Governmental Activities		Business Type Activities		Total District		Total Change
	2014		2014		2014		
	2015	(Not restated)	2015	(Not restated)	2015	(Not restated)	2014-15
Revenues:							
Program revenues:							
Charges for service	\$ 1,322,636	1,311,601	121,013	128,791	1,443,649	1,440,392	0.23%
Operating grants, contributions and restricted interest	686,434	590,193	188,943	183,173	875,377	773,366	13.19%
General revenues:							
Property tax	3,042,645	2,974,745	-	-	3,042,645	2,974,745	2.28%
Income surtax	101,040	110,214	-	-	101,040	110,214	-8.32%
Statewide sales, services and use tax	611,328	568,546	-	-	611,328	568,546	7.52%
Unrestricted state grants	3,365,693	3,146,796	-	-	3,365,693	3,146,796	6.96%
Unrestricted investment earnings	5,789	4,225	26	17	5,815	4,242	37.08%
Other	17,559	27,397	978	509	18,537	27,906	-33.57%
Total revenues	9,153,124	8,733,717	310,960	312,490	9,464,084	9,046,207	4.62%
Program expenses:							
Instruction	5,823,248	5,812,104	-	-	5,823,248	5,812,104	0.19%
Support services	2,120,785	2,462,868	227	2,063	2,121,012	2,464,931	-13.95%
Non-instructional programs	-	-	280,603	294,363	280,603	294,363	-4.67%
Other expenses	474,516	463,969	-	-	474,516	463,969	2.27%
Total expenses	8,418,549	8,738,941	280,830	296,426	8,699,379	9,035,367	-3.72%
Change in net position	734,575	(5,224)	30,130	16,064	764,705	10,840	6954.47%
Net position beginning of year, as restated	2,443,951	5,739,007	25,623	88,731	2,469,574	5,827,738	-57.62%
Net position end of year	\$ 3,178,526	5,733,783	55,753	104,795	3,234,279	5,838,578	-44.61%

In fiscal year 2015, property tax and unrestricted state grants accounted for 70.01% of the revenue from governmental activities, while charges for service and operating grants and contributions accounted 99.68% of the revenue for the business type activities.

The District's total revenues were approximately \$9.46 million, of which approximately \$9.15 million was for governmental activities and approximately \$0.31 million was for business type activities.

As shown, in Figure A-4, the District as a whole experienced an increase of 4.62% in revenues and a decrease of 3.72% in expenditures.

### Governmental Activities

Revenues for governmental activities were \$9,153,124 and expenses were \$8,418,549 for the year ended June 30, 2015.

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, 2015 compared to the year ended June 30, 2014.

	Total Cost of Services			Net Cost of Services		
	2015	2014 (Not restated)	Change 2014-15	2015	2014 (Not restated)	Change 2014-15
Instruction	\$ 5,823,248	5,812,104	0.19%	4,194,194	4,309,613	-2.68%
Support services	2,120,785	2,462,868	-13.89%	2,007,436	2,318,500	-13.42%
Other expenses	474,516	463,969	2.27%	207,849	209,034	-0.57%
Total	\$ 8,418,549	8,738,941	-3.67%	6,409,479	6,837,147	-6.26%

For the year ended June 30, 2015:

- The cost financed by users of the District's programs was \$1,322,636.
- Federal and state governments along with local sources subsidized certain programs with grants and contributions totaling \$686,434.
- The net cost of governmental activities was financed with \$3,042,645 in property tax, \$101,040 in income surtax, \$611,328 in statewide sales, services and use tax, \$3,365,693 in unrestricted state grants, \$5,789 in interest income and \$17,559 in other general revenues.

### Business Type Activities

Revenues of the District's business type activities for the year ended June 30, 2015, were \$310,960 representing a 0.49% decrease from the prior year, while expenses totaled \$280,830, a 5.26% 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, investment income and other general revenues.

### 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.

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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 \$2,873,473, above last year's ending fund balances of \$2,802,208. The primary reason for the increase is due to the increase of the Management Levy Fund balance during fiscal year 2015.

### **Governmental Fund Highlights**

- The District's General Fund balance decreased from \$1,889,633 at June 30, 2014 to \$1,751,294 at June 30, 2015. An increase in state sources received during the year as compared to the prior year resulted in an increase in revenues. The increase in instruction expenditures resulted in an increase in expenses. Expenses still outpaced revenues for the year ensuring a decrease in ending fund balance.
- The Management Levy Fund balance increased from \$329,871 at June 30, 2014 to \$682,989 at June 30, 2015. This increase in fund balance is due mainly to the decrease in regular instruction expenditures incurred during the year as compared to the prior year.
- The Capital Projects Fund balance decreased from \$321,674 at June 30, 2014 to \$201,888 at June 30, 2015. The decrease in fund balances can be attributed to continued capital outlay expenditures on District construction projects.

### **Proprietary Fund Highlights**

The School Nutrition Fund net position increased from \$7,433 restated at July 1, 2014 to \$37,563 at June 30, 2015, representing an increase of 405.35%. The Day Care Fund net position remained unchanged at a net position of \$18,190 from June 30, 2014 to June 30, 2015.

## **BUDGETARY HIGHLIGHTS**

The District's revenues were \$194,059 less than budgeted revenues, a variance of 2.01%. The most significant variance resulted from the District receiving less in local source revenues than originally anticipated.

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

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

### **Capital Assets**

At June 30, 2015, the District had invested \$5,181,030, 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 6.67% from last year. More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$270,993.

The original cost of the District's capital assets was \$10,718,804. Governmental funds accounted for \$10,606,271 with the remainder of \$112,533 in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the construction in progress. The District's construction in progress totaled \$483,406 at June 30, 2015, compared to \$0 at June 30, 2014. This increase is due to new stadium lighting and elementary addition projects started, but not completed during the year.

Figure A-6  
Capital Assets, Net of Depreciation

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014	2014-15
Land	\$ 73,855	73,855	-	-	73,855	73,855	0.00%
Construction in progress	483,406	-	-	-	483,406	-	100.00%
Buildings	3,826,392	3,952,444	-	-	3,826,392	3,952,444	-3.19%
Land improvements	421,671	458,840	-	-	421,671	458,840	-8.10%
Machinery and equipment	344,779	347,239	30,927	24,884	375,706	372,123	0.96%
Total	\$ 5,150,103	4,832,378	30,927	24,884	5,181,030	4,857,262	6.67%

### Long-Term Debt

At June 30, 2015, the District had \$4,327,166 in long-term debt outstanding. This represents an increase of 121.19% from the prior year. (See Figure A-7) Of the total long-term debt remaining, \$95,000 is due within one year. More detailed information about the District's long-term liabilities is available in Note 6 to the financial statements.

Figure A-7  
Outstanding Long-Term Obligations

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30, 2015	June 30, 2014 (Not restated)	June 30, 2015	June 30, 2014 (Not restated)	June 30, 2015	June 30, 2014 (Not restated)	2014-15
Revenue bonds	\$ 1,755,000	1,855,000	-	-	1,755,000	1,855,000	-5.39%
Net OPEB liability	129,905	101,271	-	-	129,905	101,271	28.27%
Net pension liability	2,384,868	-	57,393	-	2,442,261	-	100.00%
Total	\$ 4,269,773	1,956,271	57,393	-	4,327,166	1,956,271	121.19%

### 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 2014-2015 showed a decrease of \$62,841 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 2014-2015, the following sharing agreements were approved for FY 15-16: 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 2014-2015 the district was in its sixth 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 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, 2015

	Primary Government			Component Unit *
	Governmental Activities	Business Type Activities	Total	William W. Smith Endowment
<b>ASSETS</b>				
Cash and pooled investments	\$ 3,794,787	126,189	3,920,976	604,217
Receivables:				
Property tax:				
Delinquent	37,559	-	37,559	-
Succeeding year	3,101,330	-	3,101,330	-
Income surtax	100,674	-	100,674	-
Accounts	13,145	-	13,145	-
Due from (to) other funds	27,470	(27,470)	-	-
Due from other governments	230,663	-	230,663	-
Inventories	-	11,886	11,886	-
Capital assets, net of accumulated depreciation	5,150,103	30,927	5,181,030	-
<b>TOTAL ASSETS</b>	<b>12,455,731</b>	<b>141,532</b>	<b>12,597,263</b>	<b>604,217</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Pension related deferred outflows	503,211	12,579	515,790	-
<b>LIABILITIES</b>				
Accounts payable	475,828	7,606	483,434	-
Salaries and benefits payable	754,323	-	754,323	-
Accrued interest payable	22,314	-	22,314	-
Unearned revenue	-	5,519	5,519	-
Long-term liabilities:				
Portion due within one year:				
Revenue bonds payable	95,000	-	95,000	-
Portion due after one year:				
Revenue bonds payable	1,660,000	-	1,660,000	-
Net pension liability	2,384,868	57,393	2,442,261	-
Net OPEB liability	129,905	-	129,905	-
<b>TOTAL LIABILITIES</b>	<b>5,522,238</b>	<b>70,518</b>	<b>5,592,756</b>	<b>-</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable property tax revenue	3,101,330	-	3,101,330	-
Pension related deferred inflows	1,156,848	27,840	1,184,688	-
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>4,258,178</b>	<b>27,840</b>	<b>4,286,018</b>	<b>-</b>
<b>NET POSITION</b>				
Net investment in capital assets	3,395,103	30,927	3,426,030	-
Restricted for:				
District support	-	-	-	604,217
Categorical funding	317,426	-	317,426	-
Management levy purposes	682,989	-	682,989	-
Student activities	119,988	-	119,988	-
School infrastructure	7,299	-	7,299	-
Physical plant and equipment	194,589	-	194,589	-
Debt service	95,000	-	95,000	-
Unrestricted	(1,633,868)	24,826	(1,609,042)	-
<b>TOTAL NET POSITION</b>	<b>\$ 3,178,526</b>	<b>55,753</b>	<b>3,234,279</b>	<b>604,217</b>

\* Component unit information is on a cash basis with a year end of December 31, 2014.

SEE NOTES TO FINANCIAL STATEMENTS

BATTLE CREEK-IDA GROVE COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2015

	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Unit ** William W. Smith Endowment
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Primary Government		Total	
				Governmental Activities	Business Type Activities		
<b>Functions/Programs:</b>							
Governmental activities:							
Instruction:							
Regular	\$ 3,561,864	843,930	80,406	(2,637,528)	-	(2,637,528)	-
Special	1,098,901	116,977	64,399	(917,525)	-	(917,525)	-
Other	1,162,483	250,832	272,510	(639,141)	-	(639,141)	-
	<u>5,823,248</u>	<u>1,211,739</u>	<u>417,315</u>	<u>(4,194,194)</u>	<u>-</u>	<u>(4,194,194)</u>	<u>-</u>
Support services:							
Student	196,555	-	-	(196,555)	-	(196,555)	-
Instructional staff	336,301	16,661	-	(319,640)	-	(319,640)	-
Administration	632,186	28,731	-	(603,455)	-	(603,455)	-
Operation and maintenance of plant	574,436	41,063	-	(533,373)	-	(533,373)	-
Transportation	381,307	24,442	2,452	(354,413)	-	(354,413)	-
	<u>2,120,785</u>	<u>110,897</u>	<u>2,452</u>	<u>(2,007,436)</u>	<u>-</u>	<u>(2,007,436)</u>	<u>-</u>
Long-term debt interest	44,628	-	-	(44,628)	-	(44,628)	-
Other expenses:							
AEA flowthrough	266,667	-	266,667	-	-	-	-
Depreciation(unallocated)*	163,221	-	-	(163,221)	-	(163,221)	-
	<u>429,888</u>	<u>-</u>	<u>266,667</u>	<u>(163,221)</u>	<u>-</u>	<u>(163,221)</u>	<u>-</u>
Total governmental activities	8,418,549	1,322,636	686,434	(6,409,479)	-	(6,409,479)	-
Business type activities:							
Support services:							
Operation and maintenance of plant	227	-	-	-	(227)	(227)	-
Non-instructional programs:							
Food service operations	280,603	121,013	188,943	-	29,353	29,353	-
Total business type activities	<u>280,830</u>	<u>121,013</u>	<u>188,943</u>	<u>-</u>	<u>29,126</u>	<u>29,126</u>	<u>-</u>
Total primary government	\$ 8,699,379	1,443,649	875,377	(6,409,479)	29,126	(6,380,353)	-
Total component unit	\$ 13,450	-	-	-	-	-	(13,450)
<b>General Revenues:</b>							
Local tax for:							
General purposes				\$ 2,829,252	-	2,829,252	-
Capital outlay				213,393	-	213,393	-
Income surtax				101,040	-	101,040	-
Statewide sales, services and use tax				611,328	-	611,328	-
Unrestricted state grants				3,365,693	-	3,365,693	-
Unrestricted investment earnings				5,789	26	5,815	14,480
Realized gain on investments				-	-	-	24,320
Other general revenues				17,559	978	18,537	226
Total general revenues				<u>7,144,054</u>	<u>1,004</u>	<u>7,145,058</u>	<u>39,026</u>
Change in net position				734,575	30,130	764,705	25,576
Net position beginning of year, as restated				<u>2,443,951</u>	<u>25,623</u>	<u>2,469,574</u>	<u>578,641</u>
Net position end of year				\$ <u>3,178,526</u>	<u>55,753</u>	<u>3,234,279</u>	<u>604,217</u>

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

\*\* Component unit information is on a cash basis with a year end of December 31, 2014.

SEE NOTES TO FINANCIAL STATEMENTS

BATTLE CREEK-IDA GROVE COMMUNITY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2015

	General	Management Levy	Capital Projects	Nonmajor	Total
<b>ASSETS</b>					
Cash and pooled investments	\$ 2,582,942	676,850	292,953	242,042	3,794,787
Receivables:					
Property tax:					
Delinquent	27,938	7,014	2,607	-	37,559
Succeeding year	2,509,450	174,000	417,880	-	3,101,330
Income surtax	50,337	-	50,337	-	100,674
Accounts	13,145	-	-	-	13,145
Due from other funds	27,470	-	-	-	27,470
Due from other governments	135,213	-	95,450	-	230,663
<b>TOTAL ASSETS</b>	<b>\$ 5,346,495</b>	<b>857,864</b>	<b>859,227</b>	<b>242,042</b>	<b>7,305,628</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable	\$ 281,091	875	189,122	4,740	475,828
Salaries and benefits payable	754,323	-	-	-	754,323
Total liabilities	1,035,414	875	189,122	4,740	1,230,151
Deferred inflows of resources:					
Unavailable revenues:					
Succeeding year property tax	2,509,450	174,000	417,880	-	3,101,330
Income surtax	50,337	-	50,337	-	100,674
Total deferred inflows of resources	2,559,787	174,000	468,217	-	3,202,004
Fund balances:					
Restricted for:					
Categorical funding	317,426	-	-	-	317,426
Management levy purposes	-	682,989	-	-	682,989
Student activities	-	-	-	119,988	119,988
School infrastructure	-	-	7,299	-	7,299
Physical plant and equipment	-	-	194,589	-	194,589
Debt service	-	-	-	117,314	117,314
Assigned	3,827	-	-	-	3,827
Unassigned	1,430,041	-	-	-	1,430,041
Total fund balances	1,751,294	682,989	201,888	237,302	2,873,473
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 5,346,495</b>	<b>857,864</b>	<b>859,227</b>	<b>242,042</b>	<b>7,305,628</b>

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, 2015

<b>Total fund balances of governmental funds(page 20)</b>	\$	2,873,473
 <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 the governmental funds.		5,150,103
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.		100,674
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.		(22,314)
Pension related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental funds, as follows:		
Deferred outflows of resources	\$ 503,211	
Deferred inflows of resources	<u>(1,156,848)</u>	(653,637)
Long-term liabilities, including revenue bonds payable, other postemployment benefits payable, and net pension liability, are not due and payable in the current period and, therefore, are not reported in the governmental funds.		<u>(4,269,773)</u>
<b>Net position of governmental activities(page 18)</b>	<b>\$</b>	<b><u><u>3,178,526</u></u></b>

BATTLE CREEK-IDA GROVE COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2015

	General	Management Levy	Capital Projects	Nonmajor	Total
Revenues:					
Local sources:					
Local tax	\$ 2,301,418	567,089	252,648	-	3,121,155
Tuition	409,490	-	-	-	409,490
Other	719,594	6,953	-	251,329	977,876
State sources	3,785,256	14,517	616,826	-	4,416,599
Federal sources	205,474	-	-	-	205,474
Total revenues	<u>7,421,232</u>	<u>588,559</u>	<u>869,474</u>	<u>251,329</u>	<u>9,130,594</u>
Expenditures:					
Current:					
Instruction:					
Regular	3,422,135	85,128	-	-	3,507,263
Special	1,097,301	-	-	-	1,097,301
Other	953,517	-	-	225,346	1,178,863
	<u>5,472,953</u>	<u>85,128</u>	<u>-</u>	<u>225,346</u>	<u>5,783,427</u>
Student	157,927	-	-	44,349	202,276
Instructional staff	273,943	-	59,202	-	333,145
Administration	636,882	13,104	-	-	649,986
Operation and maintenance of plant	437,043	125,253	822	-	563,118
Transportation	343,141	11,956	80,000	-	435,097
	<u>1,848,936</u>	<u>150,313</u>	<u>140,024</u>	<u>44,349</u>	<u>2,183,622</u>
Capital outlay	-	-	711,108	-	711,108
Long-term debt:					
Principal	-	-	-	100,000	100,000
Interest and fiscal charges	-	-	-	44,990	44,990
	<u>-</u>	<u>-</u>	<u>-</u>	<u>144,990</u>	<u>144,990</u>
Other expenditures:					
AEA flowthrough	266,667	-	-	-	266,667
Total expenditures	<u>7,588,556</u>	<u>235,441</u>	<u>851,132</u>	<u>414,685</u>	<u>9,089,814</u>
Excess(Deficiency) of revenues over(under) expenditures	(167,324)	353,118	18,342	(163,356)	40,780
Other financing sources(uses):					
Transfer in	-	-	-	139,628	139,628
Transfer out	-	-	(139,628)	-	(139,628)
Insurance proceeds	28,730	-	-	-	28,730
Proceeds from sale of equipment	255	-	1,500	-	1,755
Total other financing sources(uses)	<u>28,985</u>	<u>-</u>	<u>(138,128)</u>	<u>139,628</u>	<u>30,485</u>
Change in fund balances	(138,339)	353,118	(119,786)	(23,728)	71,265
Fund balances beginning of year	<u>1,889,633</u>	<u>329,871</u>	<u>321,674</u>	<u>261,030</u>	<u>2,802,208</u>
Fund balances end of year	<u>\$ 1,751,294</u>	<u>682,989</u>	<u>201,888</u>	<u>237,302</u>	<u>2,873,473</u>

SEE NOTES TO FINANCIAL STATEMENTS

BATTLE CREEK-IDA GROVE COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF ACTIVITIES  
 YEAR ENDED JUNE 30, 2015

**Change in fund balances - total governmental funds(page 22)** \$ 71,265

*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 and depreciation expense in the year, are as follows:

Capital outlay	\$ 583,777	
Depreciation expense	(266,052)	317,725

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. 100,000

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. 362

Income surtax accounts receivable is not considered available revenue and is recognized as deferred inflows of resources in the governmental funds. 22,530

The current year District employer share of IPERS contributions are reported as expenditures in the governmental funds, but are reported as a deferred outflow of resources in the Statement of Net Position. 372,042

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	(28,634)	
Pension expense	(120,715)	(149,349)

**Change in net position of governmental activities(page 19)** \$ 734,575

SEE NOTES TO FINANCIAL STATEMENTS

BATTLE CREEK-IDA GROVE COMMUNITY SCHOOL DISTRICT  
 STATEMENT OF NET POSITION  
 PROPRIETARY FUNDS  
 JUNE 30, 2015

	Business Type Activities:		
	Enterprise Funds		
	School Nutrition	Day Care	Total
<b>ASSETS</b>			
Cash and pooled investments	\$ 107,999	18,190	126,189
Inventories	11,886	-	11,886
Capital assets, net of accumulated depreciation	30,927	-	30,927
<b>TOTAL ASSETS</b>	<b>150,812</b>	<b>18,190</b>	<b>169,002</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension related deferred outflows	12,579	-	12,579
<b>LIABILITIES</b>			
Current liabilities:			
Due to other funds	27,470	-	27,470
Accounts payable	7,606	-	7,606
Unearned revenue	5,519	-	5,519
Total current liabilities	40,595	-	40,595
Noncurrent liabilities:			
Net pension liability	57,393	-	57,393
<b>TOTAL LIABILITIES</b>	<b>97,988</b>	<b>-</b>	<b>97,988</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pension related deferred inflows	27,840	-	27,840
<b>NET POSITION</b>			
Net investment in capital assets	30,927	-	30,927
Unrestricted	6,636	18,190	24,826
<b>TOTAL NET POSITION</b>	<b>\$ 37,563</b>	<b>18,190</b>	<b>55,753</b>

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, 2015

	Business Type Activities:		
	Enterprise Funds		
	School Nutrition	Day Care	Total
Operating revenues:			
Local sources:			
Charges for service	\$ 121,013	-	121,013
Miscellaneous	978	-	978
Total operating revenues	<u>121,991</u>	<u>-</u>	<u>121,991</u>
Operating expenses:			
Support services:			
Operation and maintenance of plant:			
Services	227	-	227
Non-instructional programs:			
Food service operations:			
Salaries	106,598	-	106,598
Benefits	11,113	-	11,113
Services	2,590	-	2,590
Supplies	154,554	-	154,554
Other	807	-	807
Depreciation	4,941	-	4,941
	<u>280,603</u>	<u>-</u>	<u>280,603</u>
Total operating expenses	<u>280,830</u>	<u>-</u>	<u>280,830</u>
Operating loss	<u>(158,839)</u>	<u>-</u>	<u>(158,839)</u>
Non-operating revenues:			
State sources	2,805	-	2,805
Federal sources	186,138	-	186,138
Interest on investments	26	-	26
Total non-operating revenues	<u>188,969</u>	<u>-</u>	<u>188,969</u>
Change in net position	30,130	-	30,130
Net position beginning of year, as restated	<u>7,433</u>	<u>18,190</u>	<u>25,623</u>
Net position end of year	<u>\$ 37,563</u>	<u>18,190</u>	<u>55,753</u>

SEE NOTES TO FINANCIAL STATEMENTS

BATTLE CREEK-IDA GROVE COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2015

	Business Type Activities:		
	Enterprise Funds		
	School Nutrition	Day Care	Total
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	\$ 121,083	-	121,083
Cash received from miscellaneous	978	-	978
Cash payments to employees for services	(124,229)	(2,300)	(126,529)
Cash payments to suppliers for goods or services	(124,722)	-	(124,722)
Net cash used by operating activities	(126,890)	(2,300)	(129,190)
Cash flows from non-capital financing activities:			
Borrowings from General Fund	3,944	-	3,944
State grants received	2,805	-	2,805
Federal grants received	161,590	-	161,590
Net cash provided by non-capital financing activities	168,339	-	168,339
Cash flows from capital and related financing activities:			
Acquisition of capital assets	(10,984)	-	(10,984)
Cash flows from investing activities:			
Interest on investments	26	-	26
Net increase(decrease) in cash and pooled investments	30,491	(2,300)	28,191
Cash and pooled investments at beginning of year	77,508	20,490	97,998
Cash and pooled investments at end of year	\$ 107,999	18,190	126,189
<b>Reconciliation of operating loss to net cash used by operating activities:</b>			
Operating loss	\$ (158,839)	-	(158,839)
Adjustments to reconcile operating loss to net cash used by operating activities:			
Commodities used	24,548	-	24,548
Depreciation	4,941	-	4,941
Decrease in inventories	1,990	-	1,990
Increase in accounts payable	6,918	-	6,918
Decrease in salaries and benefits payable	-	(2,300)	(2,300)
Decrease in net pension liability	(30,235)	-	(30,235)
Increase in deferred outflows of resources	(4,123)	-	(4,123)
Increase in deferred inflows of resources	27,840	-	27,840
Increase in unearned revenue	70	-	70
Net cash used by operating activities	\$ (126,890)	(2,300)	(129,190)

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

During the year ended June 30, 2015, the District received Federal commodities valued at \$24,548.

SEE NOTES TO FINANCIAL STATEMENTS

BATTLE CREEK-IDA GROVE COMMUNITY SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUND  
JUNE 30, 2015

	<u>Private Purpose Trust</u>
	<u>Scholarship Fund</u>
<b>ASSETS</b>	
Cash and pooled investments	\$ 6,250
<b>LIABILITIES</b>	<u>-</u>
<b>NET POSITION</b>	
Held in trust for scholarships	<u>\$ 6,250</u>

SEE NOTES TO FINANCIAL STATEMENTS

BATTLE CREEK-IDA GROVE COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUND  
YEAR ENDED JUNE 30, 2015

	<u>Private Purpose Trust Scholarship Fund</u>
Additions:	
Local sources:	
Gifts and contributions	<u>\$ 10,000</u>
Deductions:	
Instruction:	
Regular:	
Scholarships awarded	<u>3,750</u>
Change in net position	6,250
Net position beginning of year	<u>-</u>
Net position end of year	<u>\$ 6,250</u>

BATTLE CREEK-IDA GROVE COMMUNITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

**(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 predominately 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.

These financial statements present the Battle Creek-Ida Grove Community School District (the primary government) and its component unit. The component unit discussed below is included in the District's reporting entity because of the significance of its operational or financial relationship with the District.

Discretely Presented Component Unit - The William W. Smith Endowment was established for the purpose of expanding and improving the physical facilities or equipment used in teaching physical and chemical sciences and mathematics. The William W. Smith Endowment is a legally separate entity with its own board of trustees and accounting records. In accordance with criteria set forth by the Governmental Accounting Standards Board, the Endowment meets the definition of a component unit which should be discretely presented. The Endowment is accounted for as a component unit in these financial statements with the year ending December 31, 2014.

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 non-fiduciary 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 non-fiduciary assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Net position is reported in the three 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 non-major 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 non-major 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.

The District also reports fiduciary funds which focus on net position and changes in net position. The District's fiduciary fund include the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements which require income earned to be used to benefit individuals through scholarship awards.

### **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 non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise 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, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Equity**

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

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

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

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

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2013 assessed property valuations; is for the tax accrual period July 1, 2014 through June 30, 2015 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2014.

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
Intangles	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

Deferred Outflows of Resources - Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense and contributions from the employer after the measurement date but before the end of the employer’s reporting period.

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.

Pensions - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Iowa Public Employees' Retirement System (IPERS) and additions to/deductions from IPERS' fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Inflows of Resources - Deferred inflows of resources represent an acquisition of net position that applies to future period(s) and will not be recognized as an inflow of resources (revenue) until that time. 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 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 and the unamortized portion of the net difference between projected and actual earnings on pension plan investments.

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

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

Assigned - Amounts are not available for appropriation but are set aside for a specific purpose.

Unassigned - All amounts not included in the preceding classifications.

#### **E. Budgets and Budgetary Accounting**

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

#### **(2) Cash and Pooled Investments**

The District's deposits at June 30, 2015 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, 2015, the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$212,778 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investments in the Iowa Schools Joint Investment Trust was rated AAA by Standard & Poor's Financial Services.

**(3) Due From and Due to Other Funds**

The detail of interfund receivables and payables at June 30, 2015 is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Nutrition Fund	\$ 27,470

The Nutrition Fund is repaying the General Fund for July and August salaries incurred during the year.

**(4) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2015 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects: Statewide Sales, Services and Use Tax	\$ 139,628

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.

**(5) Capital Assets**

Capital assets activity for the year ended June 30, 2015 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 73,855	-	-	73,855
Construction in progress	-	483,406	-	483,406
Total capital assets not being depreciated	73,855	483,406	-	557,261
Capital assets being depreciated:				
Buildings	7,174,748	-	-	7,174,748
Land improvements	809,828	-	-	809,828
Machinery and equipment	2,016,063	100,371	52,000	2,064,434
Total capital assets being depreciated	10,000,639	100,371	52,000	10,049,010
Less accumulated depreciation for:				
Buildings	3,222,304	126,052	-	3,348,356
Land improvements	350,988	37,169	-	388,157
Machinery and equipment	1,668,824	102,831	52,000	1,719,655
Total accumulated depreciation	5,242,116	266,052	52,000	5,456,168
Total capital assets being depreciated, net	4,758,523	(165,681)	-	4,592,842
Governmental activities capital assets, net	\$ 4,832,378	317,725	-	5,150,103
<b>Business type activities:</b>				
Machinery and equipment	\$ 101,549	10,984	-	112,533
Less accumulated depreciation	76,665	4,941	-	81,606
Business type activities capital assets, net	\$ 24,884	6,043	-	30,927

Depreciation expense was charged by the District as follows:

**Governmental activities:**

Instruction:		
Regular		\$ 60,440
Other		5,748
Support services:		
Instructional staff		1,354
Administration		1,275
Operation and maintenance of plant		8,658
Transportation		25,356
		<u>102,831</u>
Unallocated depreciation		<u>163,221</u>
Total governmental activities depreciation expense		<u>\$ 266,052</u>

**Business type activities:**

Food service operations		<u>\$ 4,941</u>
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**(6) Long-Term Liabilities**

A summary of changes in long-term liabilities for the year ended June 30, 2015 is as follows:

	Balance Beginning of Year, Restated	Additions	Deletions	Balance End of Year	Due Within One Year
<b>Governmental activities:</b>					
Revenue bonds	\$ 1,855,000	-	100,000	1,755,000	95,000
Net OPEB liability	101,271	28,634	-	129,905	-
Net pension liability	3,641,221	-	1,256,353	2,384,868	-
Total	<u>\$ 5,597,492</u>	<u>28,634</u>	<u>1,356,353</u>	<u>4,269,773</u>	<u>95,000</u>
<b>Business type activities:</b>					
Net pension liability	\$ 87,628	-	30,235	57,393	-

**Revenue Bonds**

Details of the District's June 30, 2015 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
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	1.875	100,000	38,988	138,988
2021-2025	2.125-2.825	530,000	160,077	690,077
2026-2030	3.025-3.600	745,000	77,948	822,948
Total		<u>\$ 1,755,000</u>	<u>447,140</u>	<u>2,202,140</u>

The District has pledged future statewide sales, services and use tax revenues to repay the \$1,895,000 of bonds issued July 2012. The bonds were issued for the purpose of financing renovations to the elementary building. The bonds are payable solely from the proceeds of the statewide sales, services

and use tax revenues received by the District and are payable through 2030. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require nearly 23% of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the bonds is \$2,202,140. For the current year, \$100,000 in principal and \$44,990 in interest was paid on the bonds and total statewide sales, services and use tax revenues were \$611,328.

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.

#### **(7) Pension Plan**

Plan Description - IPERS membership is mandatory for employees of the District, except for those covered by another retirement system. Employees of the District are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive P.O. Box 9117, Des Moines, Iowa 50306-9117 or at [www.ipers.org](http://www.ipers.org).

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general information purposes only. Refer to the plan documents for more information.

Pension Benefits - A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, anytime after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. (These qualifications must be met on the member's first month of entitlement to benefits.) Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier (based on years of service).
- The member's highest five-year average salary. (For members with service before June 30, 2012, the highest three-year average salary as of that date will be used if it is greater than the highest five-year average salary.)

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25 percent for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50 percent for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits - A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions - Effective July 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2015, pursuant to the required rate, Regular members contributed 5.95 percent of pay and the District contributed 8.93 percent for a total rate of 14.88 percent.

The District's contributions to IPERS for the year ended June 30, 2015 were \$381,464.

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2015, the District reported a liability of \$2,442,261 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2014, the District's collective proportion was .060346 percent, which was an decrease of .005511 from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the District recognized pension expense of \$123,619. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 26,543	\$ -
Changes of assumptions	107,783	-
Net difference between projected and actual earnings on pension plan investments	-	931,408
Changes in proportion and differences between District contributions and proportionate share of contributions	-	253,280
District contributions subsequent to the measurement date	381,464	-
<b>Total</b>	<b>\$ 515,790</b>	<b>\$ 1,184,688</b>

\$381,464 reported as deferred outflows of resources related to pensions resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended	
June 30,	
2016	\$ (260,645)
2017	(260,645)
2018	(260,645)
2019	(260,645)
2020	(7,782)
	<u>\$ (1,050,362)</u>

There were no non-employer contributing entities at IPERS.

Actuarial Assumptions - The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of inflation (effective June 30, 2014)	3.00 percent per annum
Rates of salary increase (effective June 30, 2010)	4.00 to 17.00 percent, average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 1996)	7.50 percent, compounded annually, net of investment expense, including inflation

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Equity	23%	6.31
Non US Equity	15	6.76
Private Equity	13	11.34
Real Estate	8	3.52
Core Plus Fixed Income	28	2.06
Credit Opportunities	5	3.67
TIPS	5	1.92
Other Real Assets	2	6.27
Cash	1	(0.69)
Total	<u>100%</u>	

Discount Rate - The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the District will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate.

	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
District's proportionate share of the net pension liability	\$ 4,614,585	\$ 2,442,261	\$ 608,596

Pension Plan Fiduciary Net Position - Detailed information about the pension plan's fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at [www.ipers.org](http://www.ipers.org).

Payables to the Pension Plan - At June 30, 2015, the District reported payables to the defined benefit pension plan of \$52,994 for legally required employer contributions and \$35,310 for legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

**(8) 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, 2015, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 35,777
Interest on net OPEB obligation	2,532
Adjustment to annual required contribution	(6,991)
Annual OPEB cost	<u>31,318</u>
Contributions made	(2,684)
Increase in net OPEB obligation	<u>28,634</u>
Net OPEB obligation beginning of year	101,271
Net OPEB obligation end of year	<u><u>\$ 129,905</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, 2015.

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, 2015 are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2013	\$ 34,977	7.56%	75,346
2014	28,569	9.25%	101,271
2015	31,318	8.57%	129,905

Funded Status and Funding Progress - As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2014 through June 30, 2015, the actuarial accrued liability was \$216,473, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$216,473. The covered payroll (annual payroll of active employees covered by the plan) was \$2,224,224, and the ratio of the UAAL to covered payroll was 9.73%. As of June 30, 2015, 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 for the Retiree Health Plan, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents 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.

**(9) Risk Management**

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

**(10) Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District’s actual amount for this purpose totaled \$266,667 for the year ended June 30, 2015 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**(11) Categorical Funding**

The District’s restricted fund balance for categorical funding at June 30, 2015 is comprised of the following programs:

Program	Amount
Home school assistance program	\$ 57,237
Gifted and talented programs	51,047
Returning dropouts and dropout prevention programs	46,539
Teacher salary supplement	10,471
Market factor	3,656
Market factor incentives	570
Four-year-old preschool state aid	90,523
Successful progression for early readers	14,954
Professional development for model core curriculum	32,839
Professional development	9,590
Total	\$ 317,426

**(12) Detailed Reconciliation of Governmental Fund Balances to Net Position**

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

	Net Investment in Capital Assets	Debt Service	Unassigned/ Unrestricted
<b>Fund balance (Exhibit C)</b>	\$ -	117,314	1,430,041
Invested in capital assets, net of accumulated depreciation	5,150,103	-	-
Revenue bond capitalized indebtedness	(1,755,000)	-	-
Accrued interest payable	-	(22,314)	-
Income surtax	-	-	100,674
Assigned fund balance	-	-	3,827
Net pension liability	-	-	(2,384,868)
Pension related deferred outflows	-	-	503,211
Pension related deferred inflows	-	-	(1,156,848)
Net OPEB liability	-	-	(129,905)
<b>Net position (Exhibit A)</b>	\$ 3,395,103	95,000	(1,633,868)

**(13) Deficit Accounts/Unrestricted Net Position**

At June 30, 2015, the District's Capital Projects: Statewide Sales Services and Use Tax: Ida and Crawford Counties Fund had a deficit fund balance of \$5,411. The District also had a deficit unrestricted net position of \$1,633,868 in its governmental activities.

**(14) Accounting Change/Restatement**

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions - an Amendment of GASB No. 27 was implemented during fiscal year 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, GASB No. 68 requires a state or local government employer to recognize a net pension liability and changes in the net pension liability, deferred outflows of resources and deferred inflows of resources which arise from other types of events related to pensions. During the transition year, as permitted, beginning balances for deferred outflows of resources and deferred inflows of resources will not be reported, except for deferred outflows of resources related to contributions made after the measurement date of the beginning net pension liability which is required to be reported by Governmental Accounting Standards Board Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. Beginning net position for governmental and business type activities were restated to retroactively report the beginning net pension liability and deferred outflows of resources related to contributions made after the measurement date, as follows:

	Governmental Activities	Business Type Activities		
		School Nutrition	Day Care	Total
Net position June 30, 2014, as previously reported	\$ 5,733,783	\$ 86,605	18,190	104,795
Net pension liability at June 30, 2014	(3,641,221)	(87,628)	-	(87,628)
Deferred outflows of resources related to the contributions made after the June 30, 2013 measurement date	351,389	8,456	-	8,456
Net position July 1, 2014, as restated	\$ 2,443,951	\$ 7,433	18,190	25,623

**(15) Construction Commitment**

The District entered into various contracts for the stadium lighting project and elementary addition project. At June 30, 2015, \$483,406 had been incurred on the contracts. The remaining balance will be paid as work on the projects progresses.

**REQUIRED SUPPLEMENTARY INFORMATION**

BATTLE CREEK-IDA GROVE COMMUNITY SCHOOL DISTRICT  
 BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENDITURES/EXPENSES AND  
 CHANGES IN BALANCES -  
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS  
 AND PROPRIETARY FUNDS  
 REQUIRED SUPPLEMENTARY INFORMATION  
 YEAR ENDED JUNE 30, 2015

	Governmental	Proprietary	Total	Budgeted Amounts		Final to
	Funds	Funds		Original	Final	Actual
	Actual	Actual				Actual
Revenues:						
Local sources	\$ 4,508,521	122,017	4,630,538	5,401,386	5,401,386	(770,848)
State sources	4,416,599	2,805	4,419,404	3,902,227	3,902,227	517,177
Federal sources	205,474	186,138	391,612	332,000	332,000	59,612
Total revenues	9,130,594	310,960	9,441,554	9,635,613	9,635,613	(194,059)
Expenditures/expenses:						
Instruction	5,783,427	-	5,783,427	6,675,000	6,675,000	891,573
Support services	2,183,622	227	2,183,849	2,423,000	2,423,000	239,151
Non-instructional programs	-	280,603	280,603	310,000	310,000	29,397
Other expenditures	1,122,765	-	1,122,765	1,236,813	1,236,813	114,048
Total expenditures/expenses	9,089,814	280,830	9,370,644	10,644,813	10,644,813	1,274,169
Excess(Deficiency) of revenues over(under) expenditures/expenses	40,780	30,130	70,910	(1,009,200)	(1,009,200)	1,080,110
Other financing sources, net	30,485	-	30,485	-	-	30,485
Excess(Deficiency) of revenues and other financing sources over(under) expenditures/expenses	71,265	30,130	101,395	(1,009,200)	(1,009,200)	1,110,595
Balances beginning of year, as restated	2,802,208	25,623	2,827,831	2,288,119	2,288,119	539,712
Balances end of year	\$ 2,873,473	55,753	2,929,226	1,278,919	1,278,919	1,650,307

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

BATTLE CREEK-IDA GROVE COMMUNITY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING  
YEAR ENDED JUNE 30, 2015

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

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

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

BATTLE CREEK-IDA GROVE COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
 IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
 LAST FISCAL YEAR\*  
 REQUIRED SUPPLEMENTARY INFORMATION

	2015
District's proportion of the net pension liability	0.060346%
District's proportionate share of the net pension liability	\$ 2,442,261
District's covered-employee payroll	\$ 4,271,720
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	57.17%
Plan fiduciary net position as a percentage of the total pension liability	87.61%

\* The amount presented for each fiscal year were determined as of June 30.

**Note:** GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

**BATTLE CREEK-IDA GROVE COMMUNITY SCHOOL DISTRICT**  
**SCHEDULE OF DISTRICT CONTRIBUTIONS**  
**IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM**  
**LAST TEN FISCAL YEARS**  
**REQUIRED SUPPLEMENTARY INFORMATION**

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Statutorily required contribution	\$ 381,464	360,083	269,293	339,859	280,686	285,561	279,344	261,930	249,970	240,286
Contributions in relation to the statutorily required contribution	(381,464)	(360,083)	(269,293)	(339,859)	(280,686)	(285,561)	(279,344)	(261,930)	(249,970)	(240,286)
Contribution deficiency (excess)	\$ -	-	-	-	-	-	-	-	-	-
District's covered-employee payroll	\$ 4,271,720	4,032,284	3,106,032	4,211,388	4,038,647	4,108,791	4,399,118	4,329,421	4,347,304	4,178,887
Contributions as a percentage of covered-employee payroll	8.93%	8.93%	8.67%	8.07%	6.95%	6.95%	6.35%	6.05%	5.75%	5.75%

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

BATTLE CREEK-IDA GROVE COMMUNITY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION- PENSION LIABILITY  
YEAR ENDED JUNE 30, 2015

**Changes of benefit terms**

Legislation passed in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3 percent per year measured from the member's first unreduced retirement age to a 6 percent reduction for each year of retirement before age 65.

In 2008, legislative action transferred four groups - emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers - from Regular membership to the protection occupation group for future service only.

Benefit provisions for sheriffs and deputies were changed in the 2004 legislative session. The eligibility for unreduced retirement benefits was lowered from age 55 by one year each July 1 (beginning in 2004) until it reached age 50 on July 1, 2008. The years of service requirement remained at 22 or more. Their contribution rates were also changed to be shared 50-50 by the employee and employer, instead of the previous 40-60 split.

**Changes of assumptions**

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25 percent to 3.00 percent
- Decreased the assumed rate of interest on member accounts from 4.00 percent to 3.75 percent per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included in the calculation of the UAL amortization payments the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate.

The 2006 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted salary increase assumptions to service based assumptions.
- Decreased the assumed interest rate credited on employee contributions from 4.25 percent to 4.00 percent.
- Lowered the inflation assumption from 3.50 percent to 3.25 percent.
- Lowered disability rates for sheriffs and deputies and protection occupation members.

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%
2015	July 1, 2012	-	216,473	216,473	0.0%	2,224,224	9.73%

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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

BATTLE CREEK-IDA GROVE COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF ASSETS, LIABILITIES AND NET POSITION – CASH BASIS  
 COMPONENT UNIT  
 DECEMBER 31, 2014

		William W. Smith Endowment
<b>ASSETS</b>		
Cash and pooled investments	\$	604,217
<b>LIABILITIES</b>		
		-
<b>NET POSITION</b>		
Restricted for District support	\$	604,217

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

BATTLE CREEK-IDA GROVE COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF SUPPORT AND REVENUES, EXPENSES AND  
CHANGES IN NET POSITION – CASH BASIS  
COMPONENT UNIT  
YEAR ENDED DECEMBER 31, 2014

		William W. Smith Endowment
Revenues:		
Interest and dividends	\$	14,480
Realized gain on investments		24,320
Other		226
Total revenues		39,026
Expenses:		
Grants to organizations		9,287
Management		3,431
Legal fees		470
Investment management fees		35
Tax on investment income		197
Other		30
Total expenses		13,450
Change in net position		25,576
Net position beginning of year		578,641
Net position end of year	\$	604,217

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

**SUPPLEMENTARY INFORMATION**

BATTLE CREEK-IDA GROVE COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2015

	Special Revenue		Total
	Student Activity	Debt Service	
<b>ASSETS</b>			
Cash and pooled investments	\$ 124,728	117,314	242,042
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ 4,740	-	4,740
Deferred inflows of resources	-	-	-
Fund balances:			
Restricted for:			
Student activities	119,988	-	119,988
Debt service	-	117,314	117,314
Total fund balances	119,988	117,314	237,302
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 124,728</b>	<b>117,314</b>	<b>242,042</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

BATTLE CREEK-IDA GROVE COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 YEAR ENDED JUNE 30, 2015

	Special Revenue		Total
	Student Activity	Debt Service	
Revenues:			
Local sources:			
Other	\$ 251,329	-	251,329
Expenditures:			
Current:			
Instruction:			
Other	225,346	-	225,346
Support services:			
Student	44,349	-	44,349
Long-term debt:			
Principal	-	100,000	100,000
Interest	-	44,990	44,990
Total expenditures	269,695	144,990	414,685
Deficiency of revenues under expenditures	(18,366)	(144,990)	(163,356)
Other financing sources:			
Transfer in	-	139,628	139,628
Change in fund balances	(18,366)	(5,362)	(23,728)
Fund balances beginning of year	138,354	122,676	261,030
Fund balances end of year	\$ 119,988	117,314	237,302

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

BATTLE CREEK-IDA GROVE COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 CAPITAL PROJECTS ACCOUNTS  
 JUNE 30, 2015

	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	
<b>ASSETS</b>				
Cash and pooled investments	\$ 11,341	84,685	196,927	292,953
Receivables:				
Property tax:				
Delinquent	-	-	2,607	2,607
Succeeding year	-	-	417,880	417,880
Income surtax	-	-	50,337	50,337
Due from other governments	1,369	94,081	-	95,450
<b>TOTAL ASSETS</b>	<b>\$ 12,710</b>	<b>178,766</b>	<b>667,751</b>	<b>859,227</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ -	184,177	4,945	189,122
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	-	-	417,880	417,880
Income surtax	-	-	50,337	50,337
Total deferred inflows of resources	-	-	468,217	468,217
Fund balances:				
Restricted for:				
School infrastructure	12,710	(5,411)	-	7,299
Physical plant and equipment	-	-	194,589	194,589
Total fund balances	12,710	(5,411)	194,589	201,888
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 12,710</b>	<b>178,766</b>	<b>667,751</b>	<b>859,227</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

BATTLE CREEK-IDA GROVE COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES  
 CAPITAL PROJECTS ACCOUNTS  
 YEAR ENDED JUNE 30, 2015

	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	\$ -	-	252,648	252,648
State sources	8,812	602,516	5,498	616,826
Total revenues	8,812	602,516	258,146	869,474
Expenditures:				
Current:				
Support services:				
Instructional staff	-	-	59,202	59,202
Operation and maintenance of plant	-	-	822	822
Transportation	-	-	80,000	80,000
Capital outlay	2,200	641,075	67,833	711,108
Total expenditures	2,200	641,075	207,857	851,132
Excess(Deficiency) of revenues over(under) expenditures	6,612	(38,559)	50,289	18,342
Other financing sources(uses):				
Transfer out	-	(139,628)	-	(139,628)
Proceeds from sale of equipment	-	-	1,500	1,500
Total other financing sources(uses)	-	(139,628)	1,500	(138,128)
Change in fund balances	6,612	(178,187)	51,789	(119,786)
Fund balances beginning of year	6,098	172,776	142,800	321,674
Fund balances end of year	\$ 12,710	(5,411)	194,589	201,888

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, 2015

Account	Balance Beginning of Year	Revenues	Expendi- tures	Intra- Fund Transfers	Balance End of Year
Cross Country	\$ 1,634	2,896	4,033	249	746
Falcon Boy's Basketball	1,693	1,241	1,830	584	1,688
Falcon Football	5,312	5,561	8,473	467	2,867
HS Falcon Baseball	4,841	205	377	-	4,669
Falcon High School Bowling	2,877	180	30	92	3,119
Falcon Boys Golf	688	346	32	150	1,152
Falcon Wrestling	1,434	3,136	4,678	973	865
Falcon Girls Basketball	6,358	143	656	46	5,891
Falcon Volleyball	4,748	200	750	580	4,778
Falcon Girls Softball	4,592	1,085	2,625	200	3,252
Falcon Girls Golf	501	-	-	-	501
Concessions	6,997	38,445	29,614	(9,139)	6,689
Interest	-	44	-	(44)	-
Class of 2015	3,113	489	3,047	(555)	-
Class of 2016	262	11,138	12,277	877	-
Class of 2017	67	-	395	350	22
OA/BCIG Coed Athletics	27,601	96,487	95,245	(186)	28,657
HS Vocal	1,255	28,979	28,060	-	2,174
HS Band	5,375	3,341	6,959	-	1,757
Senior Memories	1,328	1,194	1,048	-	1,474
Quiz Bowl Fund	403	25	261	44	211
STEP Program	267	-	-	-	267
HS Art Club	1,912	2,002	1,291	-	2,623
FCCLA	945	-	-	-	945
Spanish Club	37	-	-	-	37
HS Student Council	6,753	1,009	3,029	678	5,411
FFA	24,535	37,531	44,349	-	17,717
OA/BCIG Cheerleaders	3,954	77	3,181	2,494	3,344
OA/BCIG Drama	7,173	4,257	5,965	-	5,465
OA/BCIG Dance Team	8,175	11,273	11,326	1,794	9,916
OA/BCIG NHS	3,524	45	164	346	3,751
Total	\$ 138,354	251,329	269,695	-	119,988

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

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

	Modified Accrual Basis									
	Years Ended June 30,									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Revenues:										
Local sources:										
Local tax	\$ 3,121,155	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
Tuition	409,490	427,488	463,171	512,383	350,538	371,539	393,603	383,799	380,045	300,685
Other	977,876	916,700	988,576	1,071,207	1,103,449	1,073,640	480,107	409,600	468,740	430,455
State sources	4,416,599	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
Federal sources	205,474	191,540	208,748	271,311	363,313	574,536	231,666	170,078	175,486	214,114
Total	\$ 9,130,594	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
Expenditures:										
Current:										
Instruction:										
Regular	\$ 3,507,263	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
Special	1,097,301	948,923	1,034,036	1,059,916	950,589	849,285	833,349	830,788	788,325	823,163
Other	1,178,863	987,759	1,048,074	1,023,746	869,611	945,366	886,965	723,737	715,866	706,376
Support services:										
Student	202,276	195,487	190,872	179,239	168,576	160,926	113,074	113,476	159,825	150,047
Instructional staff	333,145	475,152	333,121	323,429	453,164	313,285	359,992	330,225	313,868	293,904
Administration	649,986	660,956	548,406	526,952	526,898	554,948	603,513	637,155	649,696	646,404
Operation and maintenance of plant	563,118	658,215	642,696	630,292	530,868	605,919	620,908	690,685	683,858	674,114
Transportation	435,097	356,566	393,294	392,454	316,567	381,100	319,064	361,473	366,948	358,952
Capital outlay	711,108	910,645	2,310,001	555,971	363,594	797,419	425,984	266,409	315,829	172,932
Long-term debt:										
Principal	100,000	40,000	200,000	200,000	200,000	-	-	-	-	-
Interest	44,990	45,458	25,398	9,500	15,250	4,500	-	-	-	-
Other expenditures:										
AEA flow-through	266,667	254,935	242,190	237,537	266,330	264,023	244,531	239,274	233,619	227,081
Total	\$ 9,089,814	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

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, 2015, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 1, 2016.

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

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in Part I of the accompanying Schedule of Findings as item I-A-15 to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part I of the accompanying Schedule of Findings as items I-B-15 and I-C-15 to be significant deficiencies.

## **Compliance and Other Matters**

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

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2015 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.

March 1, 2016  
Newton, Iowa

BATTLE CREEK-IDA GROVE COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2015

**Part I: Findings Related to the Basic Financial Statements:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**INTERNAL CONTROL DEFICIENCIES:**

I-A-15 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 one or more 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 are constantly evaluating duties of central office staff and trying to cross train on many of those duties.

Conclusion - Response accepted.

I-B-15 Non-certified Time Sheets - We noted during our audit that the District does not maintain documentation of hours worked by coaches who are non-certified staff. This creates a situation where calculating wages per hour amounts is not possible.

Recommendation - In order to comply with the Department of Labor requirements on wage per hour contracts, the District needs to keep track of the hours worked for non-certified staff coaches. The District should then determine if wages paid comply with minimum wage and overtime requirements.

Response - The District distributes the calendars and requirements each year but non-certified staff but haven't been returning the documents. We have met with the Head Coaches and Athletic Directors and are working toward a better return rate.

Conclusion - Response accepted.

I-C-15 Scholarship Check - We noted during our audit that the District wrote a scholarship check from the General Fund instead of the Private-Purpose Trust Fund.

Recommendation - Scholarship revenue should be receipted and expensed directly from the appropriate fund. Money's raised for scholarships should be receipted and expensed from the Private-Purpose Trust Fund.

Response - The District will follow the proper procedure for scholarship fund receipts and checks issued in the future.

Conclusion - Response accepted.

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

II-A-15 Certified Budget - District disbursements for the year ended June 30, 2015, did not exceed the amounts budgeted.

II-B-15 Questionable Disbursements - No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

II-C-15 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-15 Business Transactions - Business transactions between the District and District officials are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Roger Walter, Maintenance Director Brother owns Walter Construction	Purchased Services	\$ 7,725

In accordance with an Attorney General's opinion dated November 9, 1976, the above transactions with the relative of the District employee do not appear to represent a conflict of interest.

II-E-15 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-15 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

II-G-15 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Iowa Department of Education.

II-H-15 Supplementary Weighting - No variance regarding the supplementary weighting certified to the Iowa Department of Education were noted.

II-I-15 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-15 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-15 Categorical Funding - We noted during our audit that the District paid for registration to a conference and a control brick for the robotics part of the curriculum and coded those expenses to Professional Development for Model Core Curriculum. Iowa Administrative Code 281 Chapter 98.26 includes as inappropriate uses of categorical funding, “any expenditures that supplant professional development opportunities the school district otherwise makes available.” Registration to a conference and a control brick for robotics parts would not appear to be allowable use of professional development categorical funding.

The following is the adjustment to the ending restricted balance for categorical funding:

	Restricted Balance on District's CAR	Amount Of Expense Adjustment	Audited Ending Restricted Balance
Professional Development for Model Core Curriculum	\$ 32,260	\$ 579	\$ 32,839

Recommendation - The District should review Chapter 98 of the Iowa Administrative Code “Financial Management of categorical funding” to better understand the appropriate vs. inappropriate expenditures for categorical funding. The District should contact the Iowa Department of Education regarding required corrective action.

Response - The administrative team has reviewed Chapter 98 Code and discussed at monthly meetings, the appropriate expenditures for Categorical Funds and will monitor expenditures to ensure they meet the Code guidelines.

Conclusion - Response accepted.

II-L-15 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, 2015, 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 2015 audit:

Beginning Balance		\$ 178,874
Revenues:		
Sales tax revenues		611,328
		<u>790,202</u>
Expenditures/transfer out:		
School infrastructure construction	\$ 643,275	
Transfer to other funds:		
Debt service fund	139,628	782,903
		<u>782,903</u>
Ending Balance		<u><u>\$ 7,299</u></u>

For the year ended June 30, 2015, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of Code of Iowa.

II-M-15 Officiating Contracts - We noted during our audit that the Board President was not signing Activity Fund officiating contracts. According to Chapter 291.1 of the Code of Iowa, the Board President shall sign all contracts entered into by the District.

Recommendation - The District needs to have the Board President sign all contracts the District enters into to be in compliance with Chapter 291.1 of the Code of Iowa.

Response - At the October 2015 meeting, the BCIG Board approved authorizing personnel at the Central Office of the Athletic Director to stamp or scan the Board President's signature on the official's contracts with the Battle Creek-Ida Grove School District.

Conclusion - Response accepted

II-N-15 Financial Condition - We noted during our audit that the District's Capital Projects: Statewide Sales Services and Use Tax: Ida and Crawford Counties Fund had a deficit fund balance of \$5,411. The District also had a deficit unrestricted net position of \$1,633,868 in its governmental activities. The primary reason for the deficit unrestricted net position in the governmental activities is due to the implementation of GASB Statement No. 68 and No. 71 during the year.

Recommendation - The District should monitor the Capital Projects Fund and investigate alternatives to eliminate the deficit. The District should take steps to ensure the District's administration and Board of Education understand this accounting change/restatement and how GASB Statements No. 68 and 71 will affect the District's financials moving forward.

Response - We will monitor the Capital Projects Fund and investigate alternatives to eliminate deficits and take steps to ensure the Administration and Board understand the accounting change and how GASB No. 68 and 71 will affect the District's financials moving forward.

Conclusion - Response accepted.