

SIGOURNEY COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2004

Contents

		<u>Page</u>
Officials		1
Independent Auditor's Report		2-3
Management's Discussion and Analysis (MD&A)		4-12
Basic Financial Statements:	<u>Exhibit</u>	
Government-Wide Financial Statements:		
Statement of Net Assets	A	13
Statement of Activities	B	14-15
Governmental Fund Financial Statements:		
Balance Sheet	C	16
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets	D	17
Statement of Revenues, Expenditures and Changes in Fund Balances	E	18
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	F	19
Proprietary Fund Financial Statements:		
Statement of Net Assets	G	20
Statement of Revenues, Expenses and Changes in Net Assets	H	21
Statement of Cash Flows	I	22
Fiduciary Fund Financial Statements:		
Statement of Fiduciary Net Assets	J	23
Statement of Changes in Fiduciary Net Assets	K	24
Notes to Financial Statements		25-35
Required Supplementary Information:		
Budgetary Comparison Schedule of Revenues, Expenditures and Changes in Balances - Budget and Actual (GAAP Basis) - All Governmental Funds and Proprietary Fund		36-37
Notes to Required Supplementary Information - Budgetary Reporting		38
Other Supplementary Information:	<u>Schedule</u>	
Nonmajor Governmental Funds:		
Combining Balance Sheet	1	39
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	2	40
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	3	41
Schedule of Revenues by Source and Expenditures by Function - All Governmental Fund Types	4	42
Independent Auditor's Report on Compliance and on Internal Control over Financial Reporting		43-44
Schedule of Findings		45-47

Sigourney Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September 2003 Election)		
Richard Coffman	President	2004
Kathy Utterback	Vice President	2004
Larry Anderson	Board Member	2005
Richard Danowsky	Board Member	2003
Laurel Striegle	Board Member	2004
Mike Christner	Board Member	2003
David Goll	Board Member	2005
Board of Education (After September 2003 Election)		
Richard Coffman	President	2004
Kathy Utterback	Vice President	2004
Laurel Striegle	Board Member	2004
Larry Anderson	Board Member	2005
David Goll	Board Member	2005
Richard Danowsky	Board Member	2006
Lori Yates	Board Member	2006
School Officials		
David Harris	Superintendent	2004
Yvonne Pitsch	District Secretary/Treasurer and Business Manager	2004
Ed Conrad	Attorney	2004

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

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the
Sigourney Community School District:

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Sigourney Community School District as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Sigourney Community School District at June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year ended in conformity with U.S. generally accepted accounting principles.

As described in Note 9 to the financial statements, during the year ended June 30, 2004, Sigourney Community School District adopted Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments; Statement No. 37, Basic Financial Statements - and Management's Discussion and Analysis - State and Local Governments: Omnibus; and Statement No. 38, Certain Financial Statement Note Disclosures; Statement No. 41, Budgetary Comparison Schedule - Perspective Differences; and Interpretation Number 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements.

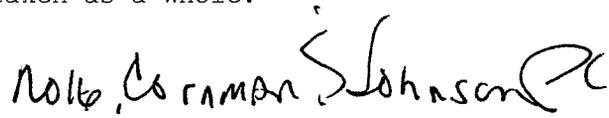
In accordance with Government Auditing Standards, we have also issued our report dated October 1, 2004 on our consideration of the Sigourney Community School District's internal control over

Members American Institute & Iowa Society of Certified Public Accountants

financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 12 and 36 through 38 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Auditing Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Sigourney Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for three years ended June 30, 2003 (none of which are presented herein) and expressed an unqualified opinion on those financial statements. The supplemental information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.


NOLTE, CORNMAN & JOHNSON, P.C.

October 1, 2004

MANAGEMENT'S DISCUSSION AND ANALYSIS

Sigourney 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, 2004. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

Because the District is implementing new reporting standards for this fiscal year with significant changes in content and structure, much of the information is not easily comparable to prior years. However, in future years, comparisons will be more meaningful and will go further in explaining the District's financial position and results of operations.

2004 FINANCIAL HIGHLIGHTS

- General Fund revenues decreased from \$5,473,645 in fiscal 2003 to \$5,451,203 in fiscal 2004, while General Fund expenditures increased from \$5,177,971 in fiscal 2003 to \$5,669,775 in fiscal 2004. This resulted in a decrease in the District's General Fund balance from \$1,492,075 in fiscal 2003 to a balance of \$1,273,553 in fiscal 2004, a 14.65% decrease from the prior year.
- The decrease in General Fund revenues was attributable to a decrease in state and federal grant revenue in fiscal 2004. The increase in expenditures was due primarily to an increase in the negotiated salary and benefits and restricted grant expenditures.
- A decline in interest rates during the past fiscal year, combined with less cash available to be invested, resulted in interest earnings in the General Fund alone to decrease from \$16,820 in fiscal year 2003 to \$12,079 in fiscal year 2004.

USING THIS ANNUAL REPORT

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

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

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Sigourney 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 Sigourney 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 Sigourney Community School District acts solely as an agent or custodial for the benefit of those outside of the School District.

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

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor funds.

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

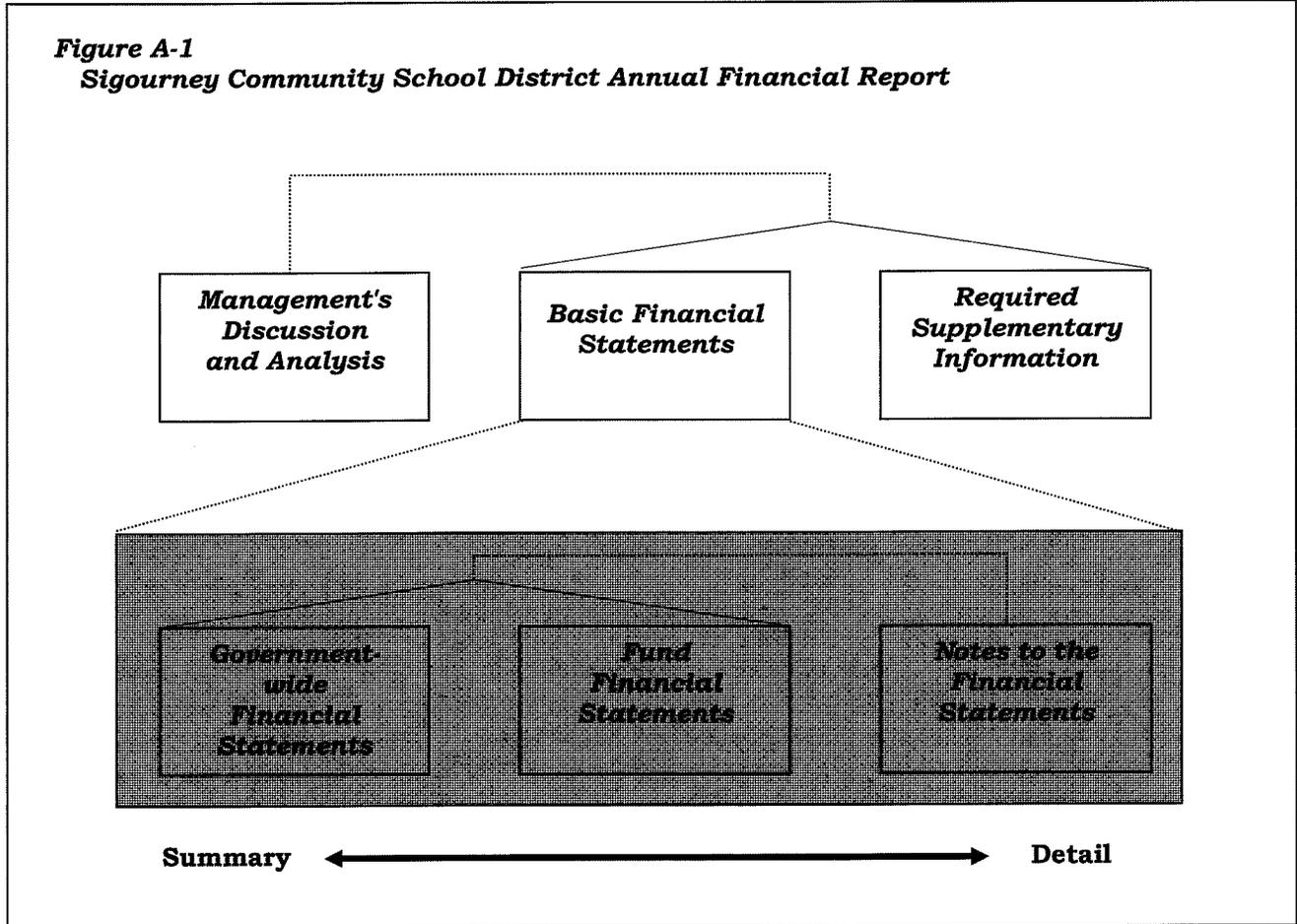


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	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, e.g., food service	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of revenues, expenses and changes in net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
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 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 Assets includes all of the District’s assets and liabilities. All of the current year’s revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

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

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

The required financial statements for the governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

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

The required financial statements for the proprietary funds include a statement of revenues, expenses and changes in net assets 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 Fund.

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

The District is responsible for ensuring that 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 District-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 assets and a statement of changes in fiduciary net assets.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District’s net assets for the year ended June 30, 2004.

Figure A-3
Condensed Statement of Net Assets

	Governmental Activities 2004	Business-type Activities 2004	Total School District 2004
Current and other assets	\$ 3,588,379	34,734	3,623,113
Capital assets	3,028,513	36,269	3,064,782
Total assets	<u>6,616,892</u>	<u>71,003</u>	<u>6,687,895</u>
Long-term obligations	1,234,187	0	1,234,187
Other liabilities	2,068,747	1,936	2,070,683
Total liabilities	<u>3,302,934</u>	<u>1,936</u>	<u>3,304,870</u>
Net assets:			
Invested in capital assets, net of related debt	1,831,285	36,269	1,867,554
Restricted	127,859	0	127,859
Unrestricted	1,354,814	32,798	1,387,612
Total net assets	<u>\$ 3,313,958</u>	<u>69,067</u>	<u>3,383,025</u>

Figure A-4 shows the changes in net assets for the year ended June 30, 2004.

Figure A-4
Changes of Net Assets

	Governmental	Business-type	Total
	Activities	Activities	School District
	2004	2004	2004
Revenues:			
Program revenues:			
Charges for services	\$ 693,031	118,771	811,802
Operating grants and contributions and restricted interest	705,537	109,342	814,879
General revenues:			
Property tax	2,252,921	0	2,252,921
Unrestricted state grants	2,446,614	0	2,446,614
Other	14,296	83	14,379
Total revenues	<u>6,112,399</u>	<u>228,196</u>	<u>6,340,595</u>
Program expenses:			
Governmental activities:			
Instructional	4,329,378	0	4,329,378
Support services	1,369,539	0	1,369,539
Non-instructional programs	631	247,365	247,996
Other expenditures	353,764	0	353,764
Total expenses	<u>6,053,312</u>	<u>247,365</u>	<u>6,300,677</u>
Changes in net assets before capital contributions	<u>\$ 59,087</u>	<u>(19,169)</u>	<u>39,918</u>

Property tax and unrestricted state grants account for 74% of the total revenue. The District's expenses primarily relate to instruction and support services which account for 90% of the total expenses.

Governmental Activities

Revenues for governmental activities were \$6,112,399 and expenses were \$6,053,312.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses.

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services	Net Cost of Services
Instruction	\$ 4,329,378	3,127,704
Support services	1,369,539	1,369,539
Non-instructional programs	631	631
Other expenditures	353,764	156,870
Totals	<u>\$ 6,053,312</u>	<u>4,654,744</u>

- The cost financed by users of the District's programs was \$693,031.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$705,537.
- The net cost of governmental activities was financed with \$2,252,921 in property tax, \$2,446,614 in state foundation aid, \$14,329 in interest income and \$50 as a gain on sale of capital assets.

Business-Type Activities

Revenues of the District's business-type activities were \$228,196 and expenses were \$247,365. The District's business-type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income. The District also had capital contributions of \$17,391 from the Physical Plant and Equipment Levy (PPEL) Fund.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$1,429,758, below last year's ending fund balances of a \$1,629,112. However, the primary reason for the increase in combined fund balances in fiscal 2004 is due to increased general fund expenditures.

Governmental Fund Highlights

- The District's deteriorating General Fund financial position from \$1,492,075 to \$1,273,553 is the product of many factors:
 - Reduction in state grants during the year resulted in a decrease in revenues.
 - The increase in negotiated salary and benefits settlement, as well as existing expenditure commitments of the District, resulted in an increase in expenditures.

Proprietary Fund Highlights

The School Nutrition Fund net assets decreased from \$70,845 at June 30, 2003 to \$69,067 at June 30, 2004, representing a decrease of 2.51%.

BUDGETARY HIGHLIGHTS

Over the course of the year, Sigourney Community School District amended its annual budget one time to reflect additional expenditures associated with the other expenditures.

The District's revenues were \$247,874 less than budgeted revenues, a variance of 3.82%. The most significant variance resulted from the District receiving less in state sources than originally anticipated.

Total expenditures were less than budgeted, 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, 2004, the District had invested \$3,064,782, 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) More detailed information about capital assets is available in Note 3 to the financial statements. Depreciation expense for the year was \$164,231.

The original cost of the District's capital assets was \$5.5 million. Governmental funds account for \$5.3 million with the remainder of \$0.2 million in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the building category. The District's building totaled \$2,575,427 at June 30, 2004, compared to \$2,657,324 reported at June 30, 2003. This decrease resulted from current depreciation expense.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental	Business-type	Total
	Activities	Activities	School District
	2004	2004	2004
Land	\$ 78,935	0	78,935
Buildings	2,575,427	0	2,575,427
Land improvements	241,647	0	241,647
Machinery and equipment	132,504	36,269	168,773
Total	\$ 3,028,513	36,269	3,064,782

Long-Term Debt

At June 30, 2004, the District had \$1,234,187 in general obligation and other long-term debt outstanding. This represents a decrease of 14.0% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 4 to the financial statements.

The District had total outstanding General Obligation Bonds payable of \$1,220,000 at June 30, 2004.

The District had total outstanding Compensated Absences payable from the General Fund of \$14,187 at June 30, 2004.

Figure A-7
Outstanding Long-Term Obligations

	Total School District		Total Change
	2004	2003	
General Obligation Bonds	\$ 1,220,000	1,435,000	-15.0%
Compensation Absences	14,187	0	100.0%
	\$ 1,234,187	1,435,000	-14.0%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- Low allowable growth over several years and enrollment decreases is negatively impacting the District's spending authority. Contractual increases and program changes cannot be made without thorough consideration of our unspent authorized budget.
- Continued budget concerns at state level will affect future projections. The District has been forced to shift funding to property taxes.
- The voters of Keokuk County passed by 78.3% the Local Option Sales and Services Tax for School Infrastructure (SILO). This 1 cent tax on sales and services will greatly benefit the District in maintaining their buildings, purchasing equipment and debt repayment. The funding will begin in September 2004.
- The budget guarantee (whereby Districts are guaranteed 100% of their current budget for the upcoming year) is being phased out over a ten year period beginning in fiscal year 2005.

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 Yvonne Pitsch, Board Secretary, Sigourney Community School District, 107 West Marion, Sigourney, Iowa, 52591.

BASIC FINANCIAL STATEMENTS

SIGOURNEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2004

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and pooled investments	\$ 1,078,567	26,938	1,105,505
Receivables:			
Property tax:			
Delinquent	42,450	0	42,450
Succeeding year	2,030,394	0	2,030,394
Income surtax	96,602	0	96,602
Accounts	1,637	0	1,637
Due from other governments	338,729	0	338,729
Inventories	0	7,796	7,796
Capital assets, net of accumulated depreciation (Note 3)	3,028,513	36,269	3,064,782
TOTAL ASSETS	6,616,892	71,003	6,687,895
LIABILITIES			
Accounts payable	14,861	0	14,861
Salaries and benefits payable	16,764	0	16,764
Interest payable	6,728	0	6,728
Deferred revenue:			
Succeeding year property tax	2,030,394	0	2,030,394
Other	0	1,936	1,936
Long-term liabilities (Note 4):			
Portion due within one year:			
General obligation bonds payable	225,000	0	225,000
Compensated absences	14,187	0	14,187
Portion due after one year:			
General obligation bonds payable	995,000	0	995,000
TOTAL LIABILITIES	3,302,934	1,936	3,304,870
NET ASSETS			
Investment in capital assets, net of related debt	1,831,285	36,269	1,867,554
Restricted for:			
Teacher compensation	182	0	182
Early intervention	972	0	972
Management levy	1,342	0	1,342
Physical plant and equipment levy	57,405	0	57,405
Other special revenue purposes	67,958	0	67,958
Unrestricted	1,354,814	32,798	1,387,612
TOTAL NET ASSETS	\$ 3,313,958	69,067	3,383,025

SEE NOTES TO FINANCIAL STATEMENTS.

SIGOURNEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2004

	Program Revenues		
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest
Functions/Programs			
Governmental activities:			
Instruction:			
Regular instruction	\$ 2,363,634	84,305	481,567
Special instruction	1,561,658	362,501	27,076
Other instruction	404,086	246,225	0
	<u>4,329,378</u>	<u>693,031</u>	<u>508,643</u>
Support services:			
Student services	92,753	0	0
Instructional staff services	141,855	0	0
Administration services	583,522	0	0
Operation and maintenance of plant services	293,349	0	0
Transportation services	240,206	0	0
Central support services	17,854	0	0
	<u>1,369,539</u>	<u>0</u>	<u>0</u>
Non-instructional programs:			
Food service operations	631	0	0
Other expenditures:			
Facilities acquisitions	17,391	0	0
Long-term debt interest and fiscal charges	62,238	0	0
AEA flowthrough	196,894	0	196,894
Depreciation (unallocated) *	77,241	0	0
	<u>353,764</u>	<u>0</u>	<u>196,894</u>
Total governmental activities	6,053,312	693,031	705,537
Business-Type activities:			
Non-instructional programs:			
Nutrition services	247,365	118,771	109,342
Total business-type activities	<u>247,365</u>	<u>118,771</u>	<u>109,342</u>
Total	<u>\$ 6,300,677</u>	<u>811,802</u>	<u>814,879</u>

General Revenues:

Local tax for:
 General purposes
 Capital outlay
 Debt service
Unrestricted state grants
Unrestricted investment earnings
Gain on sale of capital assets

Total general revenues

Changes in net assets before capital contributions

Capital contributions

Changes in net assets

Net assets beginning of year, as restated (Note 9)

Net assets end of year

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

SEE NOTES TO FINANCIAL STATEMENTS.

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
(1,797,762)	0	(1,797,762)
(1,172,081)	0	(1,172,081)
(157,861)	0	(157,861)
<u>(3,127,704)</u>	<u>0</u>	<u>(3,127,704)</u>
(92,753)	0	(92,753)
(141,855)	0	(141,855)
(583,522)	0	(583,522)
(293,349)	0	(293,349)
(240,206)	0	(240,206)
(17,854)	0	(17,854)
<u>(1,369,539)</u>	<u>0</u>	<u>(1,369,539)</u>
(631)	0	(631)
(17,391)	0	(17,391)
(62,238)	0	(62,238)
0	0	0
(77,241)	0	(77,241)
<u>(156,870)</u>	<u>0</u>	<u>(156,870)</u>
(4,654,744)	0	(4,654,744)
0	(19,252)	(19,252)
0	(19,252)	(19,252)
<u>(4,654,744)</u>	<u>(19,252)</u>	<u>(4,673,996)</u>
\$ 1,933,719	0	1,933,719
43,079	0	43,079
276,123	0	276,123
2,446,614	0	2,446,614
14,246	83	14,329
50	0	50
<u>4,713,831</u>	<u>83</u>	<u>4,713,914</u>
59,087	(19,169)	39,918
0	17,391	17,391
59,087	(1,778)	57,309
3,254,871	70,845	3,325,716
<u>\$ 3,313,958</u>	<u>69,067</u>	<u>3,383,025</u>

SIGOURNEY COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2004

	General	Other Governmental Funds	Total
ASSETS			
Cash and pooled investments	\$ 930,358	148,209	1,078,567
Receivables:			
Property tax			
Delinquent	34,454	7,996	42,450
Succeeding year	1,630,182	400,212	2,030,394
Income surtax	96,602	0	96,602
Accounts	1,637	0	1,637
Due from other governments	338,729	0	338,729
TOTAL ASSETS	\$ 3,031,962	556,417	3,588,379
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 14,861	0	14,861
Salaries and benefits payable	16,764	0	16,764
Deferred revenue:			
Succeeding year property tax	1,630,182	400,212	2,030,394
Income surtax	96,602	0	96,602
Total liabilities	1,758,409	400,212	2,158,621
Fund balances:			
Reserved for:			
Debt service	0	29,500	29,500
Teacher compensation	182	0	182
Early intervention	972	0	972
Unreserved:			
Undesignated:			
General	1,272,399	0	1,272,399
Management levy	0	1,342	1,342
Physical plant and equipment levy	0	57,405	57,405
Other special revenue purposes	0	67,958	67,958
Total fund balances	1,273,553	156,205	1,429,758
TOTAL LIABILITIES AND FUND BALANCES	\$ 3,031,962	556,417	3,588,379

SEE NOTES TO FINANCIAL STATEMENTS.

SIGOURNEY COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET ASSETS
 JUNE 30, 2004

Total fund balances of governmental funds (page 16)	\$	1,429,758
 <i>Amounts reported for governmental activities in the statement of net assets 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.		3,028,513
Accounts receivable income surtax, are not yet available to finance expenditures of the current period.		96,602
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.		(6,728)
Long-term liabilities, including general obligation bonds and compensated absences, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		(1,234,187)
		<hr style="border: 0.5px solid black;"/>
Net assets of governmental activities (page 13)	\$	<u><u>3,313,958</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

SIGOURNEY COMMUNITY SCHOOL DISTRICT
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2004

	Other Governmental		Total
	General	Funds	
REVENUES:			
Local sources:			
Local tax	\$ 1,767,773	388,546	2,156,319
Tuition	446,806	0	446,806
Other	84,473	175,998	260,471
State sources	2,861,247	0	2,861,247
Federal sources	290,904	0	290,904
Total revenues	<u>5,451,203</u>	<u>564,544</u>	<u>6,015,747</u>
EXPENDITURES:			
Current:			
Instruction:			
Regular instruction	2,323,895	29,451	2,353,346
Special instruction	1,561,658	0	1,561,658
Other instruction	275,178	176,280	451,458
	<u>4,160,731</u>	<u>205,731</u>	<u>4,366,462</u>
Support services:			
Student services	91,808	945	92,753
Instructional staff services	138,192	631	138,823
Administration services	569,124	17,013	586,137
Operation and maintenance of plant services	275,004	10,954	285,958
Transportation services	220,168	13,337	233,505
Central support services	17,854	0	17,854
	<u>1,312,150</u>	<u>42,880</u>	<u>1,355,030</u>
Non-instructional programs:			
Food service operations	0	631	631
Other expenditures:			
Facilities acquisitions	0	17,391	17,391
Long-term debt:			
Principal	0	215,000	215,000
Interest and fiscal charges	0	63,743	63,743
AEA flowthrough	196,894	0	196,894
	<u>196,894</u>	<u>296,134</u>	<u>493,028</u>
Total expenditures	<u>5,669,775</u>	<u>545,376</u>	<u>6,215,151</u>
Excess(deficiency) of revenues over(under) expenditures	(218,572)	19,168	(199,404)
OTHER FINANCING SOURCES:			
Sale of equipment	50	0	50
Net change in fund balances	(218,522)	19,168	(199,354)
Fund balance beginning of year	1,492,075	137,037	1,629,112
Fund balance end of year	<u>\$ 1,273,553</u>	<u>156,205</u>	<u>1,429,758</u>

SEE NOTES TO FINANCIAL STATEMENTS.

SIGOURNEY 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, 2004

Net change in fund balances - total governmental funds (page 18) \$ (199,354)

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

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Depreciation expense exceeded capital outlay expenditures in the current year are as follows:

Expenditures for capital assets	\$ 114,230	
Depreciation expense	<u>(154,709)</u>	(40,479)

Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds. 96,602

Repayment of long-term debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets. 215,000

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. 1,505

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.
 Compensated absences (14,187)

Changes in net assets of governmental activities (page 15) \$ 59,087

SIGOURNEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2004

	School Nutrition
ASSETS	
Cash and pooled investments	\$ 26,938
Inventories	7,796
Capital assets, net of accumulated depreciation(Note 3)	36,269
TOTAL ASSETS	71,003
LIABILITIES	
Deferred revenues:	
Other	1,936
TOTAL LIABILITIES	1,936
NET ASSETS	
Investment in capital assets, net of related debt	36,269
Unrestricted	32,798
TOTAL NET ASSETS	\$ 69,067

SEE NOTES TO FINANCIAL STATEMENTS.

SIGOURNEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2004

	School Nutrition
OPERATING REVENUE:	
Local sources:	
Charges for services	\$ 118,771
TOTAL OPERATING REVENUES	118,771
OPERATING EXPENSES:	
Non-instructional programs:	
Food service operations:	
Salaries	82,542
Benefits	37,720
Services	2,607
Supplies	114,974
Depreciation	9,522
TOTAL OPERATING EXPENSES	247,365
OPERATING LOSS	(128,594)
NON-OPERATING REVENUES:	
State sources	3,705
Federal sources	105,637
Interest income	83
TOTAL NON-OPERATING REVENUES	109,425
Net loss before capital contributions	(19,169)
Capital contributions	17,391
Change in net assets	(1,778)
Net assets beginning of year	70,845
Net assets end of year	\$ 69,067

SEE NOTES TO FINANCIAL STATEMENTS.

SIGOURNEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2004

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 120,707
Cash payments to employees for services	(122,691)
Cash payments to suppliers for goods or services	(100,284)
Net cash used in operating activities	(102,268)
Cash flows from non-capital financing activities:	
State grants received	3,705
Federal grants received	90,326
Net cash provided by non-capital financing activities	94,031
Cash flows from investing activities:	
Interest on investments	83
Net cash provided by investing activities	83
Net decrease in cash and cash equivalents	(8,154)
Cash and cash equivalents at beginning of year	35,092
Cash and cash equivalents at end of year	\$ 26,938
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (128,594)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	15,311
Depreciation	9,522
Decrease in inventories	1,986
Decrease in salaries and benefits payable	(2,429)
Increase in deferred revenue	1,936
Net cash used in operating activities	\$ (102,268)
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:	
Current assets:	
Cash and pooled investments	\$ 26,938

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2004, the District received Federal commodities valued at \$15,311.

During the year ended June 30, 2004, the Physical Plant and Equipment Levy (PPEL) Fund contributed capital of \$17,391.

SEE NOTES TO FINANCIAL STATEMENTS.

SIGOURNEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
JUNE 30, 2004

	<u>Private Purpose</u>
	<u>Trust</u>
	<u>Scholarship</u>
ASSETS	
Cash and pooled investments	\$ <u>12,000</u>
NET ASSETS	
Reserved for scholarships	\$ <u>12,000</u>

SEE NOTES TO FINANCIAL STATEMENTS.

SIGOURNEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUND
YEAR ENDED JUNE 30, 2004

	<u>Private Purpose</u>
	<u>Trust</u>
	<u>Scholarship</u>
Additions	\$ 0
Deductions	0
Change in net assets	0
Net assets beginning of year	<u>12,000</u>
Net assets end of year	<u>\$ 12,000</u>

SEE NOTES TO FINANCIAL STATEMENTS.

SIGOURNEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

(1) Summary of Significant Accounting Policies

The Sigourney Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the City of Sigourney, Iowa, and the predominate agricultural territory in Keokuk County. 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, Sigourney Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The Sigourney Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

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

B. Basis of Presentation

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

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

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

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

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

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

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

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 District reports the following major proprietary funds:

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

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

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

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

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

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

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

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

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

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

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the balance sheet:

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, 2002 assessed property valuations; is for the tax accrual period July 1, 2003 through June 30, 2004 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2003.

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, are reported in the applicable governmental or business-type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and 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	\$ 0
Buildings	5,000
Land improvements	5,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	5,000

Property, machinery and equipment 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
Machinery and equipment	5-20 years

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

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

receivables and other receivables not collected within sixty days after year end.

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

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death, or retirement. A liability is recorded when incurred in the government-wide financial statements. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2004. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

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

Fund Equity - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

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

E. Budgeting and Budgetary Control

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

(2) **Cash and Pooled Investments**

The District's deposits at June 30, 2004 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.

The District had investments in the Iowa Schools Joint Investment Trust which are valued at an amortized cost of \$981,584 pursuant to Rule 2a-7 under the Investment Company Act of 1940. Governmental Accounting Standards Board Statement No. 3 requires investments to be categorized to give an indication of the level

of risk assumed by the District at year end. The District's investment in the Iowa Schools Joint Investment Trust is not subject to risk categorization.

(3) Capital Assets

Capital assets activity for the year ended June 30, 2004 is as follows:

	Balance Beginning of Year, as restated (Note 9)	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 78,935	0	0	78,935
Total capital assets not being depreciated	<u>78,935</u>	<u>0</u>	<u>0</u>	<u>78,935</u>
Capital assets being depreciated:				
Buildings	4,293,066	0	0	4,293,066
Land improvements	335,691	53,218	0	388,909
Machinery and equipment	488,444	61,012	0	549,456
Total capital assets being depreciated	<u>5,117,201</u>	<u>114,230</u>	<u>0</u>	<u>5,231,431</u>
Less accumulated depreciation for:				
Buildings	1,635,742	81,897	0	1,717,639
Land improvements	132,318	14,944	0	147,262
Machinery and equipment	359,084	57,868	0	416,952
Total accumulated depreciation	<u>2,127,144</u>	<u>154,709</u>	<u>0</u>	<u>2,281,853</u>
Total capital assets being depreciated, net	<u>2,990,057</u>	<u>(40,479)</u>	<u>0</u>	<u>2,949,578</u>
Governmental activities capital assets, net	<u>\$ 3,068,992</u>	<u>(40,479)</u>	<u>0</u>	<u>3,028,513</u>
Business-type activities:				
Machinery and equipment	\$ 154,039	17,391	7,208	164,222
Less accumulated depreciation	125,639	9,522	7,208	127,953
Business-type activities capital assets, net	<u>\$ 28,400</u>	<u>7,869</u>	<u>0</u>	<u>36,269</u>

Depreciation expense was charged by the District as follows:

Governmental activities:		
Instruction:		
Regular		\$ 10,288
Other		5,846
Support services:		
Instructional staff		3,032
Administration		3,243
Operation and maintenance of plant		1,560
Transportation		53,499
		77,468
Unallocated depreciation		77,241
		\$ 154,709
Business-type activities:		
Food services		\$ 9,522
Total business-type activities depreciation expense		\$ 9,522

(4) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2004 are summarized as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
General Obligation Bonds	\$ 1,435,000	0	215,000	1,220,000	225,000
Compensated Absences	0	14,187	0	14,187	14,187
	\$ 1,435,000	14,187	215,000	1,234,187	239,187

General Obligation Bonds Payable

Details of the District's June 30, 2004 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bond issue of May 13, 1998			Bond issue of May 1, 1999			Total		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest	Principal	Interest	Total
2005	4.35 %	\$ -	13,703	4.30 %	\$ 225,000	40,368	\$ 225,000	54,071	279,071
2006	4.35	315,000	13,703	4.35	5,000	30,692	320,000	44,395	364,395
2007	-	-	-	4.40	160,000	30,476	160,000	30,476	190,476
2008	-	-	-	4.50	255,000	23,436	255,000	23,436	278,436
2009	-	-	-	4.60	260,000	11,960	260,000	11,960	271,960
Total		\$ 315,000	27,406		\$ 905,000	136,932	1,220,000	164,338	1,384,338

(5) Advance Refunding

The Districts refunding of May 13, 1998 was calculated with inaccurate data. Consequently, the District was required to refinance existing debt. On May 1, 1999 the District issued refunding bonds in the amount of \$1,680,000 to advance refund \$1,680,000 of outstanding general obligation bonds. The proceeds of the refunding issue have been placed in an irrevocable escrow account and have been invested in U.S. Government Obligations which have added to the appropriate financial statements and schedules. The District remains contingently liable in the remote possibility the account is insufficient to pay the refunded bonds. At June 30, 2004, \$330,000 of such bonds are

outstanding. Repayment of principal and interest for the year was \$320,000 and \$41,332 respectively.

(6) Pension and Retirement Benefits

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

Plan members are required to contribute 3.70% of their annual salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2004, 2003 and 2002. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2004, 2003 and 2002 were \$192,982, \$183,356 and \$189,526 respectively, equal to the required contributions for each year.

(7) Risk Management

Sigourney Community School District is a member in the Iowa School Employees Benefits Association, and Iowa Code Chapter 28E organization. The Iowa School Employees Benefits Association (ISEBA) is a local government risk-sharing pool whose members include various schools throughout the State of Iowa. ISEBA was formed July 1999 for the purpose of managing and funding employee benefits. ISEBA provides coverage and protection in the following categories: medical, dental, vision and prescription drugs.

Each member's contributions to ISEBA funds current operations and provides capital. Annual operating contributions are those amounts necessary to fund, on a GAAP basis, ISEBA's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital.

The District's contributions to the risk pool are recorded as expenditures from its General Fund at the time of payment to the risk pool. District contributions to ISEBA for the year ended June 30, 2004 were \$872,351.

Payments from participating members are the sole source for paying claims and establishing reserves for the ISEBA self-funded programs. Stop loss insurance is purchased by ISEBA to protect against large claims but the potential exists for claims to exceed the premium payments made by members into the program. In the event that claims exceed premiums and reserves, an assessment may be necessary to pay claims and replenish reserves in the program.

The District does not report a liability for losses in excess of stop loss insurance unless it is deemed probable that such losses have occurred and the amount of such a loss can be reasonably estimated. Accordingly, at June 30, 2004, no liability has been recorded in the District's financial

statements. As of June 30, 2004, settled claims have not exceeded the risk pool or reinsurance company coverage.

Members agree to continue membership in the pool for a period of not less than one full year. After such period, a member who has given 30 days prior written notice may withdraw. ISEBA will pay claims incurred before the termination date.

Sigourney 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.

(8) 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 \$196,894 for the year ended June 30, 2004 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(9) Accounting Change and Restatements

Governmental Accounting Standards Board(GASB) Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements was implemented during the year ended June 30, 2004. The interpretation modifies when compensated absences and early retirement liabilities are recorded under the modified accrual basis of accounting.

Governmental Accounting Standards Board(GASB) Statement Number 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments, Statement Number 37, Basic Financial Statements and Management's Discussion and Analysis - for State and Local Governments; Omnibus, Statement Number 38, Certain Financial Statement Note Disclosures, and Statement Number 41, Budgetary Comparison Schedule - Perspective Differences; were implemented during the year ended June 30, 2004. The statements create new basic financial statements for reporting the District's financial activities. The financial statements now include Government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

The Government-wide financial statements split the District's programs between business-type and governmental activities. The beginning net asset amount for governmental activities has been restated to include capital assets, long-term liabilities and the changes in assets and liabilities at July 1, 2003 caused by the conversion to the accrual basis of accounting.

Beginning capital assets for governmental activities of \$6,532,229 were restated to \$5,196,136. The restatement

primarily removed assets that were less than the capitalization threshold.

The effects of the accounting change and other restatements in the governmental activities are summarized as follows:

	Fund		Total
	General	Other Nonmajor Governmental Funds	
Net assets, June 30, 2003, as previously reported	\$ 1,492,075	137,037	1,629,112
GASB Interpretation 6 adjustments	0	0	0
Net assets, July 1, 2003, as restated for governmental funds	\$ 1,492,075	137,037	1,629,112
GASB 34 adjustments:			
Capital assets, net of accumulated depreciation of \$2,127,144			3,068,992
Long-term liabilities:			
General obligation bonds payable	\$ 1,435,000		(1,435,000)
Interest payable			(8,233)
Net assets, July 1, 2003, as restated			\$ 3,254,871

REQUIRED SUPPLEMENTAL INFORMATION

SIGOURNEY COMMUNITY SCHOOL DISTRICT
 BUDGETARY COMPARISON OF REVENUES, EXPENDITURES AND
 CHANGES IN BALANCES -
 BUDGET AND ACTUAL (GAAP BASIS) - ALL GOVERNMENTAL FUNDS
 AND PROPRIETARY FUNDS
 REQUIRED SUPPLEMENTARY INFORMATION
 YEAR ENDED JUNE 30, 2004

	Governmental Fund Types Actual	Proprietary Fund Type Actual
Revenues:		
Local sources	\$ 2,863,596	118,854
State sources	2,861,247	3,705
Federal sources	290,904	105,637
Total revenues	<u>6,015,747</u>	<u>228,196</u>
Expenditures:		
Instruction	4,366,462	0
Support services	1,355,030	0
Non-instructional programs	631	247,365
Other expenditures	493,028	0
Total expenditures	<u>6,215,151</u>	<u>247,365</u>
Excess(deficiency) of revenues over(under) expenditures	(199,404)	(19,169)
Other financing sources, net and capital contributions	<u>50</u>	<u>17,391</u>
Excess(deficiency) of revenues and other financing sources and capital contributions over(under) expenditures	(199,354)	(1,778)
Balance beginning of year	<u>1,629,112</u>	<u>70,845</u>
Balance end of year	<u>\$ 1,429,758</u>	<u>69,067</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
	Original	Final	
2,982,450	3,045,191	3,045,191	(62,741)
2,864,952	3,141,626	3,141,626	(276,674)
396,541	305,000	305,000	91,541
<u>6,243,943</u>	<u>6,491,817</u>	<u>6,491,817</u>	<u>(247,874)</u>
4,366,462	5,690,960	5,690,960	1,324,498
1,355,030	1,481,000	1,481,000	125,970
247,996	293,907	293,907	45,911
493,028	597,196	597,196	104,168
<u>6,462,516</u>	<u>8,063,063</u>	<u>8,063,063</u>	<u>1,600,547</u>
(218,573)	(1,571,246)	(1,571,246)	(1,352,673)
<u>17,441</u>	<u>1,000</u>	<u>1,000</u>	<u>(16,441)</u>
(201,132)	(1,570,246)	(1,570,246)	(1,369,114)
<u>1,699,957</u>	<u>1,582,246</u>	<u>1,582,246</u>	<u>117,711</u>
<u><u>1,498,825</u></u>	<u><u>12,000</u></u>	<u><u>12,000</u></u>	<u><u>1,486,825</u></u>

SIGOURNEY COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2004

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. Encumbrances are not recognized on the GAAP basis budget and appropriations lapse at year end.

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.

OTHER SUPPLEMENTAL INFORMATION

SIGOURNEY COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2004

	Special Revenue Funds						Total Other Nonmajor Governmental Funds
	Manage- ment	Student Activity	Physical Plant and Equipment Levy	Expendable Trust	Total Special Revenue Funds	Debt Service	
ASSETS							
Cash and pooled investments	\$ (88)	62,571	56,519	5,387	124,389	23,820	148,209
Receivables:							
Property tax:							
Delinquent	1,430	0	886	0	2,316	5,680	7,996
Succeeding year property tax	81,000	0	40,142	0	121,142	279,070	400,212
TOTAL ASSETS	\$ 82,342	62,571	97,547	5,387	247,847	308,570	556,417
LIABILITIES AND FUND EQUITY							
Liabilities:							
Deferred revenue:							
Succeeding year property tax	\$ 81,000	0	40,142	0	121,142	279,070	400,212
	81,000	0	40,142	0	121,142	279,070	400,212
Fund equity:							
Fund balances:							
Reserved for debt service	0	0	0	0	0	29,500	29,500
Unreserved, undesignated	1,342	62,571	57,405	5,387	126,705	0	126,705
	1,342	62,571	57,405	5,387	126,705	29,500	156,205
TOTAL LIABILITIES AND FUND EQUITY	\$ 82,342	62,571	97,547	5,387	247,847	308,570	556,417

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SIGOURNEY COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2004

	Special Revenue Funds					Debt Service	Total Other Nonmajor Governmental Funds
	Manage- ment	Student Activity	Physical Plant and Equipment Levy	Expendable Trust	Total Special Revenue Funds		
REVENUES:							
Local sources:							
Local tax	\$ 69,344	0	43,079	0	112,423	276,123	388,546
Other	0	174,874	333	366	175,573	425	175,998
TOTAL REVENUES	69,344	174,874	43,412	366	287,996	276,548	564,544
EXPENDITURES:							
Current:							
Instruction:							
Regular instruction	28,621	0	0	830	29,451	0	29,451
Other instruction	0	176,280	0	0	176,280	0	176,280
Support services:							
Support services	945	0	0	0	945	0	945
Instructional staff services	631	0	0	0	631	0	631
Administration services	17,013	0	0	0	17,013	0	17,013
Operation and maintenance:							
of plant services	10,954	0	0	0	10,954	0	10,954
Transportation services	13,337	0	0	0	13,337	0	13,337
Non-instructional programs:							
Food service operations	631	0	0	0	631	0	631
Other expenditures:							
Facilities acquisitions	0	0	17,391	0	17,391	0	17,391
Long-term debt:							
Principal	0	0	0	0	0	215,000	215,000
Interest and fiscal charges	0	0	0	0	0	63,743	63,743
TOTAL EXPENDITURES	72,132	176,280	17,391	830	266,633	278,743	545,376
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(2,788)	(1,406)	26,021	(464)	21,363	(2,195)	19,168
FUND BALANCE BEGINNING OF YEAR	4,130	63,977	31,384	5,851	105,342	31,695	137,037
FUND BALANCE END OF YEAR	\$ 1,342	62,571	57,405	5,387	126,705	29,500	156,205

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SIGOURNEY COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2004

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Drama	\$ 2,445	1,414	1,822	2,037
Spanish Club	4,537	5,289	4,615	5,211
Band Trip	9,673	24,154	31,662	2,165
Athletics	20,588	80,579	82,083	19,084
Interest	37	(5)	0	32
Revolving	25	1,363	1,388	0
Jr High	517	223	199	541
Yearbook	8,949	8,382	10,792	6,539
FCCLA	1,221	8,256	5,240	4,237
FFA	3,282	10,134	9,896	3,520
Computer Club	11	(11)	0	0
Pep Club	206	(206)	0	0
Student Council	1,977	8,144	8,403	1,718
Cheerleaders	1,577	5,259	4,526	2,310
Class of 2002	401	(401)	0	0
Class of 2004	0	1,250	734	516
Class of 2005	510	8,510	7,530	1,490
Class of 2006	2,231	303	11	2,523
Class of 2007	3,776	247	(169)	4,192
Class of 2008	1,817	5,209	3,039	3,987
Class of 2009	0	6,644	4,175	2,469
Alternative High School	(141)	141	0	0
Weight Room	338	(4)	334	0
Total	\$ 63,977	174,874	176,280	62,571

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Modified Accrual Basis			
	Years Ended June 30,			
	2004	2003	2002	2001
Revenues:				
Local sources:				
Local tax	\$ 2,156,319	2,093,395	2,006,715	1,871,687
Tuition	446,806	469,005	497,153	508,067
Other	260,471	243,329	235,264	227,530
State sources	2,861,247	3,020,334	3,063,412	3,172,814
Federal sources	290,904	203,231	174,595	170,165
Total	\$ 6,015,747	6,029,294	5,977,139	5,950,263
Expenditures:				
Current:				
Instruction:				
Regular instruction	\$ 2,353,346	2,177,866	2,168,815	2,264,055
Special instruction	1,561,658	1,327,079	1,344,731	1,268,828
Other instruction	451,458	419,788	429,294	394,078
Support services:				
Student services	92,753	118,249	170,579	173,126
Instructional staff services	138,823	109,488	149,399	150,080
Administration services	586,137	547,652	585,887	565,210
Operation and maintenance of plant services	285,958	279,852	268,236	253,147
Transportation services	233,505	222,193	183,265	189,898
Central support services	17,854	0	0	0
Non-instructional programs	631	6,326	400	406
Other expenditures:				
Facilities acquisitions	17,391	38,473	19,611	94,208
Long-term debt:				
Principal	215,000	205,000	200,000	190,000
Interest and fiscal charges	63,743	72,311	80,633	88,177
AEA flow-through	196,894	212,069	213,830	222,306
Total	\$ 6,215,151	5,736,346	5,814,680	5,853,519

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 Compliance
and on Internal Control over Financial Reporting

To the Board of Education of the
Sigourney Community School District:

We have audited the financial statements of Sigourney Community School District as of and for the year ended June 30, 2004, and have issued our report thereon dated October 1, 2004. We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Sigourney 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 grants, 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 an opinion. The results of our tests disclosed no instances of non-compliance that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance that are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2004 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. Prior year statutory comments have all been resolved.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Sigourney Community School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings.

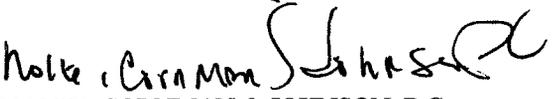
A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our

Members American Institute & Iowa Society of Certified Public Accountants

consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item I-A-04 is a material weakness. Prior year reportable conditions have all been resolved except for item I-A-04.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Sigourney Community School District and other parties to whom Sigourney Community School District may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Sigourney 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.

October 1, 2004

SIGOURNEY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2004

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

I-A-04 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal were all done by the same person.

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

Response - We will investigate available alternatives and implement as soon as possible.

Conclusion - Response accepted.

I-B-04 Supporting Documents for Payments to Officials - Payments made to officials from the Student Activity fund do not have supporting documentation.

Recommendation - The copy of the contract made for each official should be used as the support for payment.

Response - We will comply with this recommendation.

Conclusion - Response accepted.

SIGOURNEY COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF FINDINGS
 YEAR ENDED JUNE 30, 2004

Part II: Other Findings Related to Statutory Reporting

- II-A-04 Official Depositories - A resolution naming official depositories have been approved by the Board. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2004.
- II-B-04 Certified Budget - District disbursements for the year ended June 30, 2004, did not exceed the amount budgeted.
- II-C-04 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- II-D-04 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-E-04 Business Transactions - Business transactions between the District and District officials and employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Julie Tremmel, Teacher Spouse owns Tremmel Backhoe Service	Services	\$150
Cyrena Buschmann, Teacher Spouse owns Sigourney Cleaners	Services	\$1,081
Yvonne Pitsch, Business Manager Spouse owns Sigourney Body Shop	Services	\$2,951
Dottie Dobbins, Secretary Spouse owns Phelps	Services	\$2,186
Zelda Chaney, Aide Spouse owns Sigourney News Review	Repairs	\$3,587

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

- II-F-04 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-G-04 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.
- II-H-04 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.

II-I-04 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-04 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.