

SIOUX CENTER COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2004

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Sioux Center Community School District

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September 2003 Election)		
Roger Kempers	President	September, 2005
Kay Kusters	Vice President	September, 2004
Dale Kraayenbrink	Board Member	September, 2003
Bruce Roetman	Board Member	September, 2004
Cheryl Sneller	Board Member	September, 2005

**Board of Education
(After September 2003 Election)**

Roger Kempers	President	September, 2005
Kay Kusters	Vice President	September, 2004
Dale Kraayenbrink	Board Member	September, 2006
Bruce Roetman	Board Member	September, 2004
Cheryl Sneller	Board Member	September, 2005

School Officials

Pat O'Donnell	Superintendent	June, 2004
Dale Vander Wilt	District Secretary	July, 2004
Deb Schroeder	District Treasurer/ Business Manager	June, 2004
Roger Evans	Attorney	July, 2004

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Independent Auditor's Report

To the Board of Education of
Sioux Center Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund, discretionary major funds and the aggregate remaining fund information of Sioux Center Community School District, Sioux Center, Iowa, as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements 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 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, the business type activities, each major fund and the aggregate remaining fund information of Sioux Center Community School District at June 30, 2004, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

As described in Note 12 to the financial statements, during the year ended June 30, 2004, Sioux Center 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 – for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures; Statement No. 41, Budgetary Comparison Schedule – Perspective Differences; and Interpretation No. 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 reports dated October 31, 2004, on our consideration of Sioux Center Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. Those reports are 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 7 through 16 and 39 through 41 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting 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. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Sioux Center 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 the three years ended June 30, 2003 (none of which are presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements. 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.

SIEBRECHT SPITLER & DE NOBLE PC
Certified Public Accountants

Sioux Center, Iowa
October 31, 2004

Sioux Center Community School District

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Sioux Center 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 immediately follow this section.

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. In future years, comparisons will be more meaningful and will go further in explaining the District's financial position and results of operations.

FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$6,725,994 in fiscal 2003 to \$7,089,896 in fiscal 2004. The District also experienced an increase in General Fund expenditures from \$6,599,980 in fiscal 2003 to \$7,120,347 in fiscal 2004. The total General Fund unreserved fund balance decreased from \$881,590 for fiscal year 2003 to \$851,139 for fiscal 2004, a 3.45% decrease.
- The increase in General Fund revenues was due primarily to a growth in certified student enrollment resulting in an increase in property tax and state aid revenues.
- The increase in expenditures was due primarily to: 1) the hiring of additional teachers and support staff and the purchase of textbooks and supplies to support the increase in enrollment; 2) an increase in the number of special programs or services offered to students; 3) a 4.07% negotiated increase in the cost of salaries and benefits; and 4) the advance purchase of textbooks and supplies.
- The District started receiving Local Option Sales and Services Tax (LOSST) dollars this year, and recorded revenues of \$231,756 in sales tax revenue this year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements, and the required supplementary information.

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

The basic financial statements include statements that present different views of the District:

- The first two statements are *District-wide Financial Statements* that report both short-term and long-term information about the District's overall financial status.
- The *Fund Financial Statements* focus on the individual parts of the District's operations, reporting in more detail than the District-wide statements, and provide information about short-term performance of the most significant funds.

1. The *Governmental Funds Statements* tell how basic governmental services, such as regular and special education, were financed in the short term as well as what remains for future spending.
 2. The *Proprietary Funds Statements* offer both short-term and long-term financial information about the activities the District operates like a business, such as food service operations.
- The remaining statements provide financial information about activities for which the District acts solely as an agent or custodian for the benefit of those outside of school government unit.

The financial statements also include *Notes* that explain some of the information in the statements and provide additional information essential to a full understanding of the data provided in the basic financial statements.

The financial statements are followed by a section of required supplementary information that further explains and supports the financial statements. The supplementary information includes a comparison of the District's actual expenditures with the certified budget for the year, detailed information about the non-major special revenue funds, and other information that may be of interest to the reader of the statements.

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

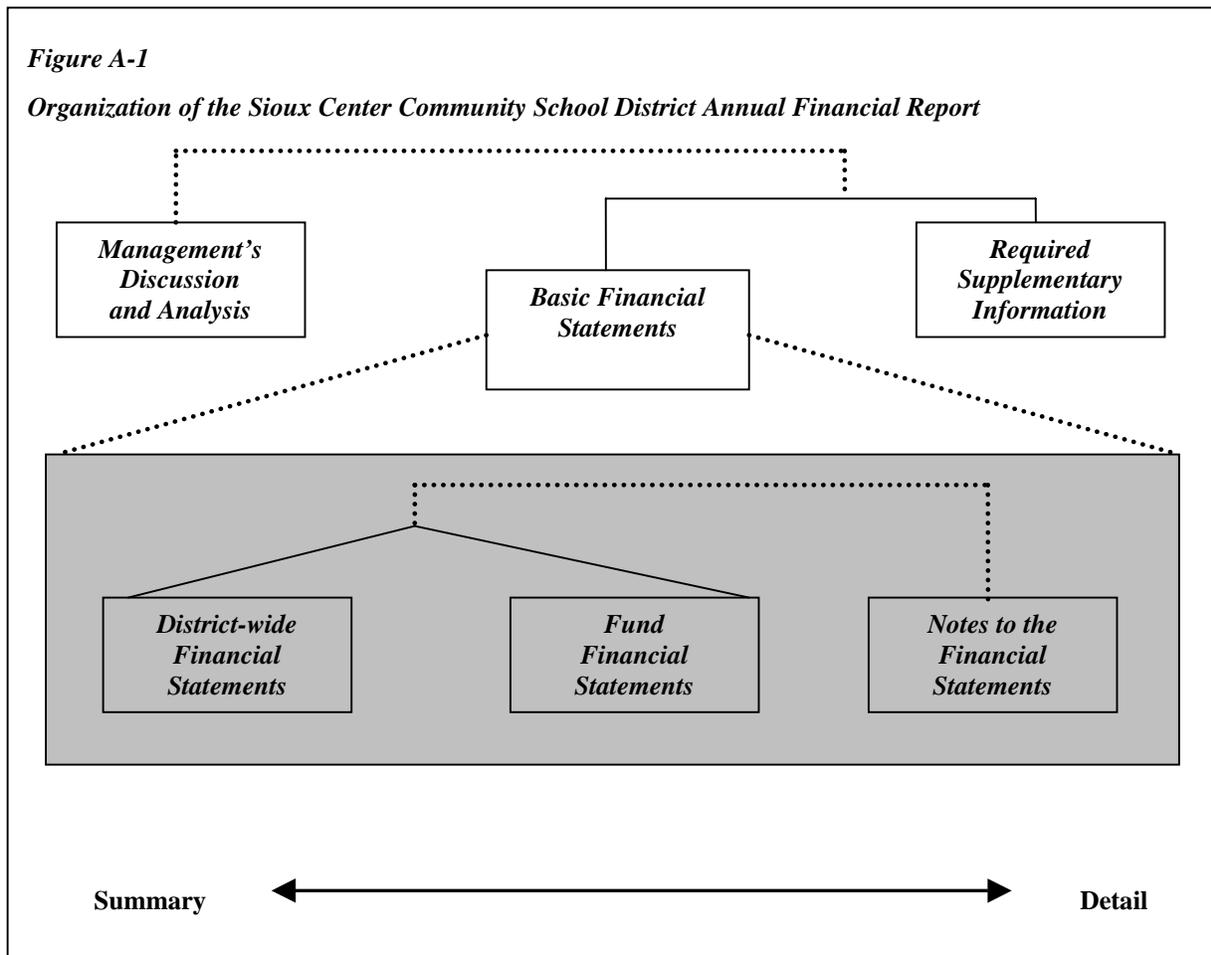


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain. The remainder of this overview section of the management’s discussion and analysis highlights the structure and contents of each of the statements.

Figure A-2				
Major Features of the District-Wide and Fund Financial Statements				
	District-Wide Statements	Fund Statement		
		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 services and community education	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"> • 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 net assets • Statement of revenues, expenses and changes in fund 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
Types 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, 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

District-wide Financial Statements

The District-wide 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 District-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 financial 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 District-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 and community education programs are 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. A fund is a grouping of related accounts that the District uses to maintain control over resources that have been segregated for specific activities or objectives.

The District uses fund accounting to insure and demonstrate compliance with finance-related or legal requirements, such as those funds required by state law or by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity monies, or to show proper use of certain revenues, such as federal grants.

The District has two kinds of funds:

- *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 of the District and (2) the balances left at year-end that are available for future 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. Because this information does not encompass the additional long-term focus of the District-wide statements additional information at the bottom of the governmental fund statements explains the relationship or differences between the two statements.

The District's governmental funds include the General Fund, the Property Plant and Equipment Fund, the Capital Projects Fund, and other Special Revenue Funds. The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures, and changes in fund balances.

- *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 District-wide statements, only in more detail. The District maintains one type of proprietary fund:
 1. Enterprise funds (one type of proprietary fund) are used to report the same functions presented as business-type activities in the district-wide financial statements but provide more detail and additional information,

such as cash flows. The District's enterprise funds include: (1) the School Nutrition Fund, (2) the School Aged Child Care Fund, (3) the Community Education Fund, and (4) the Employee Cafeteria Fund.

The required financial statements for proprietary funds include a statement of net assets, a statement of revenues, expenses, and changes in fund net assets, and a statement of cash flows. Reconciliations between the district-wide financial statements and the fund financial statements follow the fund financial statements.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Assets. Figure A-3 provides a summary of the District's net assets at June 30, 2004, compared to June 30, 2003:

Figure A-3
Condensed Statement of Net Assets

	Governmental Activities		Business Type Activities		Total District		Total % Change
	June 30		June 30		June 30		June 30
	2004	2003	2004	2003	2004	2003	2003-04
Current and other assets	\$ 5,930,128	\$ 5,925,498	\$ 143,027	\$ 156,732	\$ 6,073,155	\$ 6,082,230	-0.1%
Capital assets	5,564,009	5,551,755	102,265	90,603	5,666,274	5,642,358	0.4%
Total assets	\$11,494,137	\$11,477,253	\$ 245,292	\$ 247,335	\$11,739,429	\$11,724,588	0.1%
Long-term liabilities	\$ 3,957,765	\$ 4,187,471	\$ 0	\$ 0	\$ 3,957,765	\$ 4,187,471	-5.5%
Other liabilities	5,052,527	5,102,889	12,474	8,485	5,065,001	5,111,374	-0.9%
Total liabilities	\$ 9,010,292	\$ 9,290,360	\$ 12,474	\$ 8,485	\$ 9,022,766	\$ 9,298,845	-3.0%
Net assets:							
Invested in capital assets, net of related debt	\$ 1,476,509	\$ 1,329,303	\$ 102,265	\$ 90,603	\$ 1,578,774	\$ 1,419,906	11.2%
Restricted	182,136	58,066	0	0	182,136	58,066	213.7%
Unrestricted	825,200	799,524	130,553	148,247	955,753	947,771	0.8%
Total net assets	\$ 2,483,845	\$ 2,186,893	\$ 232,818	\$ 238,850	\$ 2,716,663	\$ 2,425,743	12.0%

The District's combined net assets increased by approximately \$291,000, or 12 percent, over the prior period. The largest portion of the District's increase in net assets is attributable to the investment in capital assets (e.g., land, buildings, and equipment) less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions, or enabling legislation on how they can be used. The District's restricted net assets increased approximately \$124,000 or 214% over the prior year. The increase was primarily a result of the collection of Local Option Sales and Services Taxes.

Unrestricted net assets, the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements, increased approximately \$8,000, or less than 1%.

Change in Net Assets. Figure A-4 shows the change in net assets for the year ended June 30, 2004:

Figure A-4
Change in Net Assets

	Governmental Activities	Business Activities	Total District
Revenues:			
Program revenues:			
Charge for service	\$ 732,239	\$ 244,750	\$ 976,989
Operating grants, contributions and restricted interest	944,326	147,217	1,091,543
Capital grants, contributions and restricted interest	304	0	304
General Revenues:			
Property tax	3,486,573	0	3,486,573
Local option sales and service tax	231,755	0	231,755
Unrestricted state grants	2,807,075	2,353	2,809,428
Unrestricted investment earnings	27,562	0	27,562
Other	343,053	5,000	348,053
Total revenues	\$ 8,572,887	\$ 399,320	\$ 8,972,207
Program expenses:			
Governmental activities:			
Instruction	\$ 5,327,198	\$ 0	\$ 5,327,198
Support services	2,173,823	0	2,173,823
Non-instructional programs	179	346,202	346,381
Other expenses	774,735	59,150	833,885
Total expenses	\$ 8,275,935	\$ 405,352	\$ 8,681,287
Change in net assets	\$ 296,952	(\$ 6,032)	\$ 290,920

Property tax and unrestricted state grants account for 73% of total revenues. The District's expenses primarily relate to instruction and support services, which account for 86% of the total expenses.

Governmental Activities

Revenues for the District's governmental activities were \$8,572,887 and expenses were \$8,275,935.

Figure A-5 presents the total cost of the District's four major governmental activities: instruction, support services, non-instructional programs, and other expenses. The table also shows each activity's net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden placed on the District's taxpayers by each of these functions.

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services 2004	Net Cost of Services 2004
Instruction	\$ 5,327,198	\$ 4,099,030
Support services	2,173,823	2,033,328
Non-instructional programs	179	179
Other expenses	<u>774,735</u>	<u>466,529</u>
Totals	<u>\$ 8,275,935</u>	<u>\$ 6,599,066</u>

- The net cost of governmental activities was financed with \$3,718,328 in property and other taxes and \$2,807,075 in unrestricted state grants.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$944,326.
- The cost financed by users of the District's programs was \$732,239. This amount includes open enrollment revenue, fund raising activities, and other miscellaneous fees collected from the public or other school districts.

Business Type Activities

The District's business type activities include the School Nutrition Fund, the Child Care Fund, the Community Education Fund, and the Employee Cafeteria Fund. Total revenues for the business-type activities were \$399,320 and expenses were \$405,352. Revenues of these activities were comprised of charges for services, federal and state reimbursements, investment income, and plan contributions for employee medical and dependent care flexible spending contributions.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

The positive financial performance indicated in the District-wide statements is reflected in the governmental funds statements as well. As of the end of the year, the District's governmental funds reported a combined ending fund balance of \$1,226,208, compared to last year's ending fund balance of \$1,028,942. The primary reason for the increase in combined fund balances is due to the collection and accumulation of the Local Option Sales and Services Tax.

Governmental Fund Highlights

- The District's General Fund balance decreased from \$881,590 in 2003 to \$851,139 in 2004, a decrease of less than 3.5%. This was expected due to increases in salaries and benefits paid to staff and the advance purchase of textbooks and supplies. In a year in which the state allowable growth was set at only 2 percent, the District was able to meet the financial goals set by both Management and the Board of Education.
- The Physical Plant and Equipment Levy (PPEL) Fund balance decreased from \$51,167 to a deficit of \$9,345. This decrease was due to a large number of building project completions occurring prior to the end of the fiscal year but not paid for until July 2004.
- The Capital Projects Fund – Construction Project fund balance was decreased to \$0 due to the completion and closing of the project and the remaining funds being transferred to the Debt Service Fund. The Capital Projects Fund – Local Option Sales and Services Taxes increased from \$0 to \$173,980 due to the accumulation of the revenues in the fund.
- The Debt Service Fund balance increased from a deficit of \$14,591 to a positive balance of \$38,652. This was due primarily to an increase in total taxes levied and collected and transfers from other funds. The Capital Projects Fund transferred \$6,899 from a closed construction project and \$37,180 from the collection of Local Option Sales and Services Taxes.

Proprietary Fund Highlights

- The School Nutrition Fund balance increased from \$192,100 to \$196,210 due to normal operating fluctuations in capital.
- The Child Care Fund balance decreased from a deficit of \$1,685 to a deficit of \$2,144. The Fund was closed and services were discontinued as of June 30. The General Fund will pay for the deficit balance when the fund is closed.
- The Community Education Fund balance decreased from \$48,435 to \$38,752 due to expenses higher than enrollment fees collected.
- The Employee Cafeteria Fund balance is always \$0 at the end of the year because remaining balances are either paid out to employees within 60 days of the close of the plan year or are turned over to the General Fund for payment of administrative expenses as required by Internal Revenue Service regulations. There is no reported liability to the General Fund at the end of the year because the fund's purpose is to reimburse employees for out-of-pocket medical or dependent care expenses and not to make a profit for the General Fund.

BUDGETARY HIGHLIGHTS

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following statutorily required public notice and hearing for all funds (excluding internal service funds, permanent funds, and agency funds). This is referred to as the certified budget. The certified budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the cash basis of accounting. During fiscal year 2004 the District did not amend its budget. A schedule showing the original budget compared to the District's actual financial activity is included in the required supplementary information section of this report.

School districts have two levels of budgetary control. One form of control exists through the certified budget, which includes all funds as noted above. This budget is certified with the County Auditor and Department of Management each year. Iowa school districts may not certify a general fund budget in excess of its spending authority.

The other level of budgetary control is the "unspent (maximum) authorized budget" and pertains only to the General Fund of the District. Unspent Balance is a calculated budgetary amount and, although related, does not represent actual dollars (General Fund cash) or actual financial position (unreserved, undesignated General Fund balance) of the District.

Legal Budgetary Highlights

The District's actual receipts for the year exceeded the certified budget by \$160,631. Public approval of the Local Option Sales and Services Tax levy was not passed until after adoption of the certified budget. Therefore, revenues from this tax were not included in the original budget for the year.

Total actual expenditures for the fiscal year exceeded the certified budget by \$314,667. Due to the advance purchase of textbooks and supplies late in the fiscal year, District officials anticipated exceeding budgeted expenses; the budget was not amended, however, because management did not believe there was significant time to process the amendment.

The District did not exceed its spending authority in the General Fund for the Year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2004, the District had invested \$5,666,274, net of accumulated depreciation, in a broad range of capital assets, including land, buildings and improvements, transportation and maintenance equipment, and other equipment used for various instructional and administrative purposes (see Figure A-6). This amount represents a net increase of 0.4% from last year. More detailed information about the District's capital assets is presented in Note 6 to the financial statements. Total depreciation expense for the year was \$190,579.

The original cost of the District's capital assets was \$8,141,180. Governmental funds account for \$7,960,501, with the remainder of \$180,679 accounted for in the Proprietary School Nutrition Fund.

The largest change in capital assets activity during the year occurred in building improvements and the purchase of a new bus.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental		Business Type		Total		Total %
	Activities		Activities		District		Change
	June 30		June 30		June 30		June 30
	2004	2003	2004	2003	2004	2003	2003-04
Land	\$ 150,978	\$ 150,978	\$ 0	\$ 0	\$ 150,978	\$ 150,978	0.0%
Land improvements	182,489	181,402	0	0	182,489	181,402	0.6%
Buildings	4,725,573	4,725,229	0	0	4,725,573	4,752,229	0.0%
Equipment	179,672	180,803	102,265	90,603	281,937	271,406	3.9%
Vehicles	325,297	313,344	0	0	325,297	313,344	3.8%
Net Capital Assets	\$ 5,564,009	\$ 5,551,756	\$ 102,265	\$ 90,603	\$ 5,666,274	\$ 5,642,359	0.4%

Long-term Debt

At June 30, 2004 the District had \$3,965,000 in general obligation bond debt. This represents a decrease of approximately 2% from last year (see Figure A-7). More detailed information about the District's long-term liabilities is presented in Note 7 to the financial statements.

The District also had \$122,500 in capital loan notes, \$19,089 in street assessments, and \$167,257 in early retirement obligations outstanding at June 30, 2004. The District had no new debt issuances this year.

The only activity in the long-term debt was the retirement of the current debt payable.

Figure A-7
Outstanding Long-Term Obligations

	Total District		Total %
	June 30		Change
	2004	2003	June 30
			2003-04
General obligation bonds	\$ 3,965,000	\$ 4,050,000	-2.1%
Capital loan notes	122,500	147,000	-16.7%
Street assessments	19,089	25,452	-25.0%
Early retirement	167,257	207,418	-19.4%
Total Outstanding Long-Term Obligations	\$ 4,273,846	\$ 4,429,870	-3.5%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- In the last three years the District has experienced a significant increase in enrollment. With the possibility of future expansion by existing local businesses and a planned expansion of the city's industrial parks, the District anticipates this enrollment trend to continue.

While enrollment is the primary factor in determining the District's available General Fund revenues for a year, and this anticipated increase in enrollment would generate additional dollars to operate the District's programs, receipts generally lag one to two years behind enrollment increases; the District must, however, have the available resources to provide instruction for these students in the current year.

- The District has experienced an increase in costs for certain targeted programs, including English Language Learners, special education, and at-risk programs. The District anticipates that increasing demands will be made to provide resources for these programs as the aforementioned community expansions take place. And as mentioned above, available resources to fund these programs are often not available until future years.
- In recent years, the amount of allowable growth in state funding, or "new money," has not been sufficient to pay for negotiated increases in salaries and benefits. A continuation of this trend could have an adverse effect on the District's General Fund budget and related fund balance.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This 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. Additional details can be requested by mail at the following address: Sioux Center Community School District, Office of the Business Manager, 550 9th Street NE, Sioux Center, IA 51250.

Basic Financial Statements

Sioux Center Community School District
Statement of Net Assets
June 30, 2004

	Governmental Activities	Business Type Activities	Total
Assets			
Cash and cash equivalents:			
ISCAP	\$ 449,423	0	449,423
Other	1,728,245	130,393	1,858,638
Receivables:			
Property tax:			
Delinquent	34,306	0	34,306
Succeeding year	3,157,639	0	3,157,639
Income surtax:			
Succeeding year	278,243	0	278,243
Accounts	4,798	259	5,057
Patronage dividend	6,321	0	6,321
Due from other governments	271,153	2,400	273,553
Due from other funds	0	5,000	5,000
Inventories	0	4,975	4,975
Capital assets, net of accumulated depreciation	5,564,009	102,265	5,666,274
Total assets	11,494,137	245,292	11,739,429
Liabilities			
Accounts payable	123,012	8,420	131,432
Salaries and benefits payable	700,941	4,054	704,995
Due to other governments	6,812	0	6,812
Due to other funds	5,000	0	5,000
Accrued interest payable	30,496	0	30,496
Deferred revenue:			
Succeeding year property tax	3,157,639	0	3,157,639
Succeeding year income surtax	278,243	0	278,243
Other	6,321	0	6,321
ISCAP warrants payable	447,000	0	447,000
ISCAP unamortized premium on issuance	6,200	0	6,200
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	260,000	0	260,000
Capital loan notes	24,500	0	24,500
Street assessments	6,363	0	6,363
Portion due after one year:			
General obligation bonds payable	3,705,000	0	3,705,000
Capital loan notes	98,000	0	98,000
Street assessments	12,726	0	12,726
Early retirement payable	142,039	0	142,039
Total liabilities	9,010,292	12,474	9,022,766
Net assets			
Investment in capital assets, net of related debt	1,476,509	102,265	1,578,774
Restricted for:			
Management levy	34,596	0	34,596
Debt service	8,156	0	8,156
Other special revenue purposes	173,980	0	173,980
Unrestricted	790,604	130,553	921,157
Total net assets	\$ 2,483,845	232,818	2,716,663

See notes to financial statements.

Sioux Center Community School District
 Statement of Activities
 Year ended June 30, 2004

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		Total
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	
Governmental activities:							
Instruction:							
Regular instruction	\$3,319,172	51,423	303,682	0	(2,964,067)	0	(2,964,067)
Special instruction	1,347,439	420,328	191,677	0	(735,434)	0	(735,434)
Other instruction	660,587	256,612	4,446	0	(399,529)	0	(399,529)
	<u>5,327,198</u>	<u>728,363</u>	<u>499,805</u>	<u>0</u>	<u>(4,099,030)</u>	<u>0</u>	<u>(4,099,030)</u>
Support services:							
Student services	297,251	0	25,318	0	(271,933)	0	(271,933)
Instructional staff services	300,568	0	0	0	(300,568)	0	(300,568)
Administration services	749,731	0	0	0	(749,731)	0	(749,731)
Operation and maintenance of plant services	474,923	3,876	0	0	(471,047)	0	(471,047)
Transportation services	349,719	0	111,301	0	(238,418)	0	(238,418)
Central support services	1,631	0	0	0	(1,631)	0	(1,631)
	<u>2,173,823</u>	<u>3,876</u>	<u>136,619</u>	<u>0</u>	<u>(2,033,328)</u>	<u>0</u>	<u>(2,033,328)</u>
Non-instructional programs	<u>179</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(179)</u>	<u>0</u>	<u>(179)</u>
Other expenditures:							
Facilities acquisition	212,732	0	0	304	(212,428)	0	(212,428)
Long-term debt interest	218,029	0	0	0	(218,029)	0	(218,029)
AEA flowthrough	307,902	0	307,902	0	0	0	0
Depreciation (unallocated) *	36,072	0	0	0	(36,072)	0	(36,072)
	<u>774,735</u>	<u>0</u>	<u>307,902</u>	<u>304</u>	<u>(466,529)</u>	<u>0</u>	<u>(466,529)</u>
Total governmental activities	<u>8,275,935</u>	<u>732,239</u>	<u>944,326</u>	<u>304</u>	<u>(6,599,066)</u>	<u>0</u>	<u>(6,599,066)</u>
Business type activities:							
Non-instructional programs:							
Food service operations	304,712	160,284	147,092	0	0	2,664	2,664
Child care	22,144	16,526	125	0	0	(5,493)	(5,493)
Adult education	19,346	8,790	0	0	0	(10,556)	(10,556)
	<u>346,202</u>	<u>185,600</u>	<u>147,217</u>	<u>0</u>	<u>0</u>	<u>(13,385)</u>	<u>(13,385)</u>
Other expenses:							
Medical claims for employees	59,150	59,150	0	0	0	0	0
	<u>405,352</u>	<u>244,750</u>	<u>147,217</u>	<u>0</u>	<u>0</u>	<u>(13,385)</u>	<u>(13,385)</u>
Total business type activities	<u>405,352</u>	<u>244,750</u>	<u>147,217</u>	<u>0</u>	<u>0</u>	<u>(13,385)</u>	<u>(13,385)</u>
Total	<u>\$ 8,681,287</u>	<u>976,989</u>	<u>1,091,543</u>	<u>304</u>	<u>(6,599,066)</u>	<u>(13,385)</u>	<u>(6,612,451)</u>
General Revenues:							
Property tax levied for:							
General purposes					\$2,780,357	0	2,780,357
Debt service					422,924	0	422,924
Capital outlay					283,292	0	283,292
Local option sales and services tax					231,755	0	231,755
Unrestricted state grants					2,807,075	0	2,807,075
Unrestricted investment earnings					27,562	2,353	29,915
Other					343,053	5,000	348,053
Total general revenues					<u>6,896,018</u>	<u>7,353</u>	<u>6,903,371</u>
Change in net assets					<u>296,952</u>	<u>(6,032)</u>	<u>290,920</u>
Net assets beginning of year, as restated					<u>2,186,893</u>	<u>238,850</u>	<u>2,425,743</u>
Net assets end of year					<u>\$ 2,483,845</u>	<u>232,818</u>	<u>2,716,663</u>

*This amount excludes the depreciation that is included in the direct expenses of the various programs. See notes to financial statements.

Sioux Center Community School District
Balance Sheet
Governmental Funds
June 30, 2004

	General	Property, Plant and Equipment Levy	Capital Projects – Local Option Sales and Services Tax	Non-major Special Revenue	Total
Assets					
Cash and pooled investments					
ISCAP	\$ 449,423	0	0	0	449,423
Other	1,367,321	48,651	93,836	218,437	1,728,245
Receivables:					
Property tax:					
Delinquent	26,464	2,481	0	5,361	34,306
Succeeding year	2,429,397	264,009	0	464,233	3,157,639
Income surtax:					
Succeeding year	278,243	0	0	0	278,243
Accounts	4,798	0	0	0	4,798
Patronage dividends	5,981	0	0	340	6,321
Due from other governments	191,009	0	80,144	0	271,153
Total assets	4,752,636	315,141	173,980	688,371	5,930,128
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	54,274	60,477	0	8,262	123,013
Salaries and benefits payable	668,590	0	0	5,102	673,692
Due to other governments	6,812	0	0	0	6,812
Due to other funds	5,000	0	0	0	5,000
ISCAP warrants payable	447,000	0	0	0	447,000
ISCAP unamortized premium on issuance	6,200	0	0	0	6,200
Deferred revenue:					
Succeeding year property tax	2,429,397	264,009	0	464,233	3,157,639
Succeeding year income surtax	278,243	0	0	0	278,243
Other	5,981	0	0	340	6,321
Total liabilities	3,901,497	324,486	0	477,937	4,703,920
Fund balances:					
Reserved for other	0	0	173,980	73,248	247,228
Unreserved	851,139	(9,345)	0	137,186	978,980
Total fund balances	851,139	(9,345)	173,980	210,434	1,226,208
Total liabilities and fund balances	\$ 4,752,636	315,141	173,980	688,371	5,930,128

See notes to financial statements.

Sioux Center 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 (Exhibit C)	\$ 1,226,208
 <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.	5,564,009
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	(27,251)
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.	(30,496)
Long-term liabilities, including bonds and notes payable are not due and payable in the current period and, therefore, are not reported in the funds.	(4,248,625)
Net assets of governmental activities (Exhibit A)	<hr style="border: 0.5px solid black;"/> \$ 2,483,845 <hr style="border: 1px solid black;"/>

See notes to financial statements.

Sioux Center Community School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year ended June 30, 2004

	General	Property, Plant and Equipment Levy	Capital Projects – Local Option Sales and Services Tax	Non-major Special Revenue	Total
Revenues:					
Local sources:					
Local tax	\$ 2,885,197	283,148	231,756	593,311	3,993,412
Tuition	316,551	0	0	0	316,551
Other	162,661	420	304	257,958	421,343
Intermediate sources	178	0	0	0	178
State sources	3,421,343	144	0	310	3,421,797
Federal sources	296,966	0	0	0	296,966
Total revenues	7,082,896	283,712	232,060	851,579	8,450,247
Expenditures:					
Current:					
Instruction:					
Regular instruction	3,052,986	10,688	0	28,935	3,092,609
Special instruction	1,349,439	0	0	0	1,349,439
Other instruction	385,885	0	0	261,203	647,088
	4,788,310	10,668	0	290,158	5,089,136
Support services:					
Student services	285,186	12,064	0	0	297,250
Instructional staff services	301,914	0	0	0	301,914
Administration services	720,355	520	0	44,651	765,526
Operation and maintenance of plant services	430,050	35,512	0	10,942	476,504
Transportation services	284,820	54,353	0	10,546	349,719
Central support services	1,631	0	0	0	1,631
	2,023,956	102,449	0	66,139	2,192,544
Non-instructional programs	179	0	0	0	179
Other expenditures:					
Facilities acquisition	0	191,832	20,900	0	212,732
Long-term debt:					
Principal	0	0	0	245,863	245,863
Interest and fiscal charges	0	0	0	223,243	223,243
AEA flowthrough	307,902	0	0	0	307,902
	307,902	191,832	20,900	469,106	989,740
Total expenditures	7,120,347	304,969	20,900	825,383	8,271,599
Excess (deficiency) of revenues over (under) expenditures	(37,451)	(21,257)	211,160	26,196	178,648
Other financing sources (uses):					
Operating transfers in	5,110	0	0	83,333	88,443
Operating transfers out	0	(39,255)	(37,180)	(12,008)	(88,443)
Other	1,890	0	0	16,728	18,618
Total other financing sources (uses)	7,000	(39,255)	(37,180)	88,053	18,618
Net change in fund balances	(30,451)	(60,512)	173,980	114,249	197,266
Fund balances beginning of year, as restated (Note 12)	881,590	51,167	0	96,185	1,028,942
Fund balances end of year	\$ 851,139	(9,345)	173,980	210,434	1,226,208

See notes to financial statements.

Sioux Center 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 (Exhibit E) \$197,266

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

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures exceeded depreciation expense in the current year, as follows:

Expenditures for capital assets	\$202,592	
Depreciation expense	<u>(178,351)</u>	24,241

Certain delinquent property tax not collected for several months after year end is not considered available revenue and is deferred in the governmental funds.

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year issues exceeded repayments as follows:

Issued	0	
Repaid	<u>115,863</u>	115,863

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.

9,494

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

Early retirement		<u>(49,912)</u>
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Change in net assets of governmental activities (Exhibit B) \$296,952

See notes to financial statements.

Sioux Center Community School District
Statement of Net Assets
Proprietary Funds
June 30, 2004

	School Nutrition	Child Care	Adult Education	Employee Cafeteria	Total
Assets					
Cash and cash equivalents	\$ 88,073	1,037	34,647	6,636	130,393
Accounts receivable	259	0	0	0	259
Due from other governments	2,400	0	0	0	2,400
Due from other fund	0	0	5,000	0	5,000
Inventories	4,975	0	0	0	4,975
Capital assets, net of accumulated depreciation	102,265	0	0	0	102,265
Total assets	197,972	1,037	39,647	6,636	245,292
Liabilities					
Accounts payable	1,549	235	0	6,636	8,420
Salaries and benefits payable	213	2946	895	0	4,054
Total liabilities	1,762	3,181	895	6,636	12,474
Net Assets					
Invested in capital assets, net of related debt	102,265	0	0	0	102,265
Unrestricted	93,945	(2,144)	38,752	0	130,553
Total net assets	\$ 196,210	(2,144)	38,752	0	232,818

See notes to financial statements.

Sioux Center Community School District
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
Year ended June 30, 2004

	School Nutrition	Child Care	Community Education	Employee Cafeteria	Total
Operating revenues:					
Local sources	\$ 157,892	16,524	8,790	0	183,206
Reimbursement from employees	0	0	0	59,150	59,150
Total operating revenues	157,892	16,524	8,790	59,150	242,356
Operating expenses:					
Non-instructional programs:					
Salaries and benefits	122,467	21,403	13,414	0	157,284
Purchased services	6,028	458	5,002	0	11,488
Supplies	147,253	282	880	0	148,415
Depreciation	12,229	0	0	0	12,229
Other	0	0	50	0	50
Total operating expenses	287,977	22,143	19,346	0	329,466
Other expenses:					
Medical claims for employees	0	0	0	59,150	59,150
Total expenses	287,977	22,143	19,346	59,150	388,616
Operating loss	(130,085)	(5,619)	(10,556)	0	(146,260)
Non-operating revenues:					
Local sources	4,147	160	873	0	5,180
State sources	4,763	0	0	0	4,763
Federal sources	125,285	0	0	0	125,285
Total non-operating revenues	134,195	160	873	0	135,228
Other financing sources (uses):					
Transfers in	0	5,000	5,000	0	10,000
Transfers out	0	0	(5,000)	0	(5,000)
Total other financing sources (uses)	0	5,000	0	0	5,000
Change in net assets	4,110	(459)	(9,683)	0	(6,032)
Net assets beginning of year	192,100	(1,685)	48,435	0	238,850
Net assets end of year	\$ 196,210	(2,144)	38,752	0	232,818

See notes to financial statements.

Sioux Center Community School District
Statement of Cash Flows
Proprietary Funds
Year ended June 30, 2004

	School Nutrition	Child Care	Community Education	Employee Cafeteria	Total
Cash flows from operating activities:					
Cash received from sale of lunches and breakfasts	\$ 157,815	0	0	0	157,815
Cash received from sales of services	0	16,525	8,790	0	25,315
Cash received from employee reimbursements	0	0	0	59,150	59,150
Cash payments to employees for medical claims	0	0	0	(58,485)	(58,485)
Cash payments to employees for services	(122,440)	(20,714)	(12,519)	0	(155,673)
Cash payments to suppliers for goods and services	(122,582)	(544)	(5,932)	0	(129,058)
Net cash provided by (used in) operating activities	(87,207)	(4,733)	(9,661)	665	(100,936)
Cash flows from non-capital financing activities:					
State grants received	4,763	0	0	0	4,763
Federal grants received	101,082	0	0	0	101,082
Other	2,886	5,125	(5,000)	0	3,011
Net cash provided by (used in) non-capital financing activities	108,731	5,125	(5,000)	0	108,856
Cash flows from capital and related financing activities:					
Acquisition of capital assets	(24,600)	0	0	0	(24,600)
Net cash provided by (used in) capital and related financing activities	(24,600)	0	0	0	(24,600)
Cash flows from investing activities:					
Interest on investments	1,445	35	873	0	2,353
	1,445	35	873	0	2,353
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,631)	427	(13,788)	665	(14,327)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	89,704	610	48,435	5,971	144,720
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 88,073	1,037	34,647	6,636	130,393
Reconciliation of operating loss to net cash used in operating activities:					
Operating loss	\$(130,085)	(5,618)	(10,556)	0	(146,259)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:					
Depreciation	12,229	0	0	0	12,229
(Increase) Decrease in inventories	(6,571)	0	0	0	(6,571)
Commodities used	37,871	0	0	0	37,871
(Increase) Decrease in accounts receivable	(2,194)	0	0	0	(2,194)
Increase (Decrease) in accounts payable	1,543	885	894	665	3,987
Net cash provided by (used in) operating activities	\$ (87,207)	(4,733)	(9,662)	665	(100,937)

Non-cash investing, capital and financing activities:

During the year ended June 30, 2004, the District received federal commodities valued at \$32,342.

See notes to financial statements.

Sioux Center Community School District

Notes to Financial Statements

June 30, 2004

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

Sioux Center Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. Additionally, the District either operates or sponsors various community education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the City of Sioux Center, Iowa, and the predominate agricultural territory in Sioux 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, Sioux Center 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. Sioux Center Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organization – The District participates in a jointly governed organization that provides services to the District but does 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 Sioux County Assessor's 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 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 Assets presents the District's non-fiduciary 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 attributable to the acquisition, construction or improvement of those assets.

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

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those 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 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 non-major 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 revenues 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 expenditures, including instructional, support and other costs.

The Capital Projects Fund (LOSST) is used to account for the 1% sales tax collected by the State and paid to the District on a monthly basis. These funds can be used to decrease the debt service levy or for capital improvements including repairs.

The Property, Plant and Equipment Levy Fund is used to account for the taxes levied and the expenditures of building and equipment repair and maintenance.

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 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 judgements 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 the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when programs 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 non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

D. Assets, Liabilities and Fund 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.

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

Property Tax Receivable – Property tax in governmental funds is 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 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 purpose 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 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 becomes due and collectible in September and March of the fiscal year with a 1 ½% 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, furniture and equipment, are recorded 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 repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$2,500
Buildings	2,500
Improvements other than buildings	2,500
Furniture and equipment:	
School Nutrition Fund equipment	1,000
Other furniture and equipment	2,500

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

Asset Class	Estimated Useful Lives (In Years)
Buildings	40-65 years
Improvements other than buildings	15-40 years
Furniture and equipment	5-15 years

Salaries and Benefits Payable – Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are 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 represents 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 receivable and other receivables not collected within sixty days after year end.

Deferred revenue in 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. The District does not pay out vacation time if an employee were to leave the District; therefore, no liability is accrued at June 30, 2004. This is based on GASB 16.

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 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. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2004, disbursements in all four functional areas exceeded the amounts budgeted and the District also exceeded its budgeted expenditures as a whole. The District did not exceed its General Fund unspent authorized budget.

(2) **Cash and Pooled Investments**

The District's deposits in banks 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 evidence 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.

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

The detail of interfund receivables and payables at June 30, 2004, is as follows:

Receivable Fund	Payable Fund	Amount
Proprietary Fund: Community Education	General	\$5,000

The Community Education Fund loaned \$5,000 to the Child Care Fund to cover a deficit balance. It was later decided that the General Fund would donate the money to the Child Care Fund, so the General Fund will reimburse the Community Education Fund. This was not done as of June 30, 2004.

(4) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2004, is as follows:

Transfer To	Transfer From	Amount
General Donations Fund (part of General Fund)	Special Revenue: Activity Fund	\$5,110
Debt Service Fund	Special Revenue: Property Plant and Equipment Levy	39,255
	Capital Projects	6,899
	Capital Projects (Local Option Sales and Services Tax)	37,180
Proprietary Funds: Child Care	Proprietary Funds: Community Education	5,000
		<u>\$ 93,444</u>

The transfer from the Activity Fund was a transfer of donations to a new General Donations Fund. This fund is reported as part of the General Fund. Transfers to the Debt Service Fund from the PPEL Fund were made to pay debt, which is to be paid from PPEL Fund moneys. The transfer from Capital Projects Fund was to close the remaining balance from the All Seasons Center project to Debt Service and the transfer from Capital Projects (LOSST) was a transfer to cover a debt and interest payments, which is an appropriate use of these funds. For the transfer to Child Care Fund see Note 3.

(5) Iowa School Cash Anticipation Programs (ISCAP)

The District participates in the Iowa School Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings and amounts available for withdrawal for each outstanding series of warrants. Bankers Trust Co. NA is the trustee for the program. A summary of the District's participation in ISCAP at June 30, 2004, is as follows:

<u>Series</u>	<u>Warrant Date</u>	<u>Final Warrant Maturity</u>	<u>Investments</u>	<u>Accrued Interest Receivable</u>	<u>Warrant Payable</u>	<u>Accrued Interest Payable</u>
2004-2005A	6-30-2004	6-30-2005	<u>\$ 449,423</u>	<u>\$ —</u>	<u>\$ 447,000</u>	<u>\$ —</u>

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts. In addition, the District must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. There was no ISCAP advance activity in the General Fund for the year ended June 30, 2004.

The warrants bear an interest rate and the available proceeds of the warrants are invested at an interest rate as shown below:

<u>Series</u>	<u>Interest Rates on Warrants</u>	<u>Interest Rates on Investments</u>
2004-2005A	3.000%	2.463%

(6) Capital Assets

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

	Balance Beginning of Year, as Restated (Note 12)	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 150,978	0	0	150,978
Total capital assets not being depreciated	150,978	0	0	150,978
Capital assets being depreciated:				
Property improvements	235,918	7,180	0	243,098
Buildings	6,487,882	122,537	(18,681)	6,591,738
Furniture and equipment	332,610	18,522	(8,425)	342,707
Vehicles	603,627	54,353	(26,000)	631,980
Total capital assets being depreciated	7,660,037	202,592	(53,106)	7,809,523
Less accumulated depreciation for:				
Property improvements	54,516	6,093	0	60,609
Buildings	1,762,653	111,847	(8,335)	1,866,165
Furniture and equipment	151,807	18,810	(7,582)	163,035
Vehicles	290,283	41,600	(25,200)	306,683
Total accumulated depreciation	2,259,259	178,350	(41,117)	2,396,492
Total capital assets being depreciated, net	5,400,778	24,242	(11,989)	5,413,031
Governmental activities capital assets, net	\$ 5,551,756	24,242	(11,989)	5,564,009
Business type activities:				
Furniture and equipment	\$ 156,788	23,891	0	180,679
Less accumulated depreciation	66,185	12,229	0	78,414
Business type activities capital assets, net	\$ 90,603	11,662	0	102,265

Depreciation expense was charged to the following functions:

Governmental activities:

Instruction:	\$ 66,339
Regular	5,986
Special	5,217
Other	
Support services:	
Student services	496
Instructional staff	4,977
Administration	3,791
Operation and maintenance of plant	5,870
Transportation	42,287
Community services	7,030
	141,993
Unallocated	36,357
Total depreciation expense – governmental activities	\$ 178,350
Business type activities:	
Food service operations	\$ 12,229

(7) **Long-Term Liabilities**

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

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
General obligation bonds 2002	\$ 2,225,000	0	85,000	2,140,000	90,000
General obligation bonds 2003	1,825,000	0	0	1,825,000	170,000
Capital loan notes	147,000	0	24,500	122,500	24,500
Street assessment	25,452	0	6,363	19,089	6,363
Early retirement	207,418	17,867	58,028	167,257	32,351
Total	\$ 4,429,870	17,867	173,891	4,273,846	323,214

Early Retirement

The District from time to time will offer an early retirement benefit to employees of the School District. The Superintendent is responsible for determining the need for an early retirement plan that is beneficial to the School District and individual employees. The District did not offer an early retirement benefit for the year ended June 30, 2004. Early retirement benefits paid during the year ended June 30, 2004, for employees who retired in prior years totaled \$58,028. The addition to the early retirement liability was due to the increase in health insurance premiums paid for the employees who took early retirement in prior years.

Compensated absences

The District does not recognize a liability for unused vacation time or sick leave due to the accumulation of time off is lost if the employee leaves employment for any reason. This is in accordance with GASB 16.

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 April 23, 2003			
	Interest Rates	Principal	Interest	Total
2005	1.750%	\$170,000	53,345	223,345
2006	2.100%	165,000	50,370	215,370
2007	2.400%	170,000	46,905	216,905
2008	2.650%	170,000	42,825	212,825
2009	2.900%	180,000	38,320	218,320
2010	3.100%	180,000	33,100	213,100
2011	3.250%	185,000	27,520	212,520
2012	3.400%	190,000	21,508	211,508
2013	3.550%	205,000	15,047	220,047
2014	3.700%	210,000	7,770	217,770
Total		\$1,825,000	336,710	2,161,710

Bond Issue of January 1, 2002

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2005	4.600%	\$ 90,000	103,887	193,887
2006	4.600%	95,000	99,747	194,747
2007	4.600%	95,000	95,377	190,377
2008	4.600%	100,000	91,008	191,008
2009	4.600%	105,000	86,407	191,407
2010	4.600%	110,000	81,578	191,578
2011	4.625%	115,000	76,518	191,518
2012	4.625%	120,000	71,199	191,199
2013	4.750%	120,000	65,649	185,649
2014	4.875%	125,000	59,949	184,949
2015	4.900%	130,000	53,855	183,855
2016	5.000%	140,000	47,485	187,485
2017	5.000%	145,000	40,485	185,485
2018	5.100%	150,000	33,235	183,235
2019	5.100%	160,000	25,585	185,585
2020	5.125%	165,000	17,425	182,425
2021	5.125%	175,000	8,969	183,969
Total		<u>\$ 2,140,000</u>	<u>1,058,358</u>	<u>3,198,358</u>

Paving Assessment

Street paving assessments are payable in equal installments of \$6,363 plus interest and any penalties on July 1 until 2006. Maturities are as follows:

Year Ending June 30	Paving Assessment
2005	\$ 6,363
2006	6,363
2007	<u>6,363</u>
Total	<u>\$ 19,089</u>

Capital Loan Note

Details of the District's June 30, 2004, capital loan notes are as follows:

Year Ending June 30	Interest Rates	Principal	Interest	Total
2005	4.00%	\$24,500	5,145	29,645
2006	4.10%	24,500	4,165	28,665
2007	4.20%	24,500	3,161	27,661
2008	4.30%	24,500	2,132	26,632
2009	4.40%	24,500	1,078	25,578
Total		<u>\$122,500</u>	<u>15,681</u>	<u>138,181</u>

(8) 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 covered 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 contributions to IPERS for the years ended June 30, 2004, 2003 and 2002 were \$261,357, \$245,789 and \$245,293 respectively, equal to the required contributions for each year.

(9) Risk Management

Sioux Center 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 \$307,902 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.

(11) Construction Commitment

The District has not entered into any contracts as of June 30, 2004. The District will be contracting for major roof repair in the near future.

(12) Accounting Change and Restatements

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

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 – for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures; and Statement No. 41, Budgetary Comparison Schedule – Perspective Differences, were implemented for 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. Non-major funds are presented in total in one column.

The government-wide financial statements separate the District's programs between governmental and business type activities. The beginning net assets 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.

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

	Fund					Total
	General	Debt Service	Property, Plant and Equipment Levy	Capital Projects & LOSST	Non-major Special Revenue	
Net assets June 30, 2003, as previously reported	\$ 881,590	0	0	0	147,352	1,028,942
GASB Interpretation 6 adjustments	0	0	0	0	59,254	59,254
Net assets July 1, 2003, as restated for governmental funds	<u>\$ 881,590</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>206,606</u>	<u>1,088,196</u>
GASB 34 adjustments						
Capital assets, net of accumulated depreciation of						\$5,551,755
Long-term liabilities:						
Bonds and notes					\$4,222,452	
Early retirement					200,110	
Compensated absences					<u>0</u>	(4,422,562)
Accrued interest payable						(30,496)
Deferred revenue						<u>0</u>
Net assets July 1, 2003, as restated						<u>\$ 2,186,893</u>

(13) Operating Leases

The District has entered into one operating lease for three Riso duplicators and three copiers. Monthly payments for the lease are \$1,664.90 per month for four years ending in September 2007. Lease expense for the year ended June 30, 2004, total \$19,979 and is included in support services in the accompanying financial statements. Future minimum lease payments under this operating lease for years ending June 30 are as follows:

2005	\$ 19,979
2006	19,979
2007	<u>4,995</u>
	<u>\$ 44,953</u>

Required Supplementary Information

Sioux Center Community School District
 Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances –
 Budget and Actual (Cash Basis)– All Governmental Funds and Proprietary Funds
 Required Supplementary Information
 Year ended June 30, 2004

	Governmental Funds Actual	Proprietary Funds Actual	Total Actual	Funds Not Required To Be Budgeted	Total All Funds To Be Budgeted	Budgeted Amounts		Final to Actual Variance
						Original	Final	
Receipts:								
Local sources	\$ 4,603,890	247,646	4,851,536	59,150	4,792,386	4,646,613	4,646,613	145,773
Intermediate sources	178	0	178	0	178	0	0	178
State sources	3,439,644	4,763	3,444,407	0	3,444,407	3,552,496	3,552,496	(108,089)
Federal sources	321,952	138,953	460,905	0	460,905	338,136	338,136	122,769
Total receipts	<u>8,365,664</u>	<u>391,362</u>	<u>8,757,026</u>	<u>59,150</u>	<u>8,697,876</u>	<u>8,537,245</u>	<u>8,537,245</u>	<u>160,631</u>
Disbursements:								
Instruction	5,101,224	0	5,101,224	0	5,101,224	4,868,996	4,868,996	232,228
Support services	2,266,890	0	2,266,890	0	2,266,890	2,242,723	2,242,723	24,167
Non-instructional programs	179	347,969	348,148	0	348,148	295,435	295,435	52,713
Other expenditures	940,761	58,485	999,246	58,485	940,761	935,202	935,202	5,559
Total disbursements	<u>8,309,054</u>	<u>406,454</u>	<u>8,715,508</u>	<u>58,485</u>	<u>8,657,023</u>	<u>8,342,356</u>	<u>8,342,356</u>	<u>314,667</u>
Excess (deficiency) of receipts over (under) disbursements	56,610	(15,092)	41,518	665	40,853	194,889	194,889	
Other financing sources, net	<u>58,881</u>	<u>0</u>	<u>58,881</u>	<u>0</u>	<u>58,881</u>	<u>500</u>	<u>500</u>	
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	115,491	(15,092)	100,399	665	99,734	195,389	195,389	
Balances beginning of year	<u>1,621,230</u>	<u>144,720</u>	<u>1,765,950</u>	<u>4,948</u>	<u>1,761,002</u>	<u>1,434,762</u>	<u>1,434,762</u>	
Balances end of year	<u>\$ 1,736,721</u>	<u>129,628</u>	<u>1,866,349</u>	<u>5,613</u>	<u>1,860,736</u>	<u>1,630,151</u>	<u>1,630,151</u>	

See accompanying independent auditor's report.

Sioux Center 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 cash basis. Encumbrances are not recognized on the cash 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 functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs, and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District did not amend the budget.

During the year ended June 30, 2004, the District exceeded the budget in all four functional areas and the budget in total, but the District did not exceed its General Fund unspent authorized budget.

Funds not required to be budgeted include the Employee Cafeteria Fund which is only a holding account for employee withholdings to pay out-of-pocket medical and child care expenses. They are not the District's funds and only if the employee does not use the funds within 60 days of the end of the plan fiscal year, will the District show any income.

Sioux Center Community School District
 Budgetary Comparison Schedule – Budget to GAAP Reconciliation
 Required Supplementary Information
 Year ended June 30, 2004

Governmental Funds			
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$ 8,365,664	58,574	8,424,238
Expenditures	8,309,054	(63,464)	8,245,590
Net	56,610	122,038	178,648
Other financing sources (uses), net	58,881	(40,263)	18,618
Beginning fund balances	1,621,230	(592,288)	1,028,942
Ending fund balances	\$ 1,736,721	(510,513)	1,226,208

Proprietary Funds			
	Cash Basis	Accrual Adjustments	Accrual Basis
Revenues	\$ 391,362	(13,778)	377,584
Expenses	406,454	(17,838)	388,616
Net	(15,092)	4,060	(11,032)
Other financing sources (uses), net	0	5,000	5,000
Beginning net assets	144,720	94,130	238,850
Ending net assets	\$ 129,628	103,190	232,818

See accompanying independent auditor's report

Sioux Center Community School District

Other Supplementary Information

Sioux Center Community School District

Sioux Center Community School District
Combining Balance Sheet
Non-major Special Revenue Funds
June 30, 2004

	Management Levy	Student Activity	Debt Service	Capital Projects	Total
Assets					
Cash and pooled investments	\$38,032	145,448	34,957	0	218,437
Receivables:					
Property tax:					
Delinquent	1,666	0	3,695	0	5,361
Succeeding year	80,000	0	384,233	0	464,233
Accounts	0	0	0	0	0
Patronage dividends	0	340	0	0	340
Total assets	<u>119,698</u>	<u>145,788</u>	<u>422,885</u>	<u>0</u>	<u>688,371</u>
Liabilities and Fund Equity					
Liabilities:					
Accounts payable	0	8,262	0	0	8,262
Salaries and benefits payable	5,102	0	0	0	5,102
Deferred revenue:					
Succeeding year property tax	80,000	0	384,233	0	464,233
Other	0	340	0	0	340
Total liabilities	<u>85,102</u>	<u>8,602</u>	<u>384,233</u>	<u>0</u>	<u>477,937</u>
Fund equity:					
Reserved for other	0	0	38,652	0	38,652
Unreserved fund balances	34,596	137,186	0	0	171,782
	<u>34,596</u>	<u>137,186</u>	<u>38,652</u>	<u>0</u>	<u>210,434</u>
Total liabilities and fund equity	<u>\$119,698</u>	<u>145,788</u>	<u>422,885</u>	<u>0</u>	<u>688,371</u>

See accompanying independent auditor's report

Sioux Center Community School District
 Combining Schedule of Revenues, Expenditures
 and Changes in Fund Balances
 Non-major Special Revenue Funds
 Year ended June 30, 2004

	Management Levy	Student Activity	Debt Service	Capital Projects	Total
Revenues:					
Local sources:					
Local tax	\$172,391	0	420,920	0	593,311
Other	192	256,612	1,154	0	257,958
State sources	96	0	214	0	310
Total revenues	<u>172,679</u>	<u>256,612</u>	<u>422,288</u>	<u>0</u>	<u>851,579</u>
Expenditures:					
Current:					
Instruction:					
Regular instruction	28,935	0	0	0	28,935
Other instruction	0	261,203	0	0	261,203
Total instruction	<u>28,935</u>	<u>261,203</u>	<u>0</u>	<u>0</u>	<u>290,138</u>
Support services:					
Administration services	44,651	0	0	0	44,651
Operation and maintenance of plant services	10,942	0	0	0	10,942
Transportation services	10,546	0	0	0	10,546
Total support services	<u>66,139</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>66,139</u>
Other expenditures:					
Long-term debt:					
Principal	0	0	245,863	0	245,863
Interest & fiscal charges	0	0	223,243	0	223,243
	<u>0</u>	<u>0</u>	<u>469,106</u>	<u>0</u>	<u>469,106</u>
Total expenditures	<u>95,074</u>	<u>261,203</u>	<u>469,106</u>	<u>0</u>	<u>825,383</u>
Excess (deficiency) of revenues over (under) expenditures	<u>77,605</u>	<u>(4,591)</u>	<u>(46,818)</u>	<u>0</u>	<u>26,196</u>
Other financing sources (uses):					
Operating transfers in	0	0	83,333	0	83,333
Operating transfers out	0	(5,109)	0	(6,899)	(12,008)
Other	0	0	16,728	0	16,728
Total other financing sources (uses)	<u>0</u>	<u>(5,109)</u>	<u>100,061</u>	<u>(6,899)</u>	<u>88,053</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	77,605	(9,700)	53,243	(6,899)	114,249
Fund balances beginning of year, as restated	<u>(43,009)</u>	<u>146,886</u>	<u>(14,591)</u>	<u>6,899</u>	<u>96,185</u>
Fund balances end of year	<u>\$34,596</u>	<u>137,186</u>	<u>38,652</u>	<u>0</u>	<u>210,434</u>

See accompanying independent auditor's report.

Sioux Center Community School District
 Schedule of Changes in Special Revenue Fund, Student Activity Accounts
 Year ended June 30, 2004

Account	Balance Beginning of Year	Revenues	Expenditures	Intrafund Transfers	Balance End of Year
Drama-musical	\$3,523	9,654	8,277	(1,035)	3,865
Speech	737	38	1,435	661	1
Vocal music	900	1,281	1,569	10	622
Instrumental music	128	7,902	8,482	452	0
Middle School music	2,338	10,975	12,801	9	521
Athletics	76,142	125,229	117,856	1,419	84,934
Training room	2,063	8,795	8,380	45	2,523
Middle School annual	2,256	2,529	3,891	14	908
8 th Grade	0	186	0	3	189
Middle School Hy-Vee grant	6,527	1,268	2,396	48	5,447
Trailer account	451	0	0	7	458
High School Hy-Vee grant	2,698	3,635	2,646	66	3,753
Class of 2001	1	0	0	0	1
Class of 2002	2,024	0	159	29	1,894
Class of 2003	2,359	0	0	37	2,396
Class of 2004	1,598	0	721	14	891
Class of 2005	0	11,290	7,261	68	4,097
Kinsey Elementary	1,738	6,268	6,118	35	1,923
Fellowship of Christian Athletes	1,940	300	340	30	1,930
Future Farmers of America	14,510	30,431	36,487	176	8,630
Donations-Need Fund	133	0	0	2	135
Junior High	663	0	663	0	0
Letter Club	170	0	0	3	173
Birthday Club	154	1,415	1,371	2	200
Student Council	6,166	12,234	14,776	59	3,683
Science Club	2,057	0	2,057	0	0
Spanish Club	2,419	0	447	32	2,004
Court liaison	6,049	1,135	4,733	45	2,496
Book covers	401	0	401	0	0
Annual	698	2,586	4,245	0	(961)
Dance team	3,743	13,330	14,685	41	2,429
Math club	23	1,990	1,638	6	381
Mock Trial	477	356	0	0	833
Jets	1	1,454	1,434	0	21
Student Opposed to Drugs and Alcohol	521	0	819	1,107	809
Students Against Drunk Driving	1,089	0	0	(1,089)	0
Interest earned	189	2,331	224	(2,296)	0
Total	\$146,886	256,612	266,312	0	137,186

See accompanying independent auditor's report

Sioux Center Community School District
 Schedule of Revenues by Source and Expenditures by Function
 All Governmental Funds
 For the Last Four Years

	Modified Accrual Basis			
	2004	2003	2002	2001
Revenues:				
Local sources:				
Local tax	\$3,993,412	3,644,187	3,340,592	3,090,156
Tuition	316,551	288,500	321,899	311,888
Other	421,343	449,473	412,657	411,600
Intermediate sources	178	0	0	0
State sources	3,421,797	3,277,881	3,279,730	3,315,465
Federal sources	296,966	274,673	294,017	135,884
Total	\$8,450,247	7,934,714	7,648,895	7,264,993
Expenditures:				
Instruction:				
Regular instruction	\$3,092,609	2,910,869	2,984,408	2,900,553
Special instruction	1,349,439	1,096,376	931,748	775,986
Other instruction	647,088	643,067	559,155	615,506
Support services:				
Student services	297,250	287,042	295,884	254,682
Instructional staff services	301,914	339,779	334,550	265,288
Administration services	765,526	758,640	692,550	708,958
Operation and maintenance of plant services	476,504	492,763	452,784	602,177
Transportation services	349,719	343,946	308,413	331,290
Central support services	1,631	34,989	31,997	17,726
Non-instructional programs	179	163	124	0
Other expenditures:				
Facilities acquisition	212,732	2,128,227	449,078	0
Long-term debt:				
Principal	245,863	205,863	150,863	139,500
Interest and other charges	223,243	267,030	130,143	135,593
AEA flowthrough	307,902	313,459	310,138	321,721
Total	\$8,271,599	9,822,213	7,631,835	7,068,980

See accompanying independent auditor's report.

SIEBRECHT SPITLER & DE NOBLE PC
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INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER
FINANCIAL REPORTING

To the Board of Education
of Sioux Center Community School District:

We have audited the financial statements of Sioux Center Community School District as of and for the year ended June 30, 2004, and have issued our report thereon dated October 31, 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 Sioux Center 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 such 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 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, 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 except for item III-A-04 and III-K-04.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Sioux Center 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 judgement, 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 Part II of 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 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 II-A-04 is a material weakness. Prior year reportable conditions have all been resolved except for item II-A-04.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Sioux Center Community School District and other parties to whom Sioux Center 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 Sioux Center 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.

SIEBRECHT SPITLER & DE NOBLE PC
Certified Public Accountants

Sioux Center, Iowa
October 31, 2004

Sioux Center Community School District
SCHEDULE OF FINDINGS
Year ended June 30, 2004

Part I: Summary of the Independent Auditor's Results:

- (a) An unqualified opinion was issued on the financial statements.
- (b) Reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements, including a material weakness.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.

Part II: Findings Related to the Financial Statements:

REPORTABLE CONDITIONS:

II-A-04 Segregation of Duties

Comment – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that cash disbursements listing, check writing, invoice cancellation and posting of cash disbursements to cash disbursements journals 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 believe that with our limited staff, the Board will have to remain diligent in overseeing and approving expenditures.

Conclusion – Response accepted.

Other Findings Related to Statutory Reporting:

III-A-04

Official Depositories – A resolution naming official depositories has been adopted by the Board. The maximum deposit amounts stated in the resolution were exceeded for part of the year at American State Bank and Peoples Bank.

Recommendation – The District should increase the depository resolution.

Response – The Board will approve an increase in the depository resolution.

Conclusion – Response accepted.

III-B-04

Certified Budget – Disbursements for the year ended June 30, 2004, exceeded the budget amounts in all four functional areas. Instruction budget was exceeded by \$232,228, Support Services by \$24,167, Non-instructional by \$52,713 and Other Expenditures by \$5,559. The District also exceeded the budget as a whole by \$314,667.

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

Response – Future budgets will be amended in sufficient amounts to ensure the certified budget is not exceeded.

Conclusion – Response accepted.

III-C-04

Questionable Expenditures – No expenditures that may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979, were noted.

III-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.

III-E-04

Business Transactions – No business transactions between the District and District officials or employees under contract were noted.

III-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 ensure that coverage is adequate for current operations.

III-G-04

Board Minutes – No transactions requiring Board approval, which had not been approved by the Board were noted. The Board did go into closed session without noting specific exemption under Chapter 21.5 of the Code of Iowa and the Board did not note the final actions taken in open session, also required by Chapter 21.5 of the Code of Iowa.

Recommendation – The Board should note, in the minutes, the exemption for going into closed session and the final action taken in open session.

Response – We will follow the code requirements for going into closed sessions in the future.

Conclusion – Response accepted.

III-H-04

Certified Enrollment – No variances in the basic enrollment data certified to the Department of Education were noted.

III-I-04

Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District’s investment policy were noted.

III-J-04

Certified Annual Report – The Certified Annual Report was filed with the Department of Education timely. We noted no material variances between the CAR and our audit.

III-K-04

Financial Condition – The District has an undesignated deficit in the Property, Plant and Equipment Fund and Child Care Fund of \$9,345 and \$2,144 respectively at June 30, 2004.

Recommendation – The District should continue to monitor these funds and investigate alternatives to eliminate the deficit in order to return the District to a sound financial condition.

Response – We are working on this.

Conclusion – Response accepted.

Sioux Center Community School District

Staff

This audit was performed by:

Myron C. Siebrecht, CPA, Senior Auditor
Robert S. Ferreira, CPA, Senior Auditor
Gregg Miller, Assistant Auditor

SIEBRECHT SPITLER & DE NOBLE PC
Certified Public Accountants