

SIBLEY-OCHEYEDAN COMMUNITY SCHOOL DISTRICT

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

June 30, 2005

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## Independent Auditor's Report

To the Board of Education of  
Sibley-Ocheyedan Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Sibley-Ocheyedan Community School District, Sibley, Iowa, as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 Sibley-Ocheyedan Community School District as of June 30, 2005, 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.

In accordance with Government Auditing Standards, we have also issued our report dated September 29, 2005, on our consideration of Sibley-Ocheyedan Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contract and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 12 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 required 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 Sibley-Ocheyedan Community School District's basic financial statements. The financial statements for the three years ended June 30, 2004, (none of which are presented herein) were audited by other auditors who expressed unqualified opinions on those financial statements. The supplemental information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

BURTON E. TRACY & CO., P.C.  
Certified Public Accountants

September 29, 2005

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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Sibley-Ocheyedan 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, 2005. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### 2005 Financial Highlights

- General Fund revenues increased from \$6,229,553 in fiscal 2004 to \$6,351,761 in fiscal 2005, while General Fund expenditures increased from \$6,186,868 in fiscal 2004 to \$6,210,991 in fiscal 2005. The District's General Fund balance decreased from \$398,890 in fiscal 2004 to \$279,187 in fiscal 2005, a 30% decrease.
- The increase in General Fund revenues was insignificant in comparison to fiscal 2004. Total property tax for the district actually decreased by twenty-two cents per \$1000 valuation. Minimal increase in expenditures was due primarily to the district monitoring any extra spending.

### USING THIS ANNUAL REPORT

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

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

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

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

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

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

Other Supplementary Information provides detailed information about the nonmajor Special Revenue Funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various programs benefiting the District.

Figure A-1 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

**Figure A-1  
Major Features of the Government-wide and Fund Financial Statements**

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

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

### *Government-wide Financial Statements*

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

The two government -wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or 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 government -wide financial statements, the District's activities are divided into two categories:

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

### *Fund Financial Statements*

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

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

The District has three kinds of funds:

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

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

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

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

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

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

- Private-Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.
- Agency Funds – These are funds through which the District administers and accounts for certain federal and/or state grants on behalf of other Districts and certain revenue collected for District employee purchases of pop and related expenditures. The District does not have any agency funds at this time.

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

The required financial statements for fiduciary funds include a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

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

## Government-Wide Financial Analysis

Figure A-2 below provides a summary of the District’s net assets at June 30, 2005 compared to June 30, 2004. The 2004 amounts have been restated for the items explained in Note 12 to the financial statements.

Figure A-2

	Condensed Statement of Net Assets						Percentage Change 2004-2005
	Governmental Activities		Business-type Activities		Total School District		
	2005	2004	2005	2004	2005	2004	
	\$	\$	\$	\$	\$	\$	
Current and other assets	5,052,413	4,996,552	9,853	26,994	5,062,266	5,023,546	.8%
Capital assets	6,593,547	6,621,098	9,472	11,238	6,603,019	6,632,336	-0.4%
<b>Total assets</b>	<b>11,645,960</b>	<b>11,617,650</b>	<b>19,325</b>	<b>38,232</b>	<b>11,665,285</b>	<b>11,655,882</b>	<b>.1%</b>
Long-term liabilities	3,369,493	3,201,730			3,369,493	3,201,730	5.2%
Other liabilities	3,730,691	3,906,984	4,917		3,735,608	3,906,984	-4.4%
<b>Total liabilities</b>	<b>7,100,184</b>	<b>7,108,714</b>	<b>4,917</b>		<b>7,105,101</b>	<b>7,108,714</b>	<b>-0.1%</b>
Net Assets:							
Invested in capital assets, net of related debt	3,848,547	3,666,098	9,472	11,238	3,858,019	3,677,336	4.9%
Restricted	1,087,850	775,659			1,087,850	775,659	40.2%
Unrestricted	[ 390,621 ]	67,179	4,936	26,994	[ 385,685 ]	94,173	-509.5%
<b>TOTAL NET ASSETS</b>	<b>4,545,776</b>	<b>4,508,936</b>	<b>14,408</b>	<b>38,232</b>	<b>4,560,184</b>	<b>4,547,168</b>	<b>.3%</b>

The District's combined net assets increased by approximately \$13,000 over the prior year. The largest portion of the District's net assets is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net 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 \$312,000 or 40% over the prior year. The increase was primarily a result of sales tax revenues received but not spent. These funds will be used to decrease the debt service levy in 2005-06.

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 – decreased approximately \$450,000 due to large increase in early retirement benefits payable.

Figure A-3 shows the change in net assets for the years ended June 30, 2005 and 2004.

Figure A-3

	Change in Net Assets					
	Governmental Activities		Business-type Activities		Total School District	
	2005	2004	2005	2004	2005	2004
	\$	\$	\$	\$	\$	\$
Revenues						
Program Revenues:						
Charges for services	577,399	575,316	195,175	163,652	772,574	738,968
Operating grants & contributions	739,396	754,295	132,163	132,329	871,559	886,624
Capital grants & contributions	25,000	13,683			25,000	13,683
General Revenues:						
Property taxes	2,569,399	2,909,796			2,569,399	2,909,796
Income Surtax	177,006				177,006	
Local option sales tax	419,930	114,494			419,930	114,494
Unrestricted state grants	3,165,425	2,936,165			3,165,425	2,936,165
Unrestricted investment earnings	25,072		15		25,087	
Other revenue	12,377				12,377	
<b>Total Revenues</b>	<b>7,711,004</b>	<b>7,303,749</b>	<b>327,353</b>	<b>295,981</b>	<b>8,038,357</b>	<b>7,599,730</b>
Expenses:						
Instruction	4,809,073	4,453,892			4,809,073	4,453,892
Support services	2,182,280	1,899,199			2,182,280	1,899,199
Non-instructional programs			368,177	323,062	368,177	323,062
Other expenditures	665,811	757,843			665,811	757,843
<b>Total expenses</b>	<b>7,657,164</b>	<b>7,110,934</b>	<b>368,177</b>	<b>323,062</b>	<b>8,025,341</b>	<b>7,433,996</b>
<b>Change in net assets before transfers</b>	<b>53,840</b>	<b>192,814</b>	<b>[ 40,824 ]</b>	<b>[ 27,081 ]</b>	<b>13,016</b>	<b>165,733</b>
Transfers	[17,000]		17,000			
<b>CHANGE IN NET ASSETS</b>	<b>36,840</b>	<b>192,814</b>	<b>[ 23,824 ]</b>	<b>[ 27,081 ]</b>	<b>13,016</b>	<b>165,733</b>
Net assets beginning of year	4,882,802	4,689,988	38,232	65,313	4,921,034	4,755,301
Adjustment to beg. Balance (as explained in Note 12 to the financial statements)	[ 373,866 ]				[ 373,866 ]	
Net assets end of year	<u>4,545,776</u>	<u>4,882,802</u>	<u>14,408</u>	<u>38,232</u>	<u>4,560,184</u>	<u>4,921,034</u>

Property tax, Instructional Support Income Surtax, Local Option Sales Tax and unrestricted State grants account for 79% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 87% of the total expenses.

**Governmental Activities**

Revenues for governmental activities were \$7,711,004 and expenses were \$7,657,164. Most of the increase in revenues is due to the increase in sales taxes. The District started collecting sales taxes from Osceola County in January 2004. Fiscal year 2005 includes an entire year of sales tax collections. The large increase in expenses for instruction was due to an increase in early retirement benefits. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues.

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

*Figure A-4*

**Total and Net Cost of Governmental Activities**

	<b>Total Cost of Services 2005</b>	<b>Total Cost of Services 2004</b>	<b>Net Cost of Services 2005</b>	<b>Net Cost of Services 2004</b>
	\$	\$	\$	\$
Instruction	4,809,073	4,453,892	3,832,241	3,228,925
Support Services	2,182,280	1,899,199	2,116,781	1,864,858
Non-instructional Programs				83,986
Other Expenses	665,811	757,843	366,347	757,843
<b>TOTAL</b>	<b>7,657,164</b>	<b>7,110,934</b>	<b>6,315,369</b>	<b>5,767,640</b>

- The cost financed by users of the District's programs was \$577,399. These largest portion of these revenues is derived from tuition charged to other schools and proceeds from student activities.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$764,396.
- The net cost of governmental activities was financed with \$2,569,399 in property tax, 177,066 in income surtax, \$419,930 in sales tax and \$3,165,425 in unrestricted state grants.

**Business Type Activities**

Revenues for business type activities were \$327,353 and expenses were \$368,177. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income. The district approved a permanent transfer of \$17,000 from the General Fund to the School Nutrition Fund before the end of the 2004-05 fiscal year.

**INDIVIDUAL FUND ANALYSIS**

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$1,171,040, well above last year's ending fund balances of \$939,629.

### **Governmental Fund Highlights**

- The General Fund balance decreased from \$398,890 to \$279,187. The District's deteriorating General Fund financial position is the result of declining enrollment and the increasing cost of finding and retaining the services of a qualified staff and increased health insurance premiums.
- Approximately 77% of General Fund expenditures are for salaries and employee benefits. The District is trying to control salary costs by encouraging the use of the District's early retirement program. The use of the early retirement program allows the District to reduce staff without layoffs and positions that are refilled are at lower salaries.
- The Capital Projects Fund is used to account for the proceeds from the expenditure of the local option sales tax. State law and the District's revenue purpose statement control how this money may be spent. The June 30, 2005 fund balance of \$508,133 will be used to make future general obligation bond payments. Because this money is available for bond payments, the District has reduced the fiscal year 2006 property tax levy for debt service from \$1.69 per \$1,000 of valuation to \$0.43 per \$1,000 of valuation.
- The Management Fund is used to account for the management property tax levy. This levy may be spent for early retirement benefits, unemployment claims and liability and property insurance. The balance in this fund increased from a deficit of \$29,218 at June 30, 2004 to a positive balance of 12,763 at June 30, 2005. This increase was due to an increase in the property tax levy.
- The Nonmajor Funds include the Student Activity Fund, Physical Plant and Equipment Levy Fund and the Debt Service Fund. The Fund balances of the Student Activity Fund and Debt Service Fund remained steady, while the fund balance of the Physical Plant and Equipment Levy Fund (PPEL) decreased by \$80,832. Revenues in the PPEL Fund increased slightly while expenditures for building improvements and transportation equipment increased.

### **Proprietary Fund Highlights**

School Nutrition Fund net assets decreased from \$38,232 at June 30, 2004 to \$14,408 at June 30, 2005.

The increase in revenue and expenditures can be contributed to the fact that the District began supplying approximately 80 meals per day to Bright Beginnings. Bright Beginnings is the newly constructed day care /Headstart facility that adjoins to Ben Franklin Elementary. The District also added a salad bar and many more a la carte items at the high school.

The District will increase meals costs for 2005-06 to \$ 1.65 for students and \$2.25 for adults. Breakfast costs will increase from \$.75 to \$1.00 for students.

For 2005-06, the District began supplying approximately 50 breakfast meals and 90 lunches for Worthington Area Language Academy in Bigelow, MN. This will increase expenditures for 2005-06.

### **BUDGETARY HIGHLIGHTS**

Over the course of the year, Sibley-Ocheyedan Community School District did not amend its annual budget to reflect additional revenue and expenditures.

The District's receipts were \$60,904 less than budgeted receipts, a variance of less than 1%. Total disbursements were \$234,146 less than budget, a variance of approximately 3%.

Although total disbursements were lower than the total budget, the District did exceed the budgeted amounts in two of the four functional areas that make up the budget. The budgets in the noninstructional programs and other expenditures areas were exceeded mainly due to the increased expenditures for food and supplies in the Nutrition Fund with the addition of supplying meals to Bright Beginnings, and the new salad bar and a la carte items offered at the high school.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

At June 30, 2005, the District had invested \$6,603,019, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-5) This represents a net decrease of .4% from last year. More detailed information about the District’s capital assets is presented in Note 6 to the financial statements. Depreciation expense for the year was \$340,137.

During fiscal year 2005 the District spent \$179,478 for roof improvements and spent \$142,542 for transportation equipment.

*Figure A-5*

**Capital Assets (net of depreciation)**

	<b>Governmental Activities</b>		<b>Business type Activities</b>		<b>Total School District</b>		<b>Percentage Change 2004-2005</b>
	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>	
	\$	\$	\$	\$	\$	\$	
Land	25,000	25,000			25,000	25,000	0.0%
Buildings	6,143,545	6,202,342			6,143,545	6,202,342	-0.9%
Improvements	146,521	161,755			146,521	161,755	-9.4%
Equipment & Furniture	278,481	232,001	9,472	11,238	287,953	243,239	18.4%
<b>TOTAL</b>	<b>6593547</b>	<b>6621098</b>	<b>9,472</b>	<b>11238</b>	<b>6603019</b>	<b>6632336</b>	<b>-0.4%</b>

**Long-Term Debt**

At June 30, 2005, the District had \$3,353,415 in general obligation, revenue and other long-term debt outstanding. This represents an increase of approximately 5% from last year. (See Figure A-7) Additional information about the District’s long-term debt is presented in Note 7 to the financial statements.

**Figure A-6  
Outstanding Long-Term Obligations**

	<b>Total School District</b>		<b>Percentage</b>
	<b>2005</b>	<b>2004</b>	<b>Change 2004-2005</b>
	\$	\$	
General Obligation Bonds	2,745,000	2,955,000	[ 7.1% ]

Early Retirement	<u>624,493</u>	<u>246,730</u>	<u>153.1%</u>
TOTAL	<u><u>3,369,493</u></u>	<u><u>3,201,730</u></u>	<u><u>5.2%</u></u>

**ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE**

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

- School financing is highly dependent upon student enrollment. The District's September 2005 enrollment decreased by 34 students. This drop in enrollment will decrease the District's funding for fiscal year 2007.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact LaDonn Hartzell, District Secretary/Treasurer and Business Manager, Sibley-Ocheyedan Community School District, 120 11<sup>th</sup> Avenue N.E., Sibley, IA 51249

## BASIC FINANCIAL STATEMENTS

## SIBLEY-OCHEYEDAN COMMUNITY SCHOOL DISTRICT

## Statement of Net Assets

June 30, 2005

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
<b>Assets</b>			
Cash and cash equivalents:			
ISCAP	576,543	-	576,543
Other	1,425,466	4,552	1,430,018
Receivables:			
Property tax:			
Delinquent	45,182	-	45,182
Succeeding year	2,581,353	-	2,581,353
Accounts	1,891	-	1,891
Due from other governments	421,978	-	421,978
Inventories	-	5,301	5,301
Capital assets, net of accumulated depreciation	6,593,547	9,472	6,603,019
	<u>11,645,960</u>	<u>19,325</u>	<u>11,665,285</u>
<b>Total assets</b>			
<b>Liabilities</b>			
Accounts payable	31,186	-	31,186
Salaries and benefits payable	526,357	-	526,357
Accrued interest payable	10,086	-	10,086
Deferred revenue:			
Succeeding year property tax	2,581,353	-	2,581,353
Other	-	4,917	4,917
ISCAP warrants payable	574,000	-	574,000
ISCAP premium	7,709	-	7,709
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	225,000	-	225,000
Early retirement	286,104	-	286,104
Portion due after one year:			
General obligation bonds payable	2,520,000	-	2,520,000
Early retirement	338,389	-	338,389
	<u>7,100,184</u>	<u>4,917</u>	<u>7,105,101</u>
<b>Total liabilities</b>			

## SIBLEY-OCHEYEDAN COMMUNITY SCHOOL DISTRICT

## Statement of Net Assets

June 30, 2005

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
<b>Net assets</b>			
Invested in capital assets, net of related debt	3,848,547	9,472	3,858,019
Restricted for:			
School Improvement Technology	18,503	-	18,503
Gifted and talented program	170,194	-	170,194
Iowa early intervention block grant	25,337	-	25,337
Physical plant and equipment levy	275,351	-	275,351
Other special revenue purposes	90,332	-	90,332
Local option sales tax capital projects	508,133	-	508,133
Unrestricted	<u>(390,621)</u>	<u>4,936</u>	<u>(385,685)</u>
<b>Total net assets</b>	<u><u>4,545,776</u></u>	<u><u>14,408</u></u>	<u><u>4,560,184</u></u>

## SIBLEY-OCHEYEDAN COMMUNITY SCHOOL DISTRICT

## Statement of Activities

Year ended June 30, 2005

<b>Functions/Programs</b>	<u>Expenses</u>	<u>Charges for Services</u>	<u>Program Revenue</u>
			<u>Operating Grants, Contributions and Restricted Interest</u>
<b>Governmental activities:</b>			
Instruction:			
Regular instruction	3,226,634	267,910	276,202
Special instruction	690,073	-	44,689
Other instruction	892,366	304,745	83,286
	<u>4,809,073</u>	<u>572,655</u>	<u>404,177</u>
Support services:			
Student services	220,483	-	38,026
Instructional staff services	222,105	-	-
Administration services	604,896	-	-
Operation and maintenance of plant services	770,220	4,744	-
Transportation services	364,576	-	22,729
	<u>2,182,280</u>	<u>4,744</u>	<u>60,755</u>
Other expenditures:			
Facilities acquisition	23,093	-	-
Long-term debt interest	129,608	-	3,663
AEA flowthrough	270,801	-	270,801
Depreciation (unallocated)*	242,309	-	-
	<u>665,811</u>	<u>-</u>	<u>274,464</u>
Total governmental activities	7,657,164	577,399	739,396
<b>Business type activities:</b>			
Non-instructional programs:			
Food service operations	368,177	195,175	132,163
Total	<u>8,025,341</u>	<u>772,574</u>	<u>871,559</u>
<b>General Revenues:</b>			
Property taxes levied for:			
General purposes			
Debt service			
Capital outlay			
Income surtax			
Local option sales and services tax			
Unrestricted state grants			
Unrestricted investment earnings			
Other			
Total general revenues			
Transfers			
Total general revenues and transfers			

**Change in net assets**

Net assets beginning of year, as restated

Net assets end of year

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

See notes to financial statements.

SIBLEY-OCHEYEDAN COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2005

35 \_\_\_\_\_

Capital Grants,  
Contributions and  
Restricted  
Interest

\_\_\_\_\_ -  
\_\_\_\_\_ -  
\_\_\_\_\_ -  
\_\_\_\_\_ -  
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25,000

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\_\_\_\_\_ 25,000

25,000

\_\_\_\_\_ -  
\_\_\_\_\_ 25,000

## SIBLEY-OCHEYEDAN COMMUNITY SCHOOL DISTRICT

## Statement of Activities

Year ended June 30, 2005

Net (Expense) Revenue and Changes in Net Assets

Governmental Activities	Business Type Activities	Total
(2,682,522)	-	(2,682,522)
(645,384)	-	(645,384)
(504,335)	-	(504,335)
<u>(3,832,241)</u>	<u>-</u>	<u>(3,832,241)</u>
(182,457)	-	(182,457)
(222,105)	-	(222,105)
(604,896)	-	(604,896)
(765,476)	-	(765,476)
(341,847)	-	(341,847)
<u>(2,116,781)</u>	<u>-</u>	<u>(2,116,781)</u>
1,907	-	1,907
(125,945)	-	(125,945)
-	-	-
(242,309)	-	(242,309)
<u>(366,347)</u>	<u>-</u>	<u>(366,347)</u>
(6,315,369)	-	(6,315,369)
-	(40,839)	(40,839)
<u>(6,315,369)</u>	<u>(40,839)</u>	<u>(6,356,208)</u>
2,202,529	-	2,202,529
306,866	-	306,866
60,004	-	60,004
177,006	-	177,006
419,930	-	419,930
3,165,425	15	3,165,440
25,072	-	25,072
12,377	-	12,377
6,369,209	15	6,369,224
(17,000)	17,000	-
<u>6,352,209</u>	<u>17,015</u>	<u>6,369,224</u>
36,840	(23,824)	13,016
<u>4,508,936</u>	<u>38,232</u>	<u>4,547,168</u>
<u>4,545,776</u>	<u>14,408</u>	<u>4,560,184</u>

## SIBLEY-OCHEYEDAN COMMUNITY SCHOOL DISTRICT

Balance Sheet  
Governmental Funds

June 30, 2005

	General Fund	Capital Projects Local Option Sales Tax	Management	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$	\$
<b>Assets</b>					
Cash and pooled investments:					
ISCAP	576,543	-	-	-	576,543
Other	759,710	316,143	7,977	341,636	1,425,466
Receivables:					
Property tax:					
Delinquent	34,644	-	4,233	6,305	45,182
Succeeding year	2,004,769	-	435,000	141,584	2,581,353
Accounts	1,891	-	-	-	1,891
Interfund receivable	-	-	553	-	553
Due from other governments	204,988	191,990	-	25,000	421,978
<b>Total assets</b>	<b>3,582,545</b>	<b>508,133</b>	<b>447,763</b>	<b>514,525</b>	<b>5,052,966</b>
<b>Liabilities and Fund Balances</b>					
Liabilities:					
Accounts payable	29,202	-	-	1,984	31,186
Salaries and benefits payable	526,357	-	-	-	526,357
Interfund payable	553	-	-	-	553
ISCAP warrants payable	574,000	-	-	-	574,000
ISCAP premium	7,709	-	-	-	7,709
Deferred revenue:					
Succeeding year property tax	2,004,769	-	435,000	141,584	2,581,353
Other	160,768	-	-	-	160,768
Total liabilities	<b>3,303,358</b>	<b>-</b>	<b>435,000</b>	<b>143,568</b>	<b>3,881,926</b>
Fund balances:					
Reserved for:					
School Improvement Technology	18,503	-	-	-	18,503
Gifted and talented program	170,194	-	-	-	170,194
Iowa early intervention block grant	25,337	-	-	-	25,337
Debt service	-	-	-	5,274	5,274
Unreserved reported in:					
General fund	65,153	-	-	-	65,153
Special revenue funds	-	-	12,763	365,683	378,446
Capital projects funds	-	508,133	-	-	508,133
Total fund balances	<b>279,187</b>	<b>508,133</b>	<b>12,763</b>	<b>370,957</b>	<b>1,171,040</b>
<b>Total liabilities and fund balances</b>	<b>3,582,545</b>	<b>508,133</b>	<b>447,763</b>	<b>514,525</b>	<b>5,052,966</b>

See notes to financial statements.

## SIBLEY-OCHEYEDAN COMMUNITY SCHOOL DISTRICT

Reconciliation of the Balance Sheet - Governmental Funds  
to the Statement of Net Assets

June 30, 2005

	\$
<b>Total fund balances of governmental funds (Exhibit C)</b>	1,171,040
<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.	6,593,547
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	160,768
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	(10,086)
Long-term liabilities, including bonds payable and early retirement benefits, are not due and payable in the current period and therefore, are not reported as liabilities in the governmental funds.	<u>(3,369,493)</u>
<b>Net assets of governmental activities (Exhibit A)</b>	<u><u>4,545,776</u></u>

## SIBLEY-OCHEYEDAN COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds

Year ended June 30, 2005

	General Fund	Capital Projects Local Option Sales Tax	Management	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$	\$
Revenues:					
Local sources:					
Local tax	2,139,691	419,930	239,844	366,870	3,166,335
Tuition	226,228	-	-	-	226,228
Other	84,684	-	1,145	316,204	402,033
State sources	3,672,039	-	-	-	3,672,039
Federal sources	229,119	-	-	25,000	254,119
Total revenues	<u>6,351,761</u>	<u>419,930</u>	<u>240,989</u>	<u>708,074</u>	<u>7,720,754</u>
Expenditures:					
Current:					
Instruction:					
Regular instruction	2,696,709	-	115,297	36,579	2,848,585
Special instruction	690,073	-	-	-	690,073
Other instruction	586,554	-	-	304,888	891,442
	<u>3,973,336</u>	<u>-</u>	<u>115,297</u>	<u>341,467</u>	<u>4,430,100</u>
Support services:					
Student services	219,483	-	1,000	-	220,483
Instructional staff services	222,105	-	-	-	222,105
Administration services	604,896	-	-	-	604,896
Operation and maintenance of plant services	644,111	-	67,260	36,863	748,234
Transportation services	276,259	-	15,451	142,542	434,252
	<u>1,966,854</u>	<u>-</u>	<u>83,711</u>	<u>179,405</u>	<u>2,229,970</u>
Other expenditures:					
Facilities acquisition	-	-	-	202,571	202,571
Long-term debt:					
Principal	-	-	-	210,000	210,000
Interest and fiscal charges	-	-	-	130,351	130,351
AEA flowthrough	270,801	-	-	-	270,801
	<u>270,801</u>	<u>-</u>	<u>-</u>	<u>542,922</u>	<u>813,723</u>
Total expenditures	<u>6,210,991</u>	<u>-</u>	<u>199,008</u>	<u>1,063,794</u>	<u>7,473,793</u>
Excess (deficiency) of revenues over (under) expenditures	<u>140,770</u>	<u>419,930</u>	<u>41,981</u>	<u>(355,720)</u>	<u>246,961</u>
Other financing sources (uses):					
Sales of materials and equipment	1,450	-	-	-	1,450
Operating transfers in	-	-	-	271,214	271,214
Operating transfers out	(261,923)	(26,291)	-	-	(288,214)
Total other financing sources (uses)	<u>(260,473)</u>	<u>(26,291)</u>	<u>-</u>	<u>271,214</u>	<u>(15,550)</u>
Net change in fund balances	(119,703)	393,639	41,981	(84,506)	231,411
Fund balances beginning of year, as restated	<u>398,890</u>	<u>114,494</u>	<u>(29,218)</u>	<u>455,463</u>	<u>939,629</u>
Fund balances end of year	<u>279,187</u>	<u>508,133</u>	<u>12,763</u>	<u>370,957</u>	<u>1,171,040</u>

See notes to financial statements.

## SIBLEY-OCHEYEDAN 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, 2005

	\$	\$
<b>Net change in fund balances - total governmental funds (Exhibit E)</b>		231,411
<i>Amounts reported for governmental activities in the Statement of Activities are different because:</i>		
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. Depreciation expense exceeded capital outlay expenditures in the year as follows:		
Expenditures for capital assets	322,020	
Depreciation expense	<u>(338,371)</u>	(16,351)
Repayment of long-term liability principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.		210,000
Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities interest expense is recognized as the interest accrues, regardless of when it is due.		743
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		(377,763)
For the Statement of Activities a gain or (loss) is recognized when capital assets with a remaining basis are disposed of.		<u>(11,200)</u>
<b>Changes in net assets of governmental activities (Exhibit B)</b>		<u><u>36,840</u></u>

## SIBLEY-OCHEYEDAN COMMUNITY SCHOOL DISTRICT

Statement of Net Assets  
Proprietary Funds

June 30, 2005

	Nonmajor School Nutrition
	<u>\$</u>
<b>Assets</b>	
Cash and cash equivalents	4,552
Inventories	5,301
Capital assets, net of accumulated depreciation	<u>9,472</u>
<b>Total assets</b>	19,325
<b>Liabilities</b>	
Deferred revenue	<u>4,917</u>
<b>Net assets</b>	
Invested in capital assets, net of related debt	9,472
Unrestricted	<u>4,936</u>
<b>Total net assets</b>	<u><u>14,408</u></u>

SIBLEY-OCHEYEDAN COMMUNITY SCHOOL DISTRICT  
Statement of Revenues, Expenses, and Changes in Net Assets  
Proprietary Funds

Year ended June 30, 2005

	Nonmajor School Nutrition <u>          </u> \$
Operating revenue:	
Local sources:	
Charges for service	<u>195,175</u>
Operating expenses:	
Non-instructional programs:	
Salaries	128,669
Benefits	46,645
Purchased services	219
Supplies	190,878
Depreciation	<u>1,766</u>
	<u>368,177</u>
Operating gain (loss)	<u>(173,002)</u>
Non-operating revenue:	
State sources	4,617
Federal sources	127,546
Interest income	15
Total non-operating revenue	<u>132,178</u>
Gain (loss) before transfers	(40,824)
Transfers in	<u>17,000</u>
Change in net assets	(23,824)
Net assets beginning of year	<u>38,232</u>
Net assets end of year	<u><u>14,408</u></u>

## SIBLEY-OCHEYEDAN COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows  
Proprietary Funds

Year ended June 30, 2005

	Nonmajor School Nutrition
	<u>\$</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	200,092
Cash payments to employees for services	(175,314)
Cash payments to suppliers for goods or services	(160,058)
Net cash used by operating activities	<u>(135,280)</u>
Cash flows from non-capital financing activities:	
Transfers from General fund	17,000
State grants received	4,617
Federal grants received	102,220
Net cash provided by non-capital financing activities	<u>123,837</u>
Cash flows from capital and related financing activities	<u>-</u>
Cash flows from investing activities:	
Interest on investments	<u>15</u>
Net increase (decrease) in cash and cash equivalents	(11,428)
Cash and cash equivalents at beginning of year	<u>15,980</u>
Cash and cash equivalents at end of year	<u><u>4,552</u></u>
<b>Reconciliation of operating gain (loss) to net cash used by operating activities:</b>	
Operating gain (loss)	(173,002)
Adjustments to reconcile operating gain (loss) to net cash used by operating activities:	
Commodities used	25,326
Depreciation	1,766
Decrease (increase) in inventories	5,713
(Decrease) increase in deferred revenue	4,917
Net cash used in operating activities	<u><u>(135,280)</u></u>

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

During the year ended June 30, 2005, the District received \$25,326 of federal commodities.

SIBLEY-OCHEYEDAN COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Assets  
Fiduciary Funds

June 30, 2005

	Private Purpose Trust Scholarship
	<u>\$</u>
<b>Assets</b>	
Cash and pooled investments	14,387
<b>Liabilities</b>	
	<u>-</u>
<b>Net Assets</b>	
Reserved for scholarships	<u><u>14,387</u></u>

## SIBLEY-OCHEYEDAN COMMUNITY SCHOOL DISTRICT

Statement of Changes in Fiduciary Net Assets  
Fiduciary Funds

Year ended June 30, 2005

	Private Purpose Trust Scholarship
	<u>\$</u>
Additions:	
Local sources:	
Interest	286
Deductions:	
Support services:	
Scholarships awarded	<u>650</u>
Change in net assets	(364)
Net assets beginning of year	<u>14,751</u>
Net assets end of year	<u><u>14,387</u></u>

# SIBLEY-OCHEYEDAN COMMUNITY SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2005

### 1. Summary of Significant Accounting Policies

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

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but 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 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 nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

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

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

*Restricted net assets* result when constraints placed on net 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 that are imposed by management, but can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those 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 nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other 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 instruction, support and other costs.

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

The Management Fund is a special revenue fund that is used to account for the revenues from the expenditures of the management property tax levy.

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

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

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

#### C. Measurement Focus and Basis of Accounting

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

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

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

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and 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 program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

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

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

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

#### D. Assets, Liabilities and Fund Equity

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

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

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash, and at the day of purchase, 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 purposes set out in the budget for the next fiscal year. By statute, the

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

Property tax revenue recognized in these funds became 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, 2003 assessed property valuations; is for the tax accrual period July 1, 2004, through June 30, 2005, and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2004.

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 reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and 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.

<u>Asset Class</u>	<u>Amount</u>
	\$
Land	2,000
Buildings	10,000
Improvements other than buildings	10,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	5,000

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

<u>Asset Class</u>	<u>Estimated Useful Life</u>
Buildings	20-50 years
Improvements other than buildings	5-20 years
Furniture and equipment	5-15 years

The District's collection of library books and other similar materials are not capitalized. These collections are unencumbered, held for public exhibition and education, protected, cared for and preserved and subject to District policy that requires proceeds from the sale of these items, if any, to be used to acquire other collection items.

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 represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds, as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue in the Statement of Net Assets consists of unspent grant proceeds, amounts received in advance for meal sales and 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 and sick leave hours for subsequent use. Employees are not paid for unused vacation and sick leave benefits when employment with the District ends.

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. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2005, disbursements in the non-instructional programs and other expenditures functions exceeded the amounts budgeted.

## 2. **Cash and Pooled Investments**

The District's deposits in banks at June 30, 2005 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

The District had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 40.

**3. Interfund Receivables and Payables**

The detail of interfund receivables and payables at June 30, 2005 is as follows:

Receivable Fund	Payable Fund	Amount
		\$
Special Revenue: Management Fund	General Fund	552

The interfund receivable/payable represents a correction between the two funds.

**4. Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2005 is as follows:

Transfer to	Transfer from	Amount
		\$
Special Revenue: Physical Plant and Equipment Levy Fund	General Fund	244,923
Enterprise: School Nutrition Fund	General Fund	17,000
Debt Service Fund	Capital Projects: Local Option Sales Tax Fund	26,291

The transfers from the General Fund to the School Nutrition Fund and from the Capital Projects Fund to the Debt Service Fund moved revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

The transfer from the General Fund to the Physical Plant and Equipment Levy Fund moved Instructional Support revenues collected by the General Fund to the Physical Plant and Equipment Levy Fund.

**5. Iowa School Cash Anticipation Program (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. N.A. is the trustee for the program. A summary of the District's participation in ISCAP as of June 30, 2005 is as follows:

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable
			\$	\$	\$	\$
2005-06A	6/30/05	6/30/06	<u>576,543</u>	-	<u>574,000</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. ISCAP advance activity in the General Fund for the year ended June 30, 2005, is as follows:

Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
\$	\$	\$	\$
-	-	-	-

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

Series	Interest Rates on Warrants	Interest Rates on Investments
	%	%
2004-05A	3.000	2.463
2005-06A	4.000	3.903

## 6. Capital Assets

Capital assets activity for the year ended June 30, 2005 is as follows:

	Balance Beginning of Year, as Restated	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	25,000	-	-	25,000
Capital assets being depreciated:				
Buildings	9,800,343	179,478	40,000	9,939,821
Improvements other than buildings	270,829	-	-	270,829
Furniture and equipment	1,040,409	142,542	38,524	1,144,427
Total capital assets being deprec.	<u>11,111,581</u>	<u>322,020</u>	<u>78,524</u>	<u>11,355,077</u>
Less accumulated depreciation for:				
Buildings	3,598,001	227,075	28,800	3,796,276
Improvements other than buildings	109,074	15,234	-	124,308
Furniture and equipment	808,408	96,062	38,524	865,946
Total accumulated depreciation	<u>4,515,483</u>	<u>338,371</u>	<u>67,324</u>	<u>4,786,530</u>
Total capital assets being depreciated, net	<u>6,596,098</u>	<u>(16,351)</u>	<u>11,200</u>	<u>6,568,547</u>
Governmental activities capital assets, net	<u>6,621,098</u>	<u>(16,351)</u>	<u>11,200</u>	<u>6,593,547</u>

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
<b>Business type activities:</b>				
Furniture and equipment	41,115	-	-	41,115
Less accumulated depreciation	<u>29,877</u>	<u>1,766</u>	<u>-</u>	<u>31,643</u>
Business type activities capital assets, net	<u>11,238</u>	<u>(1,766)</u>	<u>-</u>	<u>9,472</u>

Depreciation expense was charged to the following functions:

	\$
Governmental activities:	
Instruction:	
Regular	286
Other	924
Support Services:	
Operation and maintenance of plant services	21,986
Transportation	<u>72,866</u>
	96,062
Unallocated depreciation	<u>242,309</u>
Total depreciation expense – governmental activities	<u>338,371</u>
Business type activities:	
Food service operations	<u>1,766</u>

## 7. Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2005, are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
	\$	\$	\$	\$	\$
General obligation bonds	2,955,000	-	210,000	2,745,000	225,000
Early retirement	<u>246,730</u>	<u>455,925</u>	<u>78,162</u>	<u>624,493</u>	<u>286,104</u>
Total	<u>3,201,730</u>	<u>455,925</u>	<u>288,162</u>	<u>3,369,493</u>	<u>511,104</u>

### Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five and must have completed fifteen years of full-time service in the district the last ten years having been continuous employment with the District. Employees must complete an application which is subject to approval by the Board of Education. Early retirement incentives are equal to the last contract amount plus applicable sick leave benefits less the current year base salary amount. Eligible employees shall be allowed to continue participation in the District's health insurance programs until age 65. The District will pay the cost of single PPO coverage not to exceed \$750 per month. Early retirement expenditures for the year ended June 30, 2005 totaled \$78,162.

## General Obligation Bonds Payable

Details of the District's June 30, 2005 General obligation bonded indebtedness are as follows:

<u>Year Ending</u> <u>June 30,</u>	<u>Bond Issue of February 1999</u>			
	<u>Interest Rates</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
	<u>%</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
2006	4.25	225,000	121,028	346,028
2007	4.50	235,000	111,465	346,465
2008	4.50	245,000	100,890	345,890
2009	4.20	255,000	89,865	344,865
2010	4.25	265,000	79,155	344,155
2011-2015	4.30-4.60	1,520,000	211,674	1,731,674
		<u>2,745,000</u>	<u>714,077</u>	<u>3,459,077</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 that are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2005, 2004 and 2003. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2005, 2004, and 2003 were \$227,393, \$219,521, and \$215,073 respectively, equal to the required contributions for each year.

### **9. Risk Management**

Sibley-Ocheyedan Community School District is a member in the Iowa Star Schools 28E Retention Pool Trust, an Iowa Code Chapter 28E organization. The Iowa Star Schools 28E Retention Pool Trust is a local government risk-sharing pool whose members include various schools throughout the State of Iowa. The primary purpose of the trust is to provide medical, dental, life, disability, and welfare benefits to the school's employees and their dependents.

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

The District's contributions to the risk pool are recorded as expenditures from its General Fund at the time of payment to the trust. District contributions to the trust for the year ended June 30, 2005, were \$575,198.

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

The District does not report a liability for losses in excess of stop loss insurance unless it is deemed probable that such losses have occurred and the amount of such a loss can be reasonably estimated. Accordingly, at June 30, 2005, no liability has been recorded in the District's financial statements. As of June 30, 2005, settled claims have not exceeded the risk pool or reinsurance company coverage.

Members agree to continue membership in the pool for a period of not less than one full year. After such period, a member who has given written notice by May 1 may withdraw. The Trust will pay claims incurred before the termination date for a period of up to six months after the termination date. Any claims remaining due after six months shall be the responsibility of the individual school district.

Sibley-Ocheyedan 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 \$270,801 for the year ended June 30, 2005 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**11. Lease Commitment**

The District is using operating leases to rent copier equipment. The minimum lease payments required are as follows:

Year Ended June 30	Lease Payment
	\$
2006	22,488
2007	22,488
2008	22,488
2009	3,748

**12. Restatement of Beginning Balances**

The beginning net assets for the governmental activities in the Statement of Activities were restated for the following:

	\$
June 30, 2004 net assets as previously reported	4,882,802
District revisions to depreciation schedule	(483,902)
Accrued interest payable also included in accounts payable	10,828
Additional liability for employee benefits	(61,560)
Income surtax receivable not accrued	160,768
	<hr/>
Beginning net assets, as restated	4,508,936
	<hr/>

The beginning fund balances for the governmental funds are restated for the following:

	General Fund	Capital Projects Fund	Manage- ment Fund	Nonmajor Funds	Total
	\$	\$	\$	\$	\$
June 30, 2004 fund balances as previously reported	460,450	114,494	(89,930)	444,634	929,648
Per GASB Interpretation No. 6, early retirement benefits payable should not be a fund liability	-	-	60,712	-	60,712
Accrued interest payable on long-term debt should not be a fund liability	-	-	-	10,829	10,829
Additional liability for employee benefits not included	(61,560)	-	-	-	(61,560)
Beginning fund balances as restated	<u>398,890</u>	<u>114,494</u>	<u>(29,218)</u>	<u>455,463</u>	<u>939,629</u>

REQUIRED SUPPLEMENTARY INFORMATION

SIBLEY-OCHEYEDAN COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Receipts, Disbursements, and Changes in Balances -  
Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Fund

Required Supplementary Information

Year ended June 30, 2005

	Governmental Fund Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
				Original	Final	
	\$	\$	\$		\$	\$
Receipts:						
Local sources	3,700,125	200,107	3,900,232	3,796,506	3,796,506	103,726
State sources	3,669,819	4,617	3,674,436	3,868,921	3,868,921	(194,485)
Federal sources	224,309	127,546	351,855	322,000	322,000	29,855
Total receipts	<u>7,594,253</u>	<u>332,270</u>	<u>7,926,523</u>	<u>7,987,427</u>	<u>7,987,427</u>	<u>(60,904)</u>
Disbursements:						
Instruction	4,516,382	-	4,516,382	4,825,300	4,825,300	308,918
Support services	2,153,252	-	2,153,252	2,299,630	2,299,630	146,378
Non-instructional programs	-	360,698	360,698	320,000	320,000	(40,698)
Other expenditures	814,088	-	814,088	633,636	633,636	(180,452)
Total disbursements	<u>7,483,722</u>	<u>360,698</u>	<u>7,844,420</u>	<u>8,078,566</u>	<u>8,078,566</u>	<u>234,146</u>
Excess (deficiency) of receipts over (under) disbursements	110,531	(28,428)	82,103	(91,139)	(91,139)	173,242
Other financing sources (uses) net	<u>(15,550)</u>	<u>17,000</u>	<u>1,450</u>	<u>-</u>	<u>-</u>	<u>1,450</u>
Excess (deficiency) of receipts and other financing sources (uses) over (under) disbursements	94,981	(11,428)	83,553	(91,139)	(91,139)	174,692
Balance beginning of year	<u>1,330,485</u>	<u>15,980</u>	<u>1,346,465</u>	<u>1,473,516</u>	<u>1,473,516</u>	<u>(127,051)</u>
Balance end of year	<u><u>1,425,466</u></u>	<u><u>4,552</u></u>	<u><u>1,430,018</u></u>	<u><u>1,382,377</u></u>	<u><u>1,382,377</u></u>	<u><u>47,641</u></u>

SIBLEY-OCHEYEDAN COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule - Budget to GAAP Reconciliation

Required Supplementary Information

Year ended June 30, 2005

	Governmental Funds		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
	\$	\$	\$
Revenues	7,594,253	126,501	7,720,754
Expenditures	7,483,722	(9,929)	7,473,793
Net	110,531	136,430	246,961
Other financing sources (uses) net	(15,550)	-	(15,550)
Beginning fund balances	1,330,485	(390,856)	939,629
Ending fund balances	1,425,466	(254,426)	1,171,040

  

	Proprietary Fund		
	Enterprise		
	Cash Basis	Accrual Adjustments	Accrual Basis
	\$	\$	\$
Revenues	332,270	(4,917)	327,353
Expenditures	360,698	7,479	368,177
Net	(28,428)	(12,396)	(40,824)
Other financing sources (uses) net	17,000	-	17,000
Beginning fund balances	15,980	22,252	38,232
Ending fund balances	4,552	9,856	14,408

SIBLEY-OCHEYEDAN COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2005

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

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Internal Service, 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 the fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. The District did not amend its budget during the year.

During the year ended June 30, 2005, disbursements in the non-instructional programs and other expenditures functions exceeded the amounts budgeted.

OTHER SUPPLEMENTARY INFORMATION

## SIBLEY-OCHEYEDAN COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet  
Nonmajor Governmental Funds

June 30, 2005

<b>Assets</b>	<u>Special Revenue Funds</u>			<u>Total</u>
	<u>Student Activity Fund</u>	<u>Physical Plant and Equipment Levy</u>	<u>Debt Service</u>	
	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
Cash and pooled investments	90,332	251,304	-	341,636
Receivables:				
Property tax:				
Delinquent	-	1,031	5,274	6,305
Succeeding year	-	61,156	80,428	141,584
Due from other governments	-	25,000	-	25,000
<b>Total assets</b>	<u>90,332</u>	<u>338,491</u>	<u>85,702</u>	<u>514,525</u>
<b>Liabilities &amp; Fund Balances</b>				
Liabilities:				
Accounts payable	-	1,984	-	1,984
Deferred revenue:				
Succeeding year property tax	-	61,156	80,428	141,584
Total liabilities	<u>-</u>	<u>63,140</u>	<u>80,428</u>	<u>143,568</u>
Fund balances:				
Reserved for debt service	-	-	5,274	5,274
Unreserved reported in:				
Special revenue funds	<u>90,332</u>	<u>275,351</u>	<u>-</u>	<u>365,683</u>
Total fund balances	<u>90,332</u>	<u>275,351</u>	<u>5,274</u>	<u>370,957</u>
<b>Total liabilities and fund balances</b>	<u>90,332</u>	<u>338,491</u>	<u>85,702</u>	<u>514,525</u>

## SIBLEY-OCHEYEDAN COMMUNITY SCHOOL DISTRICT

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances  
Nonmajor Governmental Funds

Year ended June 30, 2005

	Special Revenue Funds			Total
	Student Activity Fund	Physical Plant and Equipment Levy	Debt Service	
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	-	60,004	306,866	366,870
Other	304,745	7,796	3,663	316,204
Federal sources	-	25,000	-	25,000
Total revenues	<u>304,745</u>	<u>92,800</u>	<u>310,529</u>	<u>708,074</u>
Expenditures:				
Current:				
Instruction:				
Regular instruction	-	36,579	-	36,579
Other instruction	304,888	-	-	304,888
Support services:				
Operation and maintenance of plant services	-	36,863	-	36,863
Transportation services	-	142,542	-	142,542
Other expenditures:				
Facilities acquisition	-	202,571	-	202,571
Long-term debt:				
Principal	-	-	210,000	210,000
Interest and fiscal charges	-	-	130,351	130,351
Total expenditures	<u>304,888</u>	<u>418,555</u>	<u>340,351</u>	<u>1,063,794</u>
Excess (deficiency) of revenues over (under) expenditures	(143)	(325,755)	(29,822)	(355,720)
Other financing sources (uses):				
Operating transfers in	-	244,923	26,291	271,214
Net changes in fund balances	(143)	(80,832)	(3,531)	(84,506)
Fund balances beginning of year, as restated	<u>90,475</u>	<u>356,183</u>	<u>8,805</u>	<u>455,463</u>
Fund balances end of year	<u>90,332</u>	<u>275,351</u>	<u>5,274</u>	<u>370,957</u>

## SIBLEY-OCHEYEDAN COMMUNITY SCHOOL DISTRICT

## Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2005

<u>Account</u>	Balance Beginning of Year	Revenues	Expenditures	Intra-fund Transfers	Balance End of Year
	\$	\$	\$	\$	\$
Boys basketball	1,322	11,215	9,782	(2,400)	355
Football	911	8,831	7,224	(603)	1,915
Boys track	248	4,112	5,969	1,800	191
Girls track	17	-	-	-	17
Boys golf	-	312	673	600	239
Girls golf	3	513	1,296	1,000	220
Wrestling	994	5,290	5,603	-	681
Baseball	671	-	3,219	2,500	(48)
Girls basketball	881	7,684	7,477	(750)	338
Volleyball	98	3,932	4,743	750	37
Softball	1,223	320	4,248	3,000	295
Girls BB special account	1,886	6,251	5,900	-	2,237
Boys BB special account	64	1,154	1,070	-	148
Weight lifting	414	-	346	-	68
Football special account	371	4,337	3,758	-	950
Girls golf special	121	256	235	-	142
Special cross country	460	518	643	-	335
Special girls track	35	2,520	2,295	-	260
Baseball special	1,387	642	1,286	-	743
Softball special account	22	624	166	-	480
Boys golf special account	112	959	977	-	94
Volleyball special	837	1,914	1,495	-	1,256
Boys track special account	850	462	206	-	1,106
Wrestling special account	684	699	488	-	895
Class of 2004	21	-	-	-	21
Class of 2006	3,483	13,729	15,728	-	1,484
Class of 2007	3,446	1,018	507	-	3,957
Class of 2009	92	12,619	8,914	-	3,797
Class of 2005	2,438	-	1,676	-	762
Class of 2008	2,370	364	364	-	2,370
Student assistance	1,101	400	80	-	1,421
Music: band	341	4,165	4,492	-	14
Music: chorus	57	6,527	3,503	-	3,081
H.S. band resale	379	3,553	3,426	-	506
M.S. band resale	226	3,118	3,017	-	327
H. S. activity	6,308	23,093	16,055	(6,500)	6,846
M.S. activity	33	5,003	5,613	600	23
Elem. Activity	9,168	3,960	5,385	-	7,743
Art club	1,724	1,040	370	-	2,394
Shop club	3,948	8,040	9,161	-	2,827
Dance team	4,020	5,094	4,119	-	4,995

## SIBLEY-OCHEYEDAN COMMUNITY SCHOOL DISTRICT

## Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2005

<u>Account</u>	<u>Balance Beginning of Year</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Intra-fund Transfers</u>	<u>Balance End of Year</u>
	\$	\$	\$	\$	\$
FFA	9,173	79,625	86,748	-	2,050
Cheerleading	1,649	5,322	3,637	-	3,334
International club	3,500	3,348	2,337	-	4,511
National honor society	1,477	1,745	2,176	-	1,046
Pep club	867	1,555	939	-	1,483
S-O club	259	-	250	-	9
H.S. student leadership	5,690	14,704	12,698	-	7,696
M.S. student council	5,891	8,490	11,187	(600)	2,594
Speech club	42	5,659	4,980	-	721
Annual club	2,621	12,306	10,384	-	4,543
Home ec. club	478	1,542	1,322	-	698
Quill club	220	-	39	-	181
M.S. art club	749	-	-	-	749
H.S. science club	435	338	237	-	536
Drama club	2,200	-	197	-	2,003
Academic decathalon	847	992	481	-	1,358
Concessions	1,224	11,818	11,744	-	1,298
Towels	387	3,033	4,023	603	-
Total	90,475	304,745	304,888	-	90,332

## SIBLEY-OCHEYEDAN COMMUNITY SCHOOL DISTRICT

Schedule of Revenues by Source and Expenditures by Function  
All Governmental Fund Types

For the Last Four Years

	Modified Accrual Basis			
	2005	2004	2003	2002
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	3,166,335	2,909,796	2,850,678	2,679,608
Tuition	226,228	168,361	161,240	164,056
Other	402,033	535,133	653,650	526,693
State sources	3,672,039	3,445,911	3,515,254	3,481,790
Federal sources	254,119	244,550	190,068	219,149
Total revenues	<u>7,720,754</u>	<u>7,303,751</u>	<u>7,370,890</u>	<u>7,071,296</u>
Expenditures:				
Instruction:				
Regular instruction	2,848,585	3,088,736	2,982,152	3,047,740
Special instruction	690,073	799,427	825,293	858,602
Other instruction	891,442	677,601	351,603	349,858
Support services:				
Student services	220,483	198,888	556,438	391,673
Instructional staff services	222,105	174,239	164,493	156,283
Administration services	604,896	317,775	561,073	591,669
Operation and maintenance of plant services	748,234	933,046	627,578	563,717
Transportation services	434,252	284,364	271,242	326,720
Other expenditures:				
Facilities acquisition	202,571	332,131	300,425	204,007
Long-term debt:				
Principal	210,000	200,000	190,000	180,000
Interest and other charges	130,351	138,044	147,462	156,503
AEA flowthrough	270,801	271,598	299,086	284,804
Total expenditures	<u>7,473,793</u>	<u>7,415,849</u>	<u>7,276,845</u>	<u>7,111,576</u>

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

To the Board of Education of  
Sibley-Ocheyedan Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Sibley-Ocheyedan Community School District as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated September 29, 2005. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A material weakness is a reportable 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 caused by error or fraud 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 items 05-I-A, 05-0I-B and 05-I-C are material weaknesses.

### Compliance and Other Matters

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

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2005 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.

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

BURTON E. TRACY & CO., P.C.  
Certified Public Accountants

September 29, 2005

Sibley-Ocheyedan Community School District

Schedule of Findings

June 30, 2005

Part I: Findings Related to the Financial Statements:

Instances of Noncompliance:

No matters were reported.

Reportable Conditions:

05-I-A Segregation of Duties: The limited number of personnel makes it difficult to achieve adequate internal accounting control through the segregation of duties and responsibilities, such as recording and processing cash receipts, preparing checks and bank reconciliations, preparation of journals and general financial information for ledger posting, and the analysis of financial information. A small staff makes it difficult to establish an ideal system of automatic internal checks on accounting record accuracy and reliability, although we noted the District had taken steps to segregate duties between the present personnel. This is not an unusual condition but it is important the District officials are aware that the condition exists.

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

Response: The District is aware of the lack of complete segregation of duties and will make changes as the opportunity arises.

Conclusion: Response accepted.

05-I-B Signature Stamp: We noted that a stamp bearing the signature of the Board President is used to cosign checks. The stamp is under the care, custody and control of the administrative office. This practice negates the internal control procedure established by requiring two signatures on a check

Recommendation: We recommend that this practice cease. The board may designate a person other than the board president to cosign checks. If a signature stamp is used, it should remain under the control of the person whose name the stamp bears at all times.

District Response: We will discuss methods to limit access to the signature stamp.

Conclusion: Response accepted.

05-I-C School Expenditure Supporting Documentation and Board Approval: We noted the following items during our testing of District expenditures:

General Fund – We tested 28 expenditures. We noted a \$2,000 payment for postage and one \$19 employee reimbursement that did not have detailed receipts.

Student Activity Fund – We tested thirteen expenditures. We noted one payment to a testing service for \$387 that did not have a detailed receipt. We also noted that the September 2004 bills were approved by the board after payment had been made and we did not locate board approval for the bills paid in October and November of 2004.

Sibley-Ocheyedan Community School District

Schedule of Findings

June 30, 2005

Part I: Findings Related to the Financial Statements (continued):

School Nutrition Fund – We tested twelve expenditures. We noted that the September 2004 bills were approved by the board after payment had been made and we did not locate board approval for the bills paid in October and November of 2004.

Recommendation: All District payments should be supported by detailed invoices, receipts, contracts or other documents prepared by or signed by entities outside of the District. These documents should specify exactly what the District is paying for and the amount to be paid.

The District should also review its procedures for preparing the lists of bills for board approval. Chapter 279.29 of the Code of Iowa provides that “the Board shall audit all just claims against the corporation and no order shall be drawn upon the treasury until the claim therefore has been audited and allowed.” Chapter 279.30 of the Code of Iowa allows payment of specific items, such as utilities, postage and printing, without prior Board approval. The Board may approve a resolution designating certain other disbursements that may be paid prior to a Board Meeting with the approval of the Board President. The Board’s written policy should comply with Chapter 279.30 of the Code of Iowa. Then, except as expressly permitted, no checks should be prepared for claims that have not been properly audited and allowed. Any payments made prior to board approval as allowed should be approved by the board at the next meeting.

District Response: The District’s policy is to have detailed supporting documentation for all expenditures. The lack of a receipt for the three items listed above was an oversight.

The District reviewed policy number 705.3 Payment for Goods and Services on October 10, 2005 and made a commitment to follow the policy. The policy follows the code sections quoted above.

Conclusion: Response accepted.

Sibley-Ocheyedan Community School District

Schedule of Findings

June 30, 2005

Part II: Other Findings Related to Statutory Reporting:

05-II-A Official Depositories: Official depositories have been approved by the District. The maximum deposit amounts approved were not exceeded during the year ended June 30, 2005.

05-II-B Certified Budget: Disbursements for the year ended June 30, 2005, exceeded the amounts budgeted in the non-instructional programs and other expenditures functions.

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.

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

Conclusion: Response accepted.

05-II-C 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.

05-II-D Travel Expenses: 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.

050-II-E Business Transactions: Business transactions between the District and District officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u> \$
Cindy Onken, board member, employee of local bank	School Nutrition Fund and Student Activity Fund banking	
Kyle Grimes, board member, employee of Mericks Printing Co.,	Printing posters and t-shirts	5,136
LaDonn Hartzell, board secretary, spouse is part owner of Hartzell & Rosenberg	Snow removal	2,745
Connie Schnepf, teacher, spouse is part owner of Schnepf Lumber	Supplies	3,034
Beth Thole, teacher, spouse is partner In DeKoter, Thole & Dawson	Legal services	94
Leona Meendering, secretary, brother was manager of Osceola Co. Co-op until January 1, 2005	Fuel and tires	59,466

Sibley-Ocheyedan Community School District

Schedule of Findings

June 30, 2005

Part II: Other Findings Related to Statutory Reporting (continued):

In accordance with an Attorney General's opinion dated November 9, 1976, the transactions with the spouse of the District Secretary and the spouses of other district employees do not appear to represent a conflict of interest.

Recommendation: The District should be aware of the potential for a conflict of interest when dealing with members of the District's board of directors, its employees, and relatives of directors and employees. The District should consult with its attorney before entering into any transactions with these people.

District Response: We will consult with our attorney.

Conclusion: Response accepted.

05-II-F Bond Coverage: Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of bond coverage should be reviewed annually to insure that the coverage is adequate for current operations.

05-II-G Board Minutes: See comment 05-I-C.

05-II-H Certified Enrollment: The number of basic resident students reported to the Iowa Department of Education on Line 1 of the Certified Enrollment Certification Form for September 2004, was overstated by one student.

Recommendation: For future years the District should maintain worksheets, with supporting lists of students, that match all lines on the certified enrollment form.

District Response: We will review how we are compiling the certified enrollment data.

Conclusion: Response accepted.

05-II-I Deposits and Investments: No instances of noncompliance 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.

05-II-J Certified Annual Report (CAR): The CAR was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.

05-II-K Student Activity Fund and Nutrition Fund Expenditure Procedures: All public funds are the legal responsibility of the board, board secretary and board treasurer. All public funds have the same legal requirements for accounting, reporting, auditing and allowing, dual signatures, publishing and investing. As explained in comment 05-I-C, we noted that the Student Activity Fund and School Nutrition were not following the statutory requirements for board approval prior to disbursement. We also noted that the Student Activity Fund and School Nutrition Fund checks are not being signed by the Board Secretary and Board President as required by Iowa Law.

Sibley-Ocheyedan Community School District

Schedule of Findings

June 30, 2005

Part II: Other Findings Related to Statutory Reporting (continued):

Recommendation: Iowa Code section 291.8 requires that the Board Secretary's original or facsimile signature appear on all checks. Iowa Code section 291.1 requires that the Board President's original or facsimile signature appear on all checks. Code section 291.1 also states that "The board of directors, by resolution, may designate an individual, who shall not be the secretary, to sign warrants on behalf of the president". The District should revise its procedures for check signatures to comply with the above code sections.

District Response: The District will pursue the auditor's recommendation.

Conclusion: Response accepted.

05-II-L Old outstanding checks: We noted that the District's bank reconciliations included approximately \$765 of old outstanding checks. Iowa Code Section 566 specifies that holders unclaimed property, which includes outstanding checks, must file a report with and send the unclaimed property to the Treasurer of Iowa.

Recommendation: The District should investigate the status of all old outstanding checks. Checks that were issued in error or in duplicate should be voided and removed from the list of outstanding checks. The District should search for the owners of all other outstanding checks, then reissue new checks if the owners are found. If the owners can not be found, the District must file an unclaimed property report with and send the money to the Treasurer State of Iowa.

Response: We will begin investigating the status of old outstanding checks and we will file an unclaimed property report with the Treasurer of Iowa if necessary.

Conclusion: Response accepted.

05-II-M Sale of Property: During the year ended June 30, 2005 the District sold two buses. The District did not publish notice of the sale for two consecutive weeks in accordance with Chapter 297.22 of the Code of Iowa.

Recommendation: The District should publish the required notices for sale of District property.

District Response: We will comply with Chapter 297.22 of the Code of Iowa in the future.

Conclusion: Response accepted.

05-II-N Allocation of Interest: We noted that interest from a pooled bank account is not being allocated to the Capital Projects Local Option Sales Tax Fund.

Recommendation: The District should allocate interest revenue to each fund within a pooled bank account.

District Response: We will review our procedures and make any necessary adjustments.

Conclusion: Response accepted.

Sibley-Ocheyedan Community School District

Schedule of Findings

June 30, 2005

Part II: Other Findings Related to Statutory Reporting (continued):

05-II-O Reclassification of Student Activity Fund Accounts: The Student Activity Fund is to be used to account for the District's extracurricular and co-curricular student activity programs. The Fund may not be used as a clearing account for the General Fund or any other Fund. In 1995 the Iowa Department of Education issued guidance that all miscellaneous, revolving and clearing accounts should be eliminated. We noted that the District had a miscellaneous account in the Student Activity Fund for the High School, Middle School and Elementary School.

Recommendation: The District should review the types of items being recorded in these accounts and discontinue the use of the accounts. Any transactions for the student activity program should be recorded in a specific account for that student activity. Any transactions in these accounts that are not for the student activity program should be recorded in the General Fund or in one of the other District funds, as appropriate.

District Response: We will review the accounts and make any necessary adjustments.

Conclusion: Response accepted.

05-II-P Instructional Support Funding: The District receives funding for instructional support. The funding comes from a combination of property tax, income surtax and state financing. The revenue from instructional support should be and is recorded in the General Fund. The District has been transferring the instructional support monies from the General Fund to the Physical Plant and Equipment Levy Fund.

The Iowa Department of Education has issued a Frequently Asked Questions document for the instructional support program. This document states that, "The instructional support program funds may be used for any general fund purpose. However, the money shall not be used as, or in a manner which has the effect of supplanting funding authorized to be received for returning dropout/dropout prevention programs, gifted and talented programs, physical plant and equipment levy, management levy or special education deficits. Instructional support program funds may be used to supplement these other levies as appropriate from the general fund, but cannot be used in place of these other levies for expenditures appropriate from those levies."

Uniform Administrative Procedures for Iowa School Officials explains that transfers are not allowed from the General Fund to the Physical Plant and Equipment Levy Fund.

Recommendation: During fiscal year 2005, the District transferred \$244,923 from the General Fund to the Physical Plant and Equipment Levy Fund. During the year the Physical Plant and Equipment Levy Fund had \$191,042 of expenditures for buses, equipment and routine maintenance that could have been paid with General Fund money.

The District should return \$53,881, the portion of the fiscal year 2005 transfer that was not used for General Fund purposes, to the General Fund. The District should also discontinue the practice of making transfers from the General Fund to the Physical Plant and Equipment Levy Fund.

District Response: We will review our procedures and state regulations with respect to the instructional support program and we will make changes as necessary to be in compliance.

Conclusion: Response accepted.