

SIDNEY COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2005

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Sidney Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September 2004 election)		
Gary Riedel	President (Resigned)	2004
Rusty Monroe	President	2004
Debbie Grudle	Vice President	2006
Jo Ann Birkby	Board Member	2005
Heidi Lowthorp	Board Member	2006
Jeff Jorgenson	Board Member (Appointed)	2004
Board of Education (After September 2004 election)		
Rusty Monroe	President	2007
Debbie Grudle	Vice President	2006
Jo Ann Birkby	Board Member	2005
Heidi Lowthorp	Board Member	2006
Jeff Jorgenson	Board Member	2007
School Officials		
Bob Stading	Superintendent	2005
Joyce Morgan	District Secretary/Treasurer	2005
Johnson Law PLC	Attorney	2005

NOLTE, CORNMAN & JOHNSON P.C.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the
Sidney 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 the Sidney Community School District, Sidney, Iowa 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. 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, business type activities, each major fund, and the aggregate remaining fund information of the Sidney Community School District at 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 August 18, 2005 on our consideration of the Sidney Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 13 and 35 through 38 are not required parts of the basic financial statements, but are supplementary

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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 Sidney Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2004 (which are not presented herein) and expressed an unqualified opinion on those financial statements. Other supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.


NOLTE, CORNMAN & JOHNSON, P.C.

August 18, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS

Sidney 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

- The General Fund undesignated unreserved ending fund balance increased from \$67,436 to \$215,448 increasing the solvency ratio from the prior year of 2.2% to 6.6%.
- The General Fund revenues increased from \$3,080,892 in fiscal year 2004 to \$3,314,561 in fiscal year 2005, while General Fund expenditures increased from \$3,049,183 in fiscal year 2004 to \$3,162,596 in fiscal year 2005.
- The increase in general fund revenues was attributable to an increase in state sources and reimbursements from Medicaid.
- Increases in expenditures were attributable to increases in providing services to those children with special needs.
- In an effort to balance the declining reserve trends and increase solvency in the General Fund, the District increased property taxes.
- Although there was an increase in funds available to invest, interest rates remained flat, resulting in no significant increase in revenues from investments.
- During fiscal year 2005, the District's net assets changed with the addition of a new roof for the Elementary building, new playground equipment at the grade school, completion of the Baseball/Softball complex and the purchase of two new buses.
- The District's continues to meet all obligations to debt.
- The overall tax levy was 16.64% in fiscal year 2005 compared to 15.65% for fiscal year 2004. The increase was due to increases in employee wages and benefits, decreases in funding from the state, and the devaluation of the District's taxable agricultural land.
- Student enrollment for fiscal year 2005 was 376.7, down 9 from last year.

USING THIS ANNUAL REPORT

This report consists of three parts: management's discussion and analysis (this section), the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are Government-wide financial statements that provide both short-term and long-term information about the District's overall financial status.

- The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District's operations in more detail than the Government-wide statements.
- The governmental funds statements explain how basic services such as regular and special education were financed in the short term as well as what remains for future spending.
- Proprietary funds statements offer short-term and long-term financial information about the activities the District operates like businesses, such as food services.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section or required supplementary information that further explains and supports the financial statements with a comparison on the District's budget for the year.

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

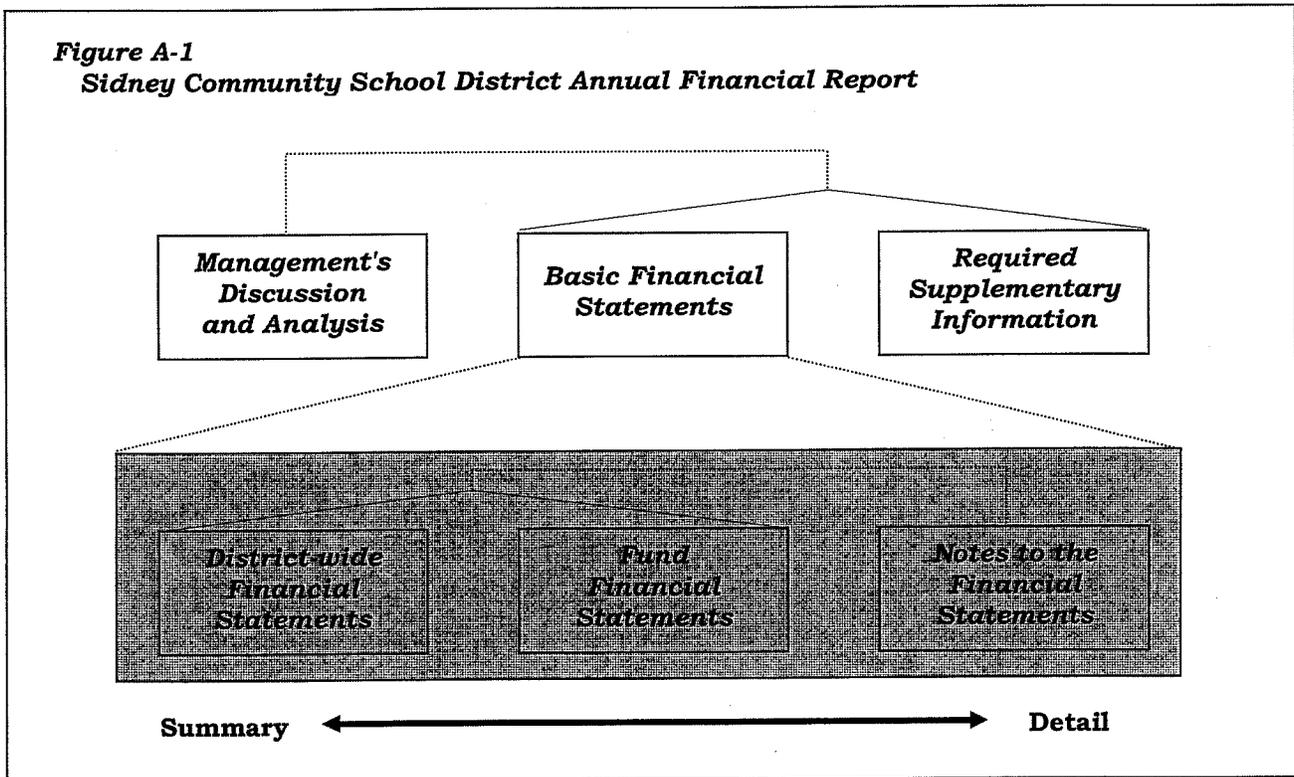


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of the management discussion and analysis highlights the structure and contents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

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

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net 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 statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating, respectively.
- To assess the District's overall health, you need to consider additional non-financial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

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

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

Fund Financial Statements

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

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

The District has two kinds of funds:

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

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

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

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

governmental activities, but provide more detail and additional information, such as cash flows. The District currently has one internal service fund for the handling of flex benefits.

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets for the year ended June 30, 2005 compared to June 30, 2004.

Figure A-3
Condensed Statement of Net Assets

	Governmental Activities		Business-type Activities		Total School District		Total Change
	2005	2004	2005	2004	2005	2004	2004-05
Current and other assets	\$ 5,894,711	5,783,814	14,784	19,324	5,909,495	5,803,138	1.80%
Capital assets	3,754,981	4,162,148	46,800	33,549	3,801,781	4,195,697	-10.36%
Total assets	9,649,692	9,945,962	61,584	52,873	9,711,276	9,998,835	-2.96%
Long-term obligations	5,335,189	5,460,000	0	0	5,335,189	5,460,000	-2.34%
Other liabilities	3,046,128	2,939,190	11,197	10,349	3,057,325	2,949,539	3.53%
Total liabilities	8,381,317	8,399,190	11,197	10,349	8,392,514	8,409,539	-0.20%
Net assets:							
Invested in capital assets, net of related debt	901,484	763,277	46,800	33,549	948,284	796,826	15.97%
Restricted	50,369	90,875	0	0	50,369	90,875	-80.42%
Unrestricted	316,522	161,750	3,587	8,975	320,109	170,725	46.67%
Total net assets	\$ 1,268,375	1,015,902	50,387	42,524	1,318,762	1,058,426	19.74%

The District's combined net assets increased by 19.74%, or \$260,336, over the prior year. The largest portion of the District's net assets is the invested in capital assets, net of related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets decreased \$40,506, or 80.42% over the prior year. This decrease was primarily a result of the District decrease in fund balances in the Special Revenue Funds, Management and Physical Plant and Equipment Levy funds. Another contributor to the decrease was the early retirement to be paid from the Management Fund shown on the government-wide financial statements.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased \$149,384, or 46.67%. This increase in unrestricted net assets was a result of the District's increase in the General Fund balance which occurred due increased property taxes and Medicaid reimbursements.

Figure A-4 shows the changes in net assets for the year ended June 30, 2005 compared to June 30, 2004.

Figure A-4
Changes of Net Assets

	Governmental Activities		Business-type Activities		Total School District		Total Change
	2005	2004	2005	2004	2005	2004	2004-05
Revenues:							
Program revenues:							
Charges for services	\$ 319,657	226,503	75,918	76,829	395,575	303,332	30.41%
Operating grants and contributions and restricted interest	472,890	426,309	78,507	73,084	551,397	499,393	10.41%
General revenues:							
Property tax	1,441,048	1,483,487	0	0	1,441,048	1,483,487	-2.86%
Local option sales and service tax	195,676	189,030	0	0	195,676	189,030	3.52%
Unrestricted state grants	1,373,239	1,301,892	0	0	1,373,239	1,301,892	5.48%
Unrestricted investment earnings	91,126	30,400	38	78	91,164	30,478	199.11%
Other	2,100	700	0	0	2,100	700	200.00%
Total revenues	3,895,736	3,658,321	154,463	149,991	4,050,199	3,808,312	6.35%
Program expenses:							
Governmental activities:							
Instructional	2,119,948	2,092,682	0	0	2,119,948	2,092,682	1.30%
Support services	995,140	940,045	0	0	995,140	940,045	5.86%
Non-instructional programs	0	0	166,159	160,856	166,159	160,856	3.30%
Other expenses	528,175	1,044,505	0	0	528,175	1,044,505	-49.43%
Total expenses	3,643,263	4,077,232	166,159	160,856	3,809,422	4,238,088	-10.11%
Net income(loss) before capital contributions	252,473	(418,911)	(11,696)	(10,865)	240,777	(429,776)	-156.02%
Capital contributions	0	0	19,559	15,361	19,559	15,361	27.33%
Changes in net assets	252,473	(418,911)	7,863	4,496	260,336	(414,415)	-162.82%
Beginning net assets	1,015,902	1,434,813	42,524	38,028	1,058,426	1,472,841	-28.14%
Ending net assets	\$ 1,268,375	1,015,902	50,387	42,524	1,318,762	1,058,426	24.60%

Property tax and unrestricted state grants account for 69% of the total revenue. The District's expenses primarily relate to instruction and support services which account for 82% of the total expenses.

Changes in revenues will be as a result of changes in student participation, whether in the regular, special or extracurricular programs. The most significant change in revenues was in the charges for services and unrestricted state grants. Notable increases also occurred in unrestricted investment earnings and the gain on sale of equipment. Fluctuations in basic enrollment will significantly impact the state revenues, as well as property tax revenues, keeping in mind that neither source of funding will be ever fully realized with current law and funding structure as set by the legislature, and the mid-year reduction of funding on the part of the state.

The most significant fluctuation in expenditure levels was caused by increased salary and benefit obligations, in large part resulting from collective bargaining agreements. With a declining enrollment comes lesser ability to fund various programs required by the state and constant evaluation of staffing needs becomes a priority. Even with certain staff reductions there may still be an increase in expenditures due to the salary and benefit requirements.

The District makes a continual effort to be a good steward of public funds and maintains a philosophy of providing the best education possible, exploring every avenue available to fund the programs, while making certain to keep watch for services that could be merged with other programs. The District saw an overall greater increase in revenues than the decrease in expenditures, demonstrating an increase in the financial position for the year.

Governmental Activities

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. The net cost of services is the result after subtracting grants and charges for services that the District used to offset the program’s total cost.

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services	Net Cost of Services
Instruction	\$ 2,119,948	1,442,259
Support services	995,140	988,994
Other expenses	528,175	419,463
Totals	<u>\$ 3,643,263</u>	<u>2,850,716</u>

- The cost of all governmental activities this year was \$3,643,263.
- A portion of the cost financed by users of the District’s programs was \$319,657.
- The federal and state government subsidized certain programs with operating grants and contributions totaling \$472,890.
- The net cost portion of governmental activities was financed with \$1,441,048 in property tax, \$195,676 in local option sales and service tax, \$1,373,239 in state foundation aid, \$91,126 in interest income and \$2,100 in gain on sale of equipment.

Business-Type Activities

Revenues of the Districts business-type activities were \$154,463 and expenses were \$166,159. The District’s business-type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for services, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported combined fund balances of \$2,767,771, above last years ending fund balance in governmental funds of \$2,767,210.

There are many factors contributing to the improved financial position of the district; mostly due to the districts efforts to control and trim expenditures to meet its financial obligations during the year.

Governmental Fund Highlights

- The District's General Fund financial position improved due to controlled spending.
- The District's Physical Plant and Equipment Levy Fund decreased dramatically. The District invested in improvements to technology and the acquisition of buses.
- The District's Capital Projects Fund decreased by approximately 50%. The fund assisted in financing the acquisition of buses and improvements to the Elementary building.
- The District's Management Fund decreased by approximately 30% due to increased costs of the District's property and liability insurances.
- The District's Debt Service Fund was able to meet all requirements for repayment of debt due.

Proprietary Fund Highlights

- The School Nutrition Fund increased slightly with revenues and expenditures remaining relatively the same.

BUDGETARY HIGHLIGHTS

Over the course of the year, Sidney Community School District amended its annual budget one time to reflect addition expenditures.

The District's receipts were \$85,714 more than budgeted receipts, a variance of 2.19%. The most significant variance resulted from the District receiving more from local sources than originally anticipated.

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

In spite of the District's budgetary practice, the certified budget was exceeded in the other expenditures functional area due to the timing of disbursements paid.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2005, the District had invested governmental funds of \$3,801,781, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers and audio-visual equipment, and transportation equipment. (See Figure A-6) More detailed information about the District's capital assets is presented in Note 5 to the financial statements. Depreciation expense for the year was \$150,012.

The original cost of the District's capital assets was \$ 6.1 million. Governmental funds accounted for \$6.0 million, with the remainder of \$.1 million accounted for in the Proprietary, School Nutrition Fund.

The largest category change in capital asset activity during the year occurred in the machinery and equipment category. The District's machinery and equipment totaled \$286,958 at June 30,

2005 compared to \$176,402 reported at June 30, 2004. This significant increase resulted from the purchase of two buses, technology equipment and playground equipment.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental Activities		Business-type Activities		Total School District		Total Change
	2005	2004	2005	2004	2005	2004	2004-05
Land	\$ 7,500	7,500	0	0	7,500	7,500	0.00%
Buildings	3,489,156	3,460,024	0	0	3,489,156	3,460,024	0.83%
Land improvements	18,167	20,901	0	0	18,167	20,901	-15.05%
Machinery and equipment	240,158	142,853	46,800	33,549	286,958	176,402	38.53%
Total	\$ 3,754,981	3,631,278	46,800	33,549	3,801,781	3,664,827	3.60%

Long-Term Debt

At year-end, the District had \$5,335,189 in general obligation and other long-term debt outstanding. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 6 to the financial statements.

The District had total outstanding General Obligation Bonds payable of \$4,625,000 at June 30, 2005.

The District had total outstanding Qualified Zone Academy Bonds payable of \$700,000 at June 30, 2005.

The District had total outstanding Early Retirement payable from the Special Revenue, Management Fund of \$10,189 at June 30, 2005.

Figure A-7
Outstanding Long-Term Obligations

	Total School District		Total Change
	2005	2004	
General obligation bonds	\$ 4,625,000	4,760,000	-2.8%
Qualified Zone Academy Bonds	700,000	700,000	0.0%
Early retirement	10,189	0	100.0%
Totals	\$ 5,335,189	5,460,000	-2.3%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- Taxable land valuations fell for the district by \$12,543,043 or 13.5%.
- The stagnant economy of recent years has limited and reduced available funds for education, while needs and expectations continue to grow. Increased revenues are required to meet diverse student needs, meet additional expectations from state and federal legislation like the federal No Child Left Behind Act, and provide the professional development for educators to enhance the skills and knowledge of the students.

-
- Education cost such as salaries, health insurance, supplies, transportation, utilities, building operation and maintenance continue to grow regardless of the allowable growth rate set by the legislature.
 - The Certified Enrollment is an annual report of all resident students enrolled on the third Friday in September. This number is used by the Department of Education in calculating state aid to the school district. The significant loss in student numbers seriously affects the financial standing of the district.
 - The national recession that has adversely impacted the State of Iowa's budget has translated into reduces levels of state aid funding for education.
 - The District continues to evaluate the condition of its transportation vehicles and determined that due to safety precautions, two buses will be acquired during fiscal 2006. To pay for these buses the district will use a combination of resources.
 - The district has taken a proactive approach for preparing for the future. The district entered into a six-district study regarding the feasibility of a regional high school, and sharing of district personnel and other resources. Rural population studies have reflected a continual decline in population. Parts of the six districts are located near to metropolitan areas, rivers, railroads, and highways that could result in slow population growth or at least a moderation of decline. Without major economic growth, population growth is unlikely.
 - All bargaining units have contracts that are open for negotiation for next Fiscal Year. Salary and benefit expenditures account for eighty percent of the District's General Fund expenditures. Any settlement exceeding the rate of allowable growth will have a significant effect on the General Fund's budget. The Allowable Growth for Fiscal Year 2006 has been approved by the state legislature at 4%, but based on recent state revenue forecasts, that level of funding could be reduced.
 - At the Federal level, legislation has been passed into law, which has a significant impact at the local level. This legislation is referred to as "The No Child Left Behind Act". The District is currently managing through the provisions and implications of this legislation. While the intent of this legislation is sound, additional costs and unfunded mandates may develop.
 - The district resolved the pending lawsuits. The district received a small settlement that allowed for the replacement of the disputed high school bleachers installation and seats. The remaining funds bore no significant increases in revenues, but will have an impact on reduction of expenditures for excessive legal fees.
 - The district will continue to file claims for reimbursements from Medicaid. Although the amount of revenue will decrease for the next fiscal year, it will provide the district with additional funds needed for the burgeoning expenses associated with providing services to those children with special needs.

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 Joyce Morgan, Board Secretary/Treasurer, Sidney Community School District, 2754 Knox Road, PO Box 609, Sidney, Iowa, 51652.

BASIC FINANCIAL STATEMENTS

SIDNEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2005

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents:			
ISCAP(Note 4)	\$ 1,166,307	0	1,166,307
U.S. Treasury Securities on deposit with escrow agent	2,138,760	0	2,138,760
Other	899,278	12,497	911,775
Receivables			
Property tax:			
Delinquent	27,189	0	27,189
Succeeding year	1,472,506	0	1,472,506
Income surtax	96,917	0	96,917
Accounts	265	0	265
Accrued ISCAP interest (Note 4)	8,607	0	8,607
Due from other governments	84,882	0	84,882
Inventories	0	2,287	2,287
Capital assets, net of accumulated depreciation (Note 5)	3,754,981	46,800	3,801,781
TOTAL ASSETS	9,649,692	61,584	9,711,276
LIABILITIES			
Accounts payable	44,494	0	44,494
Salaries and benefits payable	330,619	9,990	340,609
ISCAP warrants payable (Note 4)	1,162,000	0	1,162,000
ISCAP accrued interest payable (Note 4)	9,272	0	9,272
ISCAP unamortized premium	10,928	0	10,928
Accrued interest payable	16,309	0	16,309
Deferred revenue:			
Succeeding year property tax	1,472,506	0	1,472,506
Other	0	1,207	1,207
Long-term liabilities (Note 6):			
Portion due within one year:			
General obligation bonds payable	145,000	0	145,000
Early retirement payable	10,189	0	10,189
Portion due after one year:			
General obligation bonds payable	4,480,000	0	4,480,000
Qualified Zone Academy Bonds payable	700,000	0	700,000
TOTAL LIABILITIES	8,381,317	11,197	7,692,514
NET ASSETS			
Investment in capital assets, net of related debt	901,484	46,800	948,284
Restricted for:			
Management levy	12,540	0	12,540
Physical plant and equipment levy	7,418	0	7,418
Other special revenue purposes	30,411	0	30,411
Unrestricted	316,522	3,587	320,109
TOTAL NET ASSETS	\$ 1,268,375	50,387	1,318,762

SEE NOTES TO FINANCIAL STATEMENTS.

SIDNEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2005

Functions/Programs	Program Revenues		
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest
Governmental activities:			
Instruction:			
Regular instruction	\$ 1,377,347	90,262	344,258
Special instruction	442,290	34,557	19,920
Other instruction	300,311	188,692	0
	<u>2,119,948</u>	<u>313,511</u>	<u>364,178</u>
Support services:			
Student services	124,101	0	0
Instructional staff services	78,533	0	0
Administration services	458,707	0	0
Operation and maintenance of plant services	279,860	0	0
Transportation services	53,939	6,146	0
	<u>995,140</u>	<u>6,146</u>	<u>0</u>
Other expenditures:			
Facilities acquisitions	113,666	0	0
Long-term debt interest	205,059	0	0
AEA flowthrough	108,712	0	108,712
Depreciation (unallocated) *	100,738	0	0
	<u>528,175</u>	<u>0</u>	<u>108,712</u>
Total governmental activities	3,643,263	319,657	472,890
Business-Type activities:			
Non-instructional programs:			
Nutrition services	166,159	75,918	78,507
Total business-type activities	<u>166,159</u>	<u>75,918</u>	<u>78,507</u>
Total	<u>\$ 3,809,422</u>	<u>395,575</u>	<u>551,397</u>

General Revenues:

Property tax levied for:
 General purposes
 Debt service
 Capital outlay
 Local option sales and services
 Unrestricted state grants
 Unrestricted investment earnings
 Gain on disposal of equipment

Total general revenues

Excess (deficiency) of revenues over (under) expenses before capital contribution

Capital contributions

Changes in net assets

Net assets beginning of year, as restated (Note 10)

Net assets end of year

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

SEE NOTES TO FINANCIAL STATEMENTS.

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
(942,827)	0	(942,827)
(387,813)	0	(387,813)
(111,619)	0	(111,619)
<u>(1,442,259)</u>	<u>0</u>	<u>(1,442,259)</u>
(124,101)	0	(124,101)
(78,533)	0	(78,533)
(458,707)	0	(458,707)
(279,860)	0	(279,860)
(47,793)	0	(47,793)
<u>(988,994)</u>	<u>0</u>	<u>(988,994)</u>
(113,666)	0	(113,666)
(205,059)	0	(205,059)
0	0	0
(100,738)	0	(100,738)
<u>(419,463)</u>	<u>0</u>	<u>(419,463)</u>
(2,850,716)	0	(2,850,716)
0	(11,734)	(11,734)
<u>0</u>	<u>(11,734)</u>	<u>(11,734)</u>
<u>(2,850,716)</u>	<u>(11,734)</u>	<u>(2,862,450)</u>
\$ 1,247,682	0	1,247,682
166,868	0	166,868
26,498	0	26,498
195,676	0	195,676
1,373,239	0	1,373,239
91,126	38	91,164
2,100	0	2,100
<u>3,103,189</u>	<u>38</u>	<u>3,103,227</u>
252,473	(11,696)	240,777
0	19,559	19,559
<u>252,473</u>	<u>7,863</u>	<u>260,336</u>
1,015,902	42,524	1,058,426
<u>\$ 1,268,375</u>	<u>50,387</u>	<u>1,318,762</u>

SIDNEY COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2005

	General	Debt Service	Capital Projects	Nonmajor Special Revenue Funds	Total
ASSETS					
Cash and pooled investments:					
ISCAP(Note 4)	\$ 1,166,307	0	0	0	1,166,307
U.S. Treasury Securities on deposit with escrow agent	0	2,138,760	0	0	2,138,760
Other	520,863	230,194	85,750	61,943	898,750
Receivables:					
Property tax:					
Delinquent	22,533	3,373	0	1,283	27,189
Succeeding year	1,159,800	220,608	0	92,098	1,472,506
Income surtax	96,917	0	0	0	96,917
Accounts	265	0	0	0	265
Accrued ISCAP interest(Note 4)	8,607	0	0	0	8,607
Due from other governments	54,757	0	30,125	0	84,882
TOTAL ASSETS	\$ 3,030,049	2,592,935	115,875	155,324	5,894,183
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 41,112	0	390	2,668	44,170
Salaries and benefits payable	330,619	0	0	0	330,619
ISCAP warrants payable(Note 4)	1,162,000	0	0	0	1,162,000
ISCAP accrued interest payable(Note 4)	9,272	0	0	0	9,272
ISCAP unamortized premium	10,928	0	0	0	10,928
Deferred revenue:					
Succeeding year property tax	1,159,800	220,608	0	92,098	1,472,506
Income surtax	96,917	0	0	0	96,917
Total liabilities	2,810,648	220,608	390	94,766	3,126,412
Fund balances:					
Reserved for:					
Debt service	0	2,372,327	0	0	2,372,327
Unreserved:					
Designated for special purposes	3,953	0	0	0	3,953
Undesignated	215,448	0	115,485	60,558	391,491
Total fund balances	219,401	2,372,327	115,485	60,558	2,767,771
TOTAL LIABILITIES AND FUND BALANCES	\$ 3,030,049	2,592,935	115,875	155,324	5,894,183

SEE NOTES TO FINANCIAL STATEMENTS.

SIDNEY COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET ASSETS
 JUNE 30, 2005

Total fund balances of governmental funds(page 17)	\$ 2,767,771
 <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 report as assets in in the governmental funds.	3,754,981
Blending of the Internal Service Funds to be reflected on an entity-wide basis.	204
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.	(16,309)
Accounts receivable income surtax, is not yet available to finance expenditures of the current fiscal period.	96,917
Long-term liabilities, including bonds payable and qualified zone academy bonds payable, and early retirement payable are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(5,335,189)</u>
Net assets of governmental activites(page 14)	<u><u>\$ 1,268,375</u></u>

SIDNEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2005

	General	Debt Service	Capital Projects	Nonmajor Special Revenue Funds	Total
REVENUES:					
Local sources:					
Local tax	\$ 1,207,356	166,868	195,676	63,314	1,633,214
Tuition	124,819	0	0	0	124,819
Other	134,351	52,297	2,850	96,466	285,964
State sources	1,649,143	141	0	53	1,649,337
Federal sources	196,792	0	0	0	196,792
Total revenues	<u>3,312,461</u>	<u>219,306</u>	<u>198,526</u>	<u>159,833</u>	<u>3,890,126</u>
EXPENDITURES:					
Current:					
Instruction:					
Regular instruction	1,380,930	0	0	2,823	1,383,753
Special instruction	442,290	0	0	0	442,290
Other instruction	221,680	0	0	77,037	298,717
	<u>2,044,900</u>	<u>0</u>	<u>0</u>	<u>79,860</u>	<u>2,124,760</u>
Support services:					
Student services	113,912	0	0	0	113,912
Instructional staff services	78,533	0	0	0	78,533
Administration services	449,554	0	0	6,166	455,720
Operation and maintenance of plant services	240,994	0	0	37,946	278,940
Transportation services	125,991	0	0	23,645	149,636
	<u>1,008,984</u>	<u>0</u>	<u>0</u>	<u>67,757</u>	<u>1,076,741</u>
Other expenditures:					
Facilities acquisitions	0	0	198,269	42,533	240,802
Long-term debt:					
Principal	0	135,000	0	0	135,000
Interest and fiscal charges	0	205,650	0	0	205,650
AEA flowthrough	108,712	0	0	0	108,712
	<u>108,712</u>	<u>340,650</u>	<u>198,269</u>	<u>42,533</u>	<u>690,164</u>
Total expenditures	<u>3,162,596</u>	<u>340,650</u>	<u>198,269</u>	<u>190,150</u>	<u>3,891,665</u>
Excess(deficiency) of revenues over(under) expenditures	149,865	(121,344)	257	(30,317)	(1,539)
Other financing sources(uses):					
Sale of equipment	2,100	0	0	0	2,100
Transfers in	0	118,270	0	0	118,270
Transfers out	0	0	(118,270)	0	(118,270)
Total other financing sources(uses)	<u>2,100</u>	<u>118,270</u>	<u>(118,270)</u>	<u>0</u>	<u>2,100</u>
Net change in fund balances	151,965	(3,074)	(118,013)	(30,317)	561
Fund balances beginning of year	67,436	2,375,401	233,498	90,875	2,767,210
Fund balances end of year	<u>\$ 219,401</u>	<u>2,372,327</u>	<u>115,485</u>	<u>60,558</u>	<u>2,767,771</u>

SEE NOTES TO FINANCIAL STATEMENTS.

SIDNEY COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 JUNE 30, 2005

Net change in fund balances - total governmental funds (page 19)	\$	561
 <i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
<p>Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:</p>		
Capital outlays	\$ 267,407	
Depreciation expense	<u>(143,704)</u>	123,703
<p>Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.</p>		
		135,000
<p>Net change in the Internal Service Funds charged back against expenditures made for self-funded insurance at an entity-wide basis.</p>		
		(703)
<p>Income surtax accounts receivable is not available to finance expenditures of the current year period in the governmental funds.</p>		
		3,510
<p>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.</p>		
		591
<p>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.</p>		
Early retirement	<u>\$ (10,189)</u>	<u>(10,189)</u>
Changes in net assets of governmental activities (page 16)	\$	<u>252,473</u>

SIDNEY COMMUNITY SCHOOL DISTRICT
 STATEMENT OF NET ASSETS
 PROPRIETARY FUND
 JUNE 30, 2005

	Business-Type	
	Activities: Enterprise Fund School Nutrition	Governmental Activities: Internal Service Fund
ASSETS		
Cash and pooled investments	\$ 12,497	528
Inventories	2,287	0
Capital assets, net of accumulated depreciation (Note 5)	46,800	0
Total assets	61,584	528
LIABILITIES		
Accounts payable	0	324
Salaries and benefits payable	9,990	0
Deferred revenue:		
Other	1,207	0
Total liabilities	11,197	324
NET ASSETS		
Invested in capital assets, net of related debt	46,800	0
Unrestricted	3,587	204
Total net assets	\$ 50,387	204

SEE NOTES TO FINANCIAL STATEMENTS.

SIDNEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2005

	Business-Type Activities: Enterprise Fund School Nutrition	Governmental Activities: Internal Service Fund
OPERATING REVENUE:		
Local sources:		
Charges for services	\$ 75,918	22,170
TOTAL OPERATING REVENUES	<u>75,918</u>	<u>22,170</u>
OPERATING EXPENSES:		
Non-instructional programs:		
Salaries	66,681	0
Benefits	24,633	22,873
Services	317	0
Supplies	68,220	0
Depreciation	6,308	0
TOTAL OPERATING EXPENSES	<u>166,159</u>	<u>22,873</u>
OPERATING LOSS	<u>(90,241)</u>	<u>(703)</u>
NON-OPERATING REVENUES:		
State sources	2,294	0
Federal sources	76,213	0
Interest on investments	38	0
TOTAL NON-OPERATING REVENUES	<u>78,545</u>	<u>0</u>
Net loss before capital contributions	(11,696)	(703)
Capital contributions	<u>19,559</u>	<u>0</u>
Changes in net assets	7,863	(703)
Net assets beginning of year	<u>42,524</u>	<u>907</u>
Net assets end of year	<u>\$ 50,387</u>	<u>204</u>

SEE NOTES TO FINANCIAL STATEMENTS.

SIDNEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2005

	Business-Type Activities: Enterprise Fund	Governmental Activities: Internal Service Fund
	School Nutrition	Service Fund
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 74,665	\$ 0
Cash received from miscellaneous operating activities	1,723	22,170
Cash payments to employees for services	(90,819)	(22,549)
Cash payments to suppliers for goods or services	(62,289)	0
Net cash used in operating activities	(76,720)	(379)
Cash flows from non-capital financing activities:		
State grants received	2,294	0
Federal grants received	69,082	0
Net cash provided by non-capital financing activities	71,376	0
Cash flows from investing activities:		
Interest on investments	38	0
Net cash provided by investing activities	38	0
Net decrease in cash and cash equivalents	(5,306)	(379)
Cash and cash equivalents at beginning of year	17,803	907
Cash and cash equivalents at end of year	\$ 12,497	\$ 528
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	\$ (90,241)	\$ (703)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Commodities consumed	7,131	0
Depreciation	6,308	0
Increase in inventories	(883)	0
Decrease in accounts receivable	117	0
Increase in accounts payable	0	324
Increase in salaries and benefits payable	495	0
Increase in deferred revenue	353	0
Net cash used in operating activities	\$ (76,720)	\$ (379)
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:		
Current assets:		
Cash and pooled investments	\$ 12,497	\$ 528
NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:		
During the year ended June 30, 2005, the District received Federal commodities valued at \$7,131.		
During the year ended June 30, 2005, the District received \$19,559 in capital contributions from the PPEL and Capital Projects Fund.		

SEE NOTES TO FINANCIAL STATEMENTS.

SIDNEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005

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

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

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

B. Basis of Presentation

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

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

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

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

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

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

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

The District reports the following major governmental funds:

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

The Debt Service Fund is utilized to account for the payment of interest and principal on the District's general long-term debt.

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

The District reports the following proprietary fund:

The District's proprietary funds are the Enterprise, School Nutrition Fund and the Internal Service Fund. The School Nutrition Fund is used to account for the food service operations of the District. The Internal Service Fund is used to account for the self-funded insurance plan of the

District. The Internal Service Fund is charged back to the Governmental Funds and shown combined in the Statement of Net Assets and the Statement of Activities.

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

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

D. Assets, Liabilities and Fund Equity

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

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

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 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, machinery, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 2,500
Buildings	2,500
Land improvements	2,500
Machinery and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	2,000

Property, machinery and equipment are depreciated using the straight line method of depreciation over the following estimated useful lives:

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

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

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

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

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 expenditures in the other expenditures functional program area exceeded the amount budgeted.

(2) **Cash and Pooled Investments**

The District's deposits at June 30, 2005 were entirely covered by Federal depository insurance, collateralized with securities or letters of credit held by the District or the District's agent in the District's name, or by multiple financial institution collateral pool in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

At June 30, 2005, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	Amortized Cost
Diversified Portolio	\$ 664

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit risk. The investments in the Iowa Schools Joint Investment Trust were rated Aaa by Moody's Investors Service.

The District's investments are categorized to give an indication of the level of risk assumed by the District at year end. The

U.S. Treasury Securities are classified as Category 1, which means the investments are insured or registered or the securities are held by the District or its agent in the District's name.

Securities are stated at fair value. Securities traded on a national or international exchange are valued the last reported sales price at current exchange rates.

At June 30, 2005, the District had investments in U.S. Treasury Securities as follows:

<u>Type</u>	<u>Fair Value</u>
U.S. Treasury Securities	<u>\$ 2,138,760</u>

(3) Interfund Transfers

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

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects	\$ 50,000
Debt Service	Capital Projects	68,270
Total		<u>\$ 118,270</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

(4) 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. NA is the trustee for the program. A summary of the District's participation in ISCAP at June 30, 2005 is as follows:

<u>Series</u>	<u>Warrant Date</u>	<u>Final Warrant Maturity</u>	<u>Investments</u>	<u>Accrued Interest Receivable</u>	<u>Warrants Payable</u>	<u>Accrued Interest Payable</u>
2004-05A	6/30/04	6/30/05	\$ 122	0	0	0
2004-05B	1/28/05	1/27/06	626,806	8,492	625,000	9,169
2005-06A	6/28/05	6/28/06	539,379	115	537,000	103
Total			<u>\$ 1,166,307</u>	<u>8,607</u>	<u>1,162,000</u>	<u>9,272</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 had no advance activity in the General Fund for the year ended June 30, 2005.

The warrants bear interest and the available proceeds of the warrants are invested at the interest rates shown below:

Series	Interest Rates on Warrants	Interest Rates on Investments
2004-05A	3.000%	2.463%
2004-05B	3.500%	3.232%
2005-06A	3.500%	3.903%

(5) Capital Assets

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

	Balance Beginning of Year, as restated (Note 10)	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	7,500	0	0	7,500
Total capital assets not being depreciated	7,500	0	0	7,500
Capital assets being depreciated:				
Buildings	4,958,074	127,136	0	5,085,210
Land improvements	188,376	0	0	188,376
Machinery and equipment	747,054	140,271	206,045	681,280
Total capital assets being depreciated	5,893,504	267,407	206,045	5,954,866
Less accumulated depreciation for:				
Buildings	1,498,050	98,004	0	1,596,054
Land improvements	167,475	2,734	0	170,209
Machinery and equipment	604,201	42,966	206,045	441,122
Total accumulated depreciation	2,269,726	143,704	206,045	2,207,385
Total capital assets being depreciated, net	3,623,778	123,703	0	3,747,481
Governmental activities capital assets, net	\$ 3,631,278	123,703	0	3,754,981

	Balance Beginning Of Year	Increases	Decreases	Balance End of Year
Business-type activities:				
Machinery and equipment	\$ 75,132	19,559	0	94,691
Less accumulated depreciation	41,583	6,308	0	47,891
Business-type activities capital assets, net	\$ 33,549	13,251	0	46,800

Depreciation expense was charged to the following functions:

Governmental activities:				
Instruction:				
Regular				\$ 1,777
Other				1,594
Support services:				
Administration				2,987
Operation and maintenance of plant				920
Transportation				35,688
				<u>42,966</u>
Unallocated depreciation				100,738
Total depreciation expense - governmental activities				\$ <u>143,704</u>
Business-type activities:				
Food services operations				\$ <u>6,308</u>

(6) 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	\$ 4,760,000	0	135,000	4,625,000	145,000
Qualified zone academy bonds	700,000	0	0	700,000	0
Early retirement	0	10,189	0	10,189	10,189
Total	\$ 5,460,000	10,189	135,000	5,335,189	155,189

General Obligation Bonds Payable

On April 1, 2004, the District issued \$2,235,000 of general obligation refunding bonds, with interest rates ranging from 2.10% to 3.80%, for a crossover refunding of a portion of the general obligation bonds issued June 15, 1997. The District entered into an escrow agreement whereby the proceeds from general obligation refunding bonds were converted into U.S. Securities. These securities along with additional cash were placed in an escrow account for the express purpose of paying the \$2,090,000 principal of the refunded general obligation bonds when they become callable on June 1, 2007 and the interest from April 1, 2004 to and including June 1, 2007 on the refunding bonds. After the principal and interest on all of the outstanding bonds have been paid, any remaining funds in the escrow account, together with any interest thereon, shall be returned to the District. The transactions, balances and liabilities of the escrow account are recorded by the District since the refunded debt is not considered extinguished.

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

Year Ending June 30,	Bond Issue of April 1, 2004			Bond Issue of June 15, 1997			Total		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest	Principal	Interest	Total
2006	2.10 %	\$ 0	70,105	5.25 %	\$ 145,000	125,607	\$ 145,000	195,712	340,712
2007	2.10	0	70,105	5.25	2,245,000	117,995	2,245,000	188,100	2,433,100
2008	2.10	190,000	70,105		0	0	190,000	70,105	260,105
2009	2.40	205,000	66,115		0	0	205,000	66,115	271,115
2010	2.65	210,000	61,195		0	0	210,000	61,195	271,195
2011-2017	2.85-3.80	1,630,000	306,355		0	0	1,630,000	306,355	1,936,355
Total		\$ 2,235,000	643,980		\$ 2,390,000	243,602	\$ 4,625,000	887,582	5,512,582

Qualified Zone Academy Bonds

During the year ended June 30, 2003, the District issued zero interest Qualified Zone Academy Bonds (QZAB). Annual transfers from the Capital Projects - Local Option Sales and Services Tax fund to a debt sinking fund will be made to pay the indebtedness due December 15, 2010, of \$700,000.

Early Retirement

The District offered an early retirement incentive to an employee. Early retirement incentive for the employee is equal to twelve months of health insurance. A liability has been recorded in the government-wide financial statements representing the District's commitment to fund non-current early retirement.

(7) Pension and Retirement Benefits

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

Plan members are required to contribute 3.70% of their annual salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2005, 2004 and 2003. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2005, 2004 and 2003 were \$105,771, \$106,900 and \$112,424, respectively, equal to the required contributions for each year.

(8) Risk Management

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

(9) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$108,712 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.

(10) Restate Capital Assets/Net Assets Beginning Balances

This restatement is due to computer formula calculations of depreciation and asset listing errors. The restatement of the capital assets and net assets are as follows:

	Balance 6/30/04, as previously reported	Increases	Decreases	Balance 7/1/04, as restated
Governmental activities:				
Capital assets not being depreciated:				
Land	7,500	0	0	7,500
Total capital assets not being depreciated	7,500	0	0	7,500
Capital assets being depreciated:				
Buildings	4,958,074	0	0	4,958,074
Land improvements	188,376	0	0	188,376
Machinery and equipment	719,999	27,055	0	747,054
Total capital assets being depreciated	5,866,449	27,055	0	5,893,504
Less accumulated depreciation for:				
Buildings	952,158	545,892	0	1,498,050
Land improvements	167,475	0	0	167,475
Machinery and equipment	592,168	12,033	0	604,201
Total accumulated depreciation	1,711,801	557,925	0	2,269,726
Total capital assets being depreciated, net	4,154,648	(530,870)	0	3,623,778
Governmental activities capital assets, net	\$ 4,162,148	(530,870)	0	\$ 3,631,278

The effect in the adjustment to restate the capital assets results in a change to the previously reported governmental activities, net assets as follows:

Net assets, June 30, 2004, as previously reported	\$ 1,546,772
Capital assets adjustments, net	(530,870)
Net assets, July 1, 2004, as restated	\$ 1,015,902

(11) Budget Overexpenditure

Per the Code of Iowa, disbursements may not legally exceed the certified budget amounts. During the year ended June 30, 2005 disbursements in the other expenditures functional area exceeded the amount budgeted.

REQUIRED SUPPLEMENTAL INFORMATION

SIDNEY COMMUNITY SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE OF RECEIPTS, DISBURSEMENTS AND
 CHANGES IN BALANCES -
 BUDGET AND ACTUAL (CASH BASIS) - ALL GOVERNMENTAL FUNDS
 AND PROPRIETARY FUNDS
 REQUIRED SUPPLEMENTARY INFORMATION
 YEAR ENDED JUNE 30, 2005

	Governmental Fund Types Actual	Proprietary Fund Type Actual
Receipts:		
Local sources	\$ 2,013,228	76,426
State sources	1,649,427	2,294
Federal sources	179,419	76,213
Total receipts	<u>3,842,074</u>	<u>154,933</u>
Disbursements:		
Instruction	2,169,537	0
Support services	1,020,687	0
Non-instructional programs	0	160,239
Other expenditures	700,713	0
Total disbursements	<u>3,890,937</u>	<u>160,239</u>
Deficiency of receipts under disbursements	(48,863)	(5,306)
Other financing sources, net	<u>2,100</u>	<u>0</u>
Deficiency of receipts and other financing sources under expenditures	(46,763)	(5,306)
Balance beginning of year	<u>3,084,273</u>	<u>17,803</u>
Balance end of year	<u>\$ 3,037,510</u>	<u>12,497</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
	Original	Final	
2,089,654	1,980,831	1,980,831	108,823
1,651,721	1,697,462	1,697,462	(45,741)
255,632	233,000	233,000	22,632
<u>3,997,007</u>	<u>3,911,293</u>	<u>3,911,293</u>	<u>85,714</u>
2,169,537	2,444,513	2,444,513	274,976
1,020,687	1,022,000	1,094,000	73,313
160,239	186,940	186,940	26,701
700,713	526,887	546,887	(153,826)
<u>4,051,176</u>	<u>4,180,340</u>	<u>4,272,340</u>	<u>221,164</u>
(54,169)	(269,047)	(361,047)	(306,878)
<u>2,100</u>	<u>11,000</u>	<u>11,000</u>	<u>8,900</u>
(52,069)	(258,047)	(350,047)	(297,978)
<u>3,102,076</u>	<u>1,193,114</u>	<u>1,193,114</u>	<u>1,908,962</u>
<u>3,050,007</u>	<u>935,067</u>	<u>843,067</u>	<u>2,206,940</u>

SIDNEY COMMUNITY SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE - BUDGET TO GAAP RECONCILIATION
 REQUIRED SUPPLEMENTARY INFORMATION
 YEAR ENDED JUNE 30, 2005

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 3,842,074	48,052	3,890,126
Expenditures	3,890,937	728	3,891,665
Net	(48,863)	47,324	(1,539)
Other financing sources, net	2,100	0	2,100
Beginning fund balances	3,084,273	(317,063)	2,767,210
Ending fund balances	\$ 3,037,510	(317,063)	2,767,771

	Proprietary Fund Enterprise		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 154,933	(470)	154,463
Expenditures	160,239	5,920	166,159
Net	(5,306)	(6,390)	(11,696)
Other financing sources, net	0	19,559	19,559
Beginning fund balances	17,803	24,721	42,524
Ending fund balances	\$ 12,497	37,890	50,387

SIDNEY 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 Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparison for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the 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 functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing budgeted disbursements by \$92,000.

During the year ended June 30, 2005, disbursements in the other expenditures functional area exceeded the amount budgeted.

OTHER SUPPLEMENTAL INFORMATION

SIDNEY COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVNEUE FUNDS
 JUNE 30, 2005

	Manage- ment	Student Activity	Physical Plant and Equipment Levy	Total
ASSETS				
Cash and pooled investments	\$ 21,981	32,054	7,908	61,943
Receivables:				
Property tax:				
Current year delinquent	748	0	535	1,283
Succeeding year	64,000	0	28,098	92,098
TOTAL ASSETS	\$ 86,729	32,054	36,541	155,324
LIABILITIES AND FUND EQUITY				
Liabilities:				
Accounts payable	\$ 0	1,643	1,025	2,668
Deferred revenue:				
Succeeding year property tax	64,000	0	28,098	92,098
Total liabilities	64,000	1,643	29,123	94,766
Fund equity:				
Fund balances:				
Unreserved:				
Undesignated	22,729	30,411	7,418	60,558
Total fund balances	22,729	30,411	7,418	60,558
TOTAL LIABILITIES AND FUND EQUITY	\$ 86,729	32,054	36,541	155,324

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SIDNEY COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR SPECIAL REVENUE FUNDS
 YEAR ENDED JUNE 30, 2005

	Manage- ment	Student Activity	Physical Plant and Equipment Levy	Total
REVENUES:				
Local sources:				
Local tax	\$ 36,816	0	26,498	63,314
Other	3,155	83,461	9,850	96,466
State sources	31	0	22	53
TOTAL REVENUES	40,002	83,461	36,370	159,833
EXPENDITURES:				
Current:				
Instruction:				
Regular instruction	0	0	2,823	2,823
Other instruction	0	77,037	0	77,037
Support services:				
Administration services	6,166	0	0	6,166
Operation and maintenance of plant services	37,946	0	0	37,946
Student transportation	5,752	0	17,893	23,645
Other expenditures:				
Facilities acquisitions	0	0	42,533	42,533
TOTAL EXPENDITURES	49,864	77,037	63,249	190,150
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(9,862)	6,424	(26,879)	(30,317)
FUND BALANCE BEGINNING OF YEAR	32,591	23,987	34,297	90,875
FUND BALANCE END OF YEAR	\$ 22,729	30,411	7,418	60,558

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SIDNEY COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2005

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Daisy Hummel Memorial	\$ 510	0	180	330
Drama Club	90	60	150	0
Musical	0	3,030	2,062	968
Vocal Music	534	21	200	355
Swing Choir/Jazz Band	723	0	250	473
JH Athletics	908	4,834	4,545	1,197
Golf	26	743	491	278
Boys Basketball	2,060	4,577	3,735	2,902
Football	2,559	6,263	6,265	2,557
FB Fundraiser	1	0	0	1
Baseball	(325)	1,795	2,123	(653)
Boys Track	1	839	840	0
Wrestling	(458)	1,982	1,500	24
Girls Basketball	2,908	2,752	2,743	2,917
Volleyball	445	3,449	3,251	643
Softball	440	4,001	3,720	721
Girls Track	(768)	1,112	344	0
Art Club	734	0	0	734
FFA	2,341	0	273	2,068
FCCLA	664	1,499	1,178	985
Honor Society	108	678	400	386
Letterman Club	1,755	0	154	1,601
Student Council HS	(184)	12,514	11,853	477
Student Council JH	712	566	252	1,026
Student Concession AC	1,268	0	233	1,035
Trophy Case	0	668	498	170
Band Projects	(201)	9,868	8,976	691
BB Cheerleaders	208	405	149	464
Class of 2004	1,183	0	1,183	0
Class of 2005	3,030	33	2,893	170
Class of 2006	825	8,797	6,084	3,538
Class of 2007	467	353	0	820
Class of 2008	0	390	0	390
FB Cheerleaders	(70)	5,045	3,711	1,264
WR Cheerleaders	23	0	13	10
Athletics Pop Machine	0	2,015	2,112	(97)
Elementary Activities	1,142	1,448	1,506	1,084
Industrial Arts	121	27	0	148
Interest	208	45	253	0
Elementary Pop Machine	0	1,564	1,244	320
Library	15	0	0	15
P.E. Fundraiser	304	0	0	304
Plays	(320)	320	0	0
Athletic Season	0	1,768	1,673	95
Total	\$ 23,987	83,461	77,037	30,411

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Modified Accrual Basis			
	Years Ended June 30,			
	2005	2004	2003	2002
Revenues:				
Local sources:				
Local tax	\$ 1,633,214	1,675,765	1,433,751	1,234,924
Tuition	124,819	104,926	173,281	110,932
Other	285,964	151,977	350,657	376,403
State sources	1,649,337	1,579,256	1,658,398	1,554,981
Federal sources	196,792	149,207	119,652	120,907
Total	\$ 3,890,126	3,661,131	3,735,739	3,398,147
Expenditures:				
Current:				
Instruction:				
Regular instruction	\$ 1,383,753	1,378,326	1,382,236	1,368,605
Special instruction	442,290	432,934	524,800	433,378
Other instruction	298,717	279,155	301,715	289,338
Support services:				
Student services	113,912	108,455	120,595	109,502
Instructional staff services	78,533	72,056	69,904	70,950
Administration services	455,720	400,681	375,213	353,828
Operation and maintenance of plant services	278,940	245,471	246,308	244,626
Transportation services	149,636	162,110	101,515	103,868
Non-instructional programs	0	0	733	4,368
Other expenditures:				
Facilities acquisitions	240,802	646,678	151,158	170,650
Long-term debt:				
Principal	135,000	130,000	129,608	124,608
Interest and other charges	205,650	220,241	146,750	153,572
AEA flow-through	108,712	110,293	119,249	118,846
Total	\$ 3,891,665	4,186,400	3,669,784	3,546,139

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

117 West 3rd Street North, Newton, Iowa 50208-3040

Telephone (641) 792-1910

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters

Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

To the Board of Education of the
Sidney 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 Sidney 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 August 18, 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 Sidney Community School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide 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 item I-A-05 is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Sidney 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 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 Sidney Community School District and other parties to whom Sidney Community School District may report, including federal awarding agencies and pass-through entities. 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 Sidney Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Nolte Cornman & Johnson PC
NOLTE, CORNMAN & JOHNSON, P.C.

August 18, 2005

SIDNEY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2005

Part I: Findings Related to the Basic Financial Statements:

REPORTABLE CONDITIONS:

I-A-05 Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Cash receipts are issued and bank deposits are prepared by the same person. An independent person does not open the mail and prepare an initial listing of the checks received and later compare the listing to the receipts issued. Also, vouchers are processed, disbursements are recorded, and checks are prepared by the same person.

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

Response - We will continue to review our procedures and implement additional controls where possible.

Conclusion - Response accepted.

I-B-05 Activity Admissions - The Activity gate admissions and change box were not reconciled with pre-numbered tickets.

Recommendation - The District should establish reconciliation procedures for activity admissions. The reconciliation should include the issuance of pre-numbered tickets and the reconciling of the change box and admissions to the number of tickets issued.

Response - Our facility does not lend itself to such a procedure. However, we will review our present procedures and consider the recommended reconciliation procedures.

Conclusion - Response accepted.

SIDNEY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2005

Part II: Other Findings Related to Statutory Reporting

II-A-05 Official Depositories - A resolution naming official depositories have been approved by the Board. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2005.

II-B-05 Certified Budget - District disbursements for the year ended June 30, 2005 exceeded the certified budget amounts in the other expenditures functional area.

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

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

Conclusion - Response accepted.

II-C-05 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.

II-D-05 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

II-E-05 Business Transactions - No business transactions between the District and District officials were noted.

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

II-G-05 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

II-H-05 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.

II-I-05 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

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