

SIGOURNEY COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2005

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Sigourney Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September 2004 Election)		
Richard Coffman	President (resigned)	2004
Kathy Utterback	Vice President (appointed president)	2004
Laurel Striegle	Board Member	2004
Larry Alderson	Board Member (appointed vice-president)	2005
David Goll	Board Member	2005
Richard Danowsky	Board Member	2006
Lori Yates	Board Member	2006
Kirk Beasley	Board Member (appointed)	2004
Board of Education (After September 2004 Election)		
Kirk Beasley	President	2007
Larry Alderson	Vice President	2005
Rob Campbell	Board Member	2007
Kathy Utterback	Board Member	2007
David Goll	Board Member	2005
Richard Danowsky	Board Member	2006
Lori Yates	Board Member	2006
School Officials		
David Harris	Superintendent	2005
Yvonne Pitsch	District Secretary/Treasurer and Business Manager	2005
Ed Conrad	Attorney	2005

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Sigourney Community School District, Sigourney, 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, the business type activities, each major fund and the aggregate remaining fund information of Sigourney 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 December 2, 2005 on our consideration of Sigourney 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 12 and 35 through 37 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 Sigourney Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2004 (none of which are 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 PC

NOLTE, CORNMAN & JOHNSON, P.C.

December 2, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS

Sigourney Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2005. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2005 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$5,451,203 in fiscal year 2004 to \$5,501,729 in fiscal year 2005, while General Fund expenditures increased from \$5,669,775 in fiscal 2004 to \$5,875,052 in fiscal 2005. This resulted in a decrease in the District's General Fund balance from \$1,273,553 in fiscal 2004 to \$900,230 in fiscal 2005, a 29.3% decrease from prior year.
- Overall, the District net assets in the governmental activities decreased by \$19,861, and the business-type activities decreased by \$30,295, respectively.
- The September 2004 Certified Enrollment count resulted in a decrease of 15.3 students, representing a 2.3% decrease compared to the prior year.

USING THIS ANNUAL REPORT

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

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

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

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

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

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

Other Supplementary Information provides detailed information about the nonmajor funds.

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

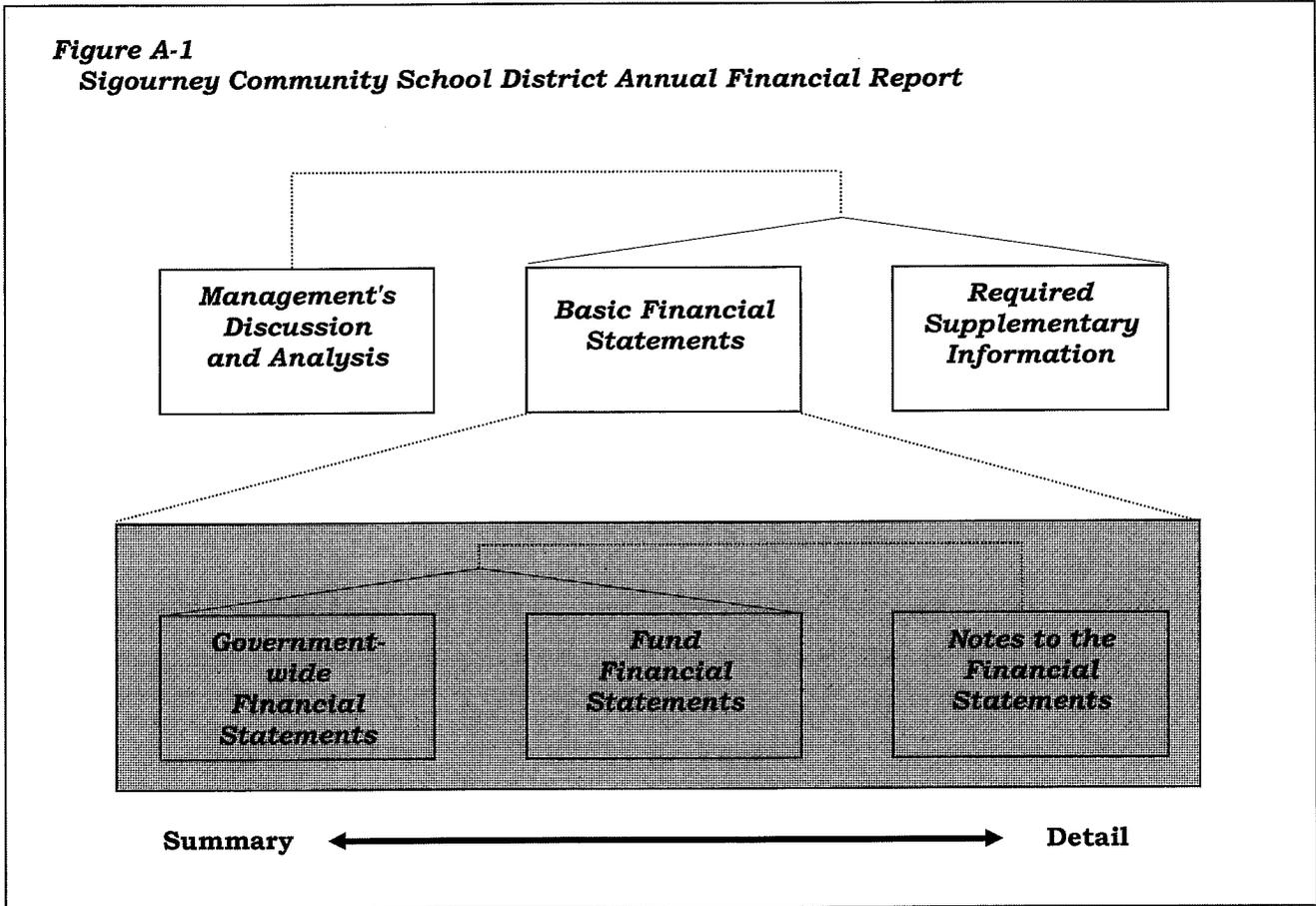


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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

REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

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

The District's governmental funds include the General Fund, Special Revenue Funds, 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 required financial statements for the proprietary funds include a statement of net assets, a statement of revenues, expenses and changes in net assets and a statement of cash flows.

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

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets for the year ended June 30, 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	\$ 3,568,198	3,588,379	11,242	34,734	3,579,440	3,623,113	-1.21%
Capital assets	2,852,020	3,029,513	29,354	36,269	2,881,374	3,065,782	-6.02%
Total assets	6,420,218	6,617,892	40,596	71,003	6,460,814	6,688,895	-3.41%
Long-term obligations	1,008,905	1,234,187	0	0	1,008,905	1,234,187	-18.25%
Other liabilities	2,117,216	2,068,747	1,824	1,936	2,119,040	2,070,683	2.34%
Total liabilities	3,126,121	3,302,934	1,824	1,936	3,127,945	3,304,870	-5.35%
Net assets:							
Invested in capital assets, net of related debt	1,877,131	1,831,285	29,354	36,269	1,906,485	1,867,554	2.08%
Restricted	496,286	127,859	0	0	496,286	127,859	288.15%
Unrestricted	920,680	1,354,814	9,418	32,798	930,098	1,387,612	-32.97%
Total net assets	\$ 3,294,097	3,313,958	38,772	69,067	3,332,869	3,383,025	-1.48%

The District's combined net assets decreased by 1.48% over the prior year. The largest portion of the District's net assets is the invested in capital assets, less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased approximately 288% over the prior year. The increase was primarily the result of the increase in the Capital Projects fund balance.

Unrestricted net assets-the part of net assets that can be used to finance day-by-day operations without constraints established by debt covenants, enabling legislation or other legal requirements- decreased approximately 33% over the prior year.

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	\$ 630,522	693,031	119,238	118,771	749,760	811,802	-7.64%
Operating grants and contributions and restricted interest	714,904	705,537	124,043	109,342	838,947	814,879	2.95%
General revenues:							
Property tax	2,080,035	2,252,921	0	0	2,080,035	2,252,921	-7.67%
Local option sales and service tax	291,407	0	0	0	291,407	0	100.00%
Unrestricted state grants	2,613,168	2,446,614	0	0	2,613,168	2,446,614	6.81%
Other	26,132	14,296	78	83	26,210	14,379	82.28%
Total revenues	6,356,168	6,112,399	243,359	228,196	6,599,527	6,340,595	4.08%
Program expenses:							
Governmental activities:							
Instructional	4,358,366	4,329,378	0	0	4,358,366	4,329,378	0.67%
Support services	1,694,398	1,369,539	0	0	1,694,398	1,369,539	23.72%
Non-instructional programs	505	631	276,745	247,365	277,250	247,996	11.80%
Other expenses	322,760	353,764	0	0	322,760	353,764	-8.76%
Total expenses	6,376,029	6,053,312	276,745	247,365	6,652,774	6,300,677	5.59%
Changes in net assets before capital contributions	(19,861)	59,087	(33,386)	(19,169)	(53,247)	39,918	-233.39%
Capital contributions	0	0	3,091	17,391	3,091	17,391	-82.23%
Changes in net assets	(19,861)	59,087	(30,295)	(1,778)	(50,156)	57,309	-187.52%
Net assets beginning of year	3,313,958	3,254,871	69,067	70,845	3,383,025	3,325,716	1.72%
Net assets end of year	\$ 3,294,097	3,313,958	38,772	69,067	3,332,869	3,383,025	-1.48%

Property tax, local option sales and services tax and unrestricted state grants account for 75.5% of the total revenue. The District's expenses primarily relate to instruction and support services which account for 91% of the total expenses.

Governmental Activities

Revenues for governmental activities were \$6,356,168 and expenses were \$6,376,029.

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

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services	Net Cost of Services
Instruction	\$ 4,358,366	3,206,350
Support services	1,694,398	1,694,059
Non-instruction	505	505
Other expenses	322,760	129,689
Totals	<u>\$ 6,376,029</u>	<u>5,030,603</u>

- The cost financed by users of the District's programs was \$630,522.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$714,904.
- The net cost of governmental activities was financed with \$2,080,035 in property tax, \$291,407 in local option sales and services tax, \$2,613,168 in unrestricted state grants and \$26,132 in interest income.

Business-Type Activities

Revenues of the District's business-type activities were \$243,359 and expenses were \$276,745. The District's business-type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported combined fund balances of \$1,422,732, below last year's ending fund balances of \$1,429,758.

Governmental Fund Highlights

- The District's deteriorating General Fund financial position is the product of many factors. Decrease in the tax levy has resulted in a decrease in from local sources compared to prior year. Despite the decrease in local revenues, total revenues actually increased due to the increases in state grant revenues during the year. The increase in revenues was not enough to offset the increase in expenditures ensuring the decrease of the Districts financial position.
- This was the first year for the District to the receive local option sales and service tax. These extra monies allowed the Capital Projects Fund to have an ending balance of \$292,278.
- The Special Revenue, Management Levy fund balance increased in fiscal year 2005. Revenues increased and expenditures decreased allowing the fund balance to increase from \$1,342 to \$19,523.
- The Special Revenue, Physical Plant and Equipment Levy fund balance increased \$38,046 to an ending balance of \$95,451. This was the result of a decrease in expenditures during the year.

Proprietary Funds Highlights

The School Nutrition Fund net assets decreased from \$69,067 at June 30, 2004 to \$38,772 at June 30, 2005, representing a decrease of 43.9%.

BUDGETARY HIGHLIGHTS

The District's revenues were \$225,546 less than budgeted revenues, a variance of 3.3%. The most significant variance resulted from the District receiving less in 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 support services functional area due to the timing of disbursements paid at year-end without sufficient time to amend the certified budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2005, the District had invested \$2,881,374, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$151,793.

The original cost of the District's capital assets was \$5,436,565. Governmental funds account for \$5,269,940 with the remainder of \$166,625 in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the land improvements category. The District's land improvements totaled \$241,647 at June 30, 2004 compared to \$173,484 at June 30, 2005. This decrease is due to the correction of previous assets counted twice and the depreciation expense taken during the year.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental		Business-type		Total		Total Change 2004-05
	Activities		Activities		School District		
	2005	2004	2005	2004	2005	2004	
Land	\$ 78,935	78,935	0	0	78,935	78,935	0.00%
Buildings	2,499,736	2,575,427	0	0	2,499,736	2,575,427	-2.94%
Land improvements	173,484	241,647	0	0	173,484	241,647	-28.21%
Machinery and equipment	99,865	132,504	29,354	36,269	129,219	168,773	-23.44%
Total	\$ 2,852,020	3,028,513	29,354	36,269	2,881,374	3,064,782	-5.98%

Long-Term Debt

At June 30, 2005, the District had \$1,008,905 in other long-term debt outstanding. This represents a decrease of 18.3% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 5 to the financial statements.

The District had outstanding general obligation bonded indebtedness payable of \$995,000 at June 30, 2005.

The District had total outstanding compensated absences payable from the General Fund of \$13,905, which is a decrease of 2% from the prior year.

Figure A-7
Outstanding Long-Term Obligations

	Total School District		Total Change
	2005	2004	
General obligation bonds	\$ 995,000	1,220,000	-18.4%
Compensated absences	13,905	14,187	-2.0%
Total	\$ 1,008,905	1,234,187	-18.3%

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:

- Increases in health insurance premiums, along with salaries and benefits for the employees is always a concern for the District.
- Continued budget concerns at state level will affect future projections. The District has been forced to shift funding to property taxes.
- Low allowable growth over several years and enrollment fluctuations is negatively impacting the District's spending authority. Contractual increases and program changes cannot be made without thorough consideration of our unspent authorized budget.
- The voters of the District passed the Local Option Sales and Services in 2004. This 1 cent tax on sales and services will greatly benefit the District in maintaining their buildings, purchasing equipment and debt repayment.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Yvonne Pitsch, District Secretary, Sigourney Community School District, 107 West Marion, Sigourney, Iowa, 52591.

BASIC FINANCIAL STATEMENTS

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

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and pooled investments	\$ 991,068	3,637	994,705
Receivables:			
Property tax:			
Delinquent	47,645	0	47,645
Succeeding year	2,027,635	0	2,027,635
Income surtax	93,898	0	93,898
Accounts	1,831	0	1,831
Due from other governments	406,121	0	406,121
Inventories	0	7,605	7,605
Capital assets, net of accumulated depreciation(Note 4)	2,852,020	29,354	2,881,374
TOTAL ASSETS	6,420,218	40,596	6,460,814
LIABILITIES			
Accounts payable	2,687	0	2,687
Salaries and benefits payable	9,768	0	9,768
Interest payable	7,399	0	7,399
ISEBA assessment payable(Note 8)	58,249	0	58,249
Deferred revenue:			
Succeeding year property tax	2,027,635	0	2,027,635
Other	11,478	1,824	13,302
Long-term liabilities(Note 5):			
Portion due within one year:			
General obligation bonds payable	320,000	0	320,000
Compensated absences	13,905	0	13,905
Portion due after one year:			
General obligation bonds payable	675,000	0	675,000
TOTAL LIABILITIES	3,126,121	1,824	3,127,945
NET ASSETS			
Investment in capital assets, net of related debt	1,877,131	29,354	1,906,485
Restricted for:			
Salary improvement program	1,294	0	1,294
Capital projects	292,278	0	292,278
Management levy	19,523	0	19,523
Physical plant and equipment levy	95,451	0	95,451
Other special revenue purposes	87,740	0	87,740
Unrestricted	920,680	9,418	930,098
TOTAL NET ASSETS	\$ 3,294,097	38,772	3,332,869

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Program Revenues		
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest
Functions/Programs			
Governmental activities:			
Instruction:			
Regular instruction	\$ 2,416,444	142,299	519,998
Special instruction	1,135,695	245,281	1,496
Other instruction	806,227	242,942	0
	<u>4,358,366</u>	<u>630,522</u>	<u>521,494</u>
Support services:			
Student services	97,550	0	0
Instructional staff services	202,745	0	0
Administration services	644,749	0	0
Operation and maintenance of plant services	448,294	0	0
Transportation services	301,060	0	339
	<u>1,694,398</u>	<u>0</u>	<u>339</u>
Non-instructional programs:			
Food service operations	505	0	0
Other expenditures:			
Facilities acquisitions	3,113	0	0
Long-term debt interest and fiscal charges	55,541	0	0
AEA flowthrough	193,071	0	193,071
Depreciation (unallocated)*	71,035	0	0
	<u>322,760</u>	<u>0</u>	<u>193,071</u>
Total governmental activities	6,376,029	630,522	714,904
Business-Type activities:			
Non-instructional programs:			
Nutrition services	276,745	119,238	124,043
Total business-type activities	<u>276,745</u>	<u>119,238</u>	<u>124,043</u>
Total	<u>\$ 6,652,774</u>	<u>749,760</u>	<u>838,947</u>

General Revenues:

Local tax for:
 General purposes
 Capital outlay
 Debt service
Local option sales and service tax
Unrestricted state grants
Unrestricted investment earnings

Total general revenues

Changes in net assets before capital contributions

Capital contributions

Changes in net assets

Net assets beginning of year

Net assets end of year

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

SEE NOTES TO FINANCIAL STATEMENTS.

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
(1,754,147)	0	(1,754,147)
(888,918)	0	(888,918)
(563,285)	0	(563,285)
(3,206,350)	0	(3,206,350)
(97,550)	0	(97,550)
(202,745)	0	(202,745)
(644,749)	0	(644,749)
(448,294)	0	(448,294)
(300,721)	0	(300,721)
(1,694,059)	0	(1,694,059)
(505)	0	(505)
(3,113)	0	(3,113)
(55,541)	0	(55,541)
0	0	0
(71,035)	0	(71,035)
(129,689)	0	(129,689)
(5,030,603)	0	(5,030,603)
0	(33,464)	(33,464)
0	(33,464)	(33,464)
(5,030,603)	(33,464)	(5,064,067)
\$ 1,768,433	0	1,768,433
39,185	0	39,185
272,417	0	272,417
291,407	0	291,407
2,613,168	0	2,613,168
26,132	78	26,210
5,010,742	78	5,010,820
(19,861)	(33,386)	(53,247)
0	3,091	3,091
(19,861)	(30,295)	(50,156)
3,313,958	69,067	3,383,025
\$ 3,294,097	38,772	3,332,869

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

	Other			Total
	General	Capital Projects	Governmental Funds	
ASSETS				
Cash and pooled investments	\$ 636,774	134,280	220,014	991,068
Receivables:				
Property tax				
Delinquent	38,259	0	9,386	47,645
Succeeding year	1,616,088	0	411,547	2,027,635
Income surtax	93,898	0	0	93,898
Interfund	0	0	698	698
Accrued interest	1,705	0	126	1,831
Due from other governments	248,123	157,998	0	406,121
TOTAL ASSETS	\$ 2,634,847	292,278	641,771	3,568,896
LIABILITIES AND FUND BALANCES				
Liabilities:				
Interfund payable	\$ 698	0	0	698
Accounts payable	2,687	0	0	2,687
Salaries and benefits payable	9,768	0	0	9,768
Deferred revenue:				
Succeeding year property tax	1,616,088	0	411,547	2,027,635
Income surtax	93,898	0	0	93,898
Other	11,478	0	0	11,478
Total liabilities	1,734,617	0	411,547	2,146,164
Fund balances:				
Reserved for:				
Debt service	0	0	27,510	27,510
Salary improvement program	1,294	0	0	1,294
Unreserved:				
Undesignated:				
General	898,936	0	0	898,936
Capital projects	0	292,278	0	292,278
Management levy	0	0	19,523	19,523
Physical plant and equipment levy	0	0	95,451	95,451
Other special revenue purposes	0	0	87,740	87,740
Total fund balances	900,230	292,278	230,224	1,422,732
TOTAL LIABILITIES AND FUND BALANCES	\$ 2,634,847	292,278	641,771	3,568,896

SEE NOTES TO FINANCIAL STATEMENTS.

SIGOURNEY 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 16)	\$ 1,422,732
 Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in in the governmental funds.	2,852,020
ISEBA assessment payable, is not yet due and payable in the current period due to the completion of a lawsuit settlement and, therefore, are not reported as liabilities in the governmental funds.	(58,249)
Accounts receivable income surtax, are not yet available to finance expenditures of the current period.	93,898
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.	(7,399)
Long-term liabilities, including general obligation bonds and compensated absences, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(1,008,905)</u>
Net assets of governmental activites (page 13)	<u><u>\$ 3,294,097</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	General	Capital Projects	Other Governmental Funds	Total
REVENUES:				
Local sources:				
Local tax	\$ 1,692,068	0	390,671	2,082,739
Local option sales and service tax	0	291,407	0	291,407
Tuition	387,580	0	0	387,580
Other	100,256	871	167,947	269,074
State sources	3,018,853	0	6,247	3,025,100
Federal sources	302,972	0	0	302,972
Total revenues	<u>5,501,729</u>	<u>292,278</u>	<u>564,865</u>	<u>6,358,872</u>
EXPENDITURES:				
Current:				
Instruction:				
Regular instruction	2,327,048	0	20,859	2,347,907
Special instruction	1,135,695	0	0	1,135,695
Other instruction	602,191	0	144,972	747,163
	<u>4,064,934</u>	<u>0</u>	<u>165,831</u>	<u>4,230,765</u>
Support services:				
Student services	96,790	0	760	97,550
Instructional staff services	199,205	0	507	199,712
Administration services	630,017	0	16,268	646,285
Operation and maintenance of plant services	446,617	0	10,430	457,047
Transportation services	244,418	0	13,562	257,980
	<u>1,617,047</u>	<u>0</u>	<u>41,527</u>	<u>1,658,574</u>
Non-instructional programs:				
Food service operations	0	0	505	505
Other expenditures:				
Facilities acquisitions	0	0	3,113	3,113
Long-term debt:				
Principal	0	0	225,000	225,000
Interest and fiscal charges	0	0	54,870	54,870
AEA flowthrough	193,071	0	0	193,071
	<u>193,071</u>	<u>0</u>	<u>282,983</u>	<u>476,054</u>
Total expenditures	<u>5,875,052</u>	<u>0</u>	<u>490,846</u>	<u>6,365,898</u>
Net change in fund balances	(373,323)	292,278	74,019	(7,026)
Fund balance beginning of year	1,273,553	0	156,205	1,429,758
Fund balance end of year	<u>\$ 900,230</u>	<u>292,278</u>	<u>230,224</u>	<u>1,422,732</u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

Net change in fund balances - total governmental funds (page 18) \$ (7,026)

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

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

Expenditures for capital assets	\$ 18,512	
Asset added in prior year that was already accounted for	(53,218)	
Depreciation expense	<u>(141,787)</u>	(176,493)

Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds. (2,704)

Repayment of long-term debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets. 225,000

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. (671)

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.

ISEBA assessment	\$ (58,249)	
Compensated absences	<u>282</u>	<u>(57,967)</u>

Changes in net assets of governmental activities (page 15) \$ (19,861)

SEE NOTES TO FINANCIAL STATEMENTS.

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

	<u>School Nutrition</u>
ASSETS	
Cash and pooled investments	\$ 3,637
Inventories	7,605
Capital assets, net of accumulated depreciation(Note 4)	<u>29,354</u>
TOTAL ASSETS	<u>40,596</u>
LIABILITIES	
Deferred revenues:	
Other	<u>1,824</u>
TOTAL LIABILITIES	<u>1,824</u>
NET ASSETS	
Investment in capital assets	29,354
Unrestricted	<u>9,418</u>
TOTAL NET ASSETS	<u>\$ 38,772</u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	School Nutrition
OPERATING REVENUE:	
Local sources:	
Charges for services	\$ 119,238
TOTAL OPERATING REVENUES	119,238
OPERATING EXPENSES:	
Non-instructional programs:	
Food service operations:	
Salaries	87,101
Benefits	44,815
Services	3,724
Supplies	131,099
Depreciation	10,006
TOTAL OPERATING EXPENSES	276,745
OPERATING LOSS	(157,507)
NON-OPERATING REVENUES:	
State sources	3,603
Federal sources	120,440
Interest income	78
TOTAL NON-OPERATING REVENUES	124,121
Net loss before capital contributions	(33,386)
Capital contributions	3,091
Change in net assets	(30,295)
Net assets beginning of year	69,067
Net assets end of year	\$ 38,772

SEE NOTES TO FINANCIAL STATEMENTS.

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

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 111,254
Cash received from miscellaneous	7,872
Cash payments to employees for services	(131,916)
Cash payments to suppliers for goods or services	(121,327)
Net cash used in operating activities	(134,117)
Cash flows from non-capital financing activities:	
State grants received	3,603
Federal grants received	107,135
Net cash provided by non-capital financing activities	110,738
Cash flows from investing activities:	
Interest on investments	78
Net cash provided by investing activities	78
Net decrease in cash and cash equivalents	(23,301)
Cash and cash equivalents at beginning of year	26,938
Cash and cash equivalents at end of year	\$ 3,637
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (157,507)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	13,305
Depreciation	10,006
Decrease in inventories	191
Decrease in deferred revenue	(112)
Net cash used in operating activities	\$ (134,117)
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:	
Current assets:	
Cash and pooled investments	\$ 3,637

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2005, the District received Federal commodities valued at \$13,305.

During the year ended June 30, 2005, the Physical Plant and Equipment Levy (PPEL) Fund contributed capital of \$3,091.

SEE NOTES TO FINANCIAL STATEMENTS.

SIGOURNEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
JUNE 30, 2005

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

SEE NOTES TO FINANCIAL STATEMENTS.

SIGOURNEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUND
YEAR ENDED JUNE 30, 2005

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

SEE NOTES TO FINANCIAL STATEMENTS.

SIGOURNEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005

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

The Sigourney Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the City of Sigourney, Iowa, and the predominate agricultural territory in Keokuk County. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Sigourney Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The Sigourney Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

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

B. Basis of Presentation

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

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

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

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

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

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

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

The District reports the following major governmental funds:

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

The Capital Projects Fund is utilized to account for all resources used in the acquisition and construction of capital facilities, with the exception of those that are financed through enterprise funds.

The District reports the following proprietary funds:

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

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

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

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

D. Assets, Liabilities and Fund Equity

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

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

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on

January 1, 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	\$ 0
Buildings	5,000
Land improvements	5,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	5,000

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

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

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

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial

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

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

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death, or retirement. A liability is recorded when incurred in the government-wide financial statements. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2005. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

Long-term Liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net 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 support services functional 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 or State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The District had investments in the Iowa Schools Joint Investment Trust as follows:

	Amortized Cost
Diversified portfolio	<u>\$ 1,017,212</u>

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 both rated Aaa by Moody's Investors Service.

(3) Interfund Receivables and Payables

At June 30, 2005 the interfund receivables and payables consisted of the following:

Receivable Fund	Payable Fund	Amount
Special Revenue - Management Levy	General	<u>\$ 698</u>

(4) Capital Assets

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 78,935	0	0	78,935
Total capital assets not being depreciated	<u>78,935</u>	<u>0</u>	<u>0</u>	<u>78,935</u>
Capital assets being depreciated:				
Buildings	4,293,066	0	0	4,293,066
Land improvements	388,909	0	53,218	335,691
Machinery and equipment	549,456	18,512	5,720	562,248
Total capital assets being depreciated	<u>5,231,431</u>	<u>18,512</u>	<u>58,938</u>	<u>5,191,005</u>
Less accumulated depreciation for:				
Buildings	1,717,639	75,691	0	1,793,330
Land improvements	147,262	14,945	0	162,207
Machinery and equipment	416,952	51,151	5,720	462,383
Total accumulated depreciation	<u>2,281,853</u>	<u>141,787</u>	<u>5,720</u>	<u>2,417,920</u>
Total capital assets being depreciated, net	<u>2,949,578</u>	<u>(123,275)</u>	<u>53,218</u>	<u>2,773,085</u>
Governmental activities capital assets, net	<u>\$ 3,028,513</u>	<u>(123,275)</u>	<u>53,218</u>	<u>2,852,020</u>

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business-type activities:				
Machinery and equipment	\$ 164,222	3,091	688	166,625
Less accumulated depreciation	127,953	10,006	688	137,271
Business-type activities capital assets, net	\$ 36,269	(6,915)	0	29,354

Depreciation expense was charged by the District as follows:

Governmental activities:		
Instruction:		
Regular		\$ 10,288
Other		5,846
Support services:		
Instructional staff		3,033
Administration		4,521
Operation and maintenance of plant		3,984
Transportation		43,080
		<u>70,752</u>
Unallocated depreciation		71,035
		<u>\$ 141,787</u>
Business-type activities:		
Food services		\$ 10,006
Total business-type activities depreciation expense		<u>\$ 10,006</u>

(5) Long-Term Liabilities

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

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
General Obligation Bonds	\$ 1,220,000	0	225,000	995,000	320,000
Compensated Absences	14,187	13,905	14,187	13,905	13,905
	<u>\$ 1,234,187</u>	<u>13,905</u>	<u>239,187</u>	<u>1,008,905</u>	<u>333,905</u>

General Obligation Bonds Payable

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

Year Ending June 30,	Bond issue of May 13, 1998			Bond issue of May 1, 1999			Total		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest	Principal	Interest	Total
2006	4.35 %	\$ 315,000	13,703	4.35 %	\$ 5,000	30,692	\$ 320,000	44,395	364,395
2007	-	-	-	4.40	160,000	30,476	160,000	30,476	190,476
2008	-	-	-	4.50	255,000	23,436	255,000	23,436	278,436
2009	-	-	-	4.60	260,000	11,960	260,000	11,960	271,960
Total		<u>\$ 315,000</u>	<u>13,703</u>		<u>\$ 680,000</u>	<u>96,564</u>	<u>\$ 995,000</u>	<u>110,267</u>	<u>1,105,267</u>

(6) Advance Refunding

The Districts refunding of May 13, 1998 was calculated with inaccurate data. Consequently, the District was required to refinance existing debt. On May 1, 1999 the District issued

refunding bonds in the amount of \$1,680,000 to advance refund \$1,680,000 of outstanding general obligation bonds. The proceeds of the refunding issue have been placed in an irrevocable escrow account and have been invested in U.S. Government Obligations which have added to the appropriate financial statements and schedules. The District remains contingently liable in the remote possibility the account is insufficient to pay the refunded bonds. At June 30, 2005, \$0 of such bonds are outstanding. Repayment of principal and interest for the year was \$330,000 and \$27,892 respectively.

(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 \$195,775, \$192,982 and \$183,356 respectively, equal to the required contributions for each year.

(8) Risk Management

The District was a member in the Iowa School Employee Benefits Association (ISEBA), an Iowa Code Chapter 28E organization until June 30, 2004. ISEBA is a local government risk-sharing pool whose members include various schools throughout the State of Iowa. The Association was formed in July 1999 for the purpose of managing and funding employee benefits. The Association provides coverage and protection in the following categories: medical, dental, vision and prescription drugs.

In July 2004, the Association converted from a self-funded pool to a fully insured pool covered by Wellmark Blue Cross Blue Shield of Iowa. In December 2004, ISEBA issued assessments necessary to cover run-out claims received when the program converted from self-insured to fully-insured coverage. ISEBA is recovering the shortfall through a combination of assessments, deficit recovery charges and administrative cost reduction measures. Members that terminated from ISEBA on June 30, 2004 received an assessment in December 2004 which is due July 1, 2005. The total assessment for terminated members is approximately \$1.95 million. The District's share of this assessment was \$58,249 which is recorded on the district-wide Statement of Net Assets as a liability as of June 30, 2005.

Sigourney Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims

from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(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 \$193,071 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) Budget Overexpenditure

Per the Code of Iowa, expenditures may not legally exceed budgeted appropriations at the functional area level. During the year ended June 30, 2005, expenditures in the support services functional areas exceeded the amount budgeted.

REQUIRED SUPPLEMENTARY INFORMATION

SIGOURNEY COMMUNITY SCHOOL DISTRICT
 BUDGETARY COMPARISON OF REVENUES, EXPENDITURES AND
 CHANGES IN BALANCES -
 BUDGET AND ACTUAL (GAAP BASIS) - ALL GOVERNMENTAL FUNDS
 AND PROPRIETARY FUNDS
 REQUIRED SUPPLEMENTARY INFORMATION
 YEAR ENDED JUNE 30, 2005

	Governmental Fund Types Actual	Proprietary Fund Type Actual
Revenues:		
Local sources	\$ 3,030,800	119,316
State sources	3,025,100	3,603
Federal sources	302,972	120,440
Total revenues	<u>6,358,872</u>	<u>243,359</u>
Expenditures:		
Instruction	4,230,765	0
Support services	1,658,574	0
Non-instructional programs	505	276,745
Other expenditures	476,054	0
Total expenditures	<u>6,365,898</u>	<u>276,745</u>
Excess (deficiency) of revenues over (under) expenditures	(7,026)	(33,386)
Capital contributions	<u>0</u>	<u>3,091</u>
Excess (deficiency) of revenues and capital contributions over (under) expenditures	(7,026)	(30,295)
Balance beginning of year	<u>1,429,758</u>	<u>69,067</u>
Balance end of year	<u>\$ 1,422,732</u>	<u>38,772</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
	Original	Final	
3,150,116	3,282,492	3,282,492	(132,376)
3,028,703	3,103,285	3,103,285	(74,582)
423,412	442,000	442,000	(18,588)
<u>6,602,231</u>	<u>6,827,777</u>	<u>6,827,777</u>	<u>(225,546)</u>
4,230,765	5,822,125	5,822,125	1,591,360
1,658,574	1,481,000	1,481,000	(177,574)
277,250	295,745	295,745	18,495
476,054	581,154	581,154	105,100
<u>6,642,643</u>	<u>8,180,024</u>	<u>8,180,024</u>	<u>1,537,381</u>
(40,412)	(1,352,247)	(1,352,247)	1,311,835
<u>3,091</u>	<u>1,000</u>	<u>1,000</u>	<u>(2,091)</u>
(37,321)	(1,351,247)	(1,351,247)	1,313,926
<u>1,498,825</u>	<u>1,670,398</u>	<u>1,670,398</u>	<u>(171,573)</u>
<u>1,461,504</u>	<u>319,151</u>	<u>319,151</u>	<u>1,142,353</u>

SIGOURNEY COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2005

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

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private-Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis. Encumbrances are not recognized on the GAAP basis budget and appropriations lapse at year end.

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

During the year ended June 30, 2005, expenditures in the support service functional program area exceeded the amounts budgeted.

OTHER SUPPLEMENTARY INFORMATION

SIGOURNEY COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2005

	Special Revenue Funds						Total Other Nonmajor Governmental Funds
	Manage- ment	Student Activity	Physical Plant and Equipment Levy	Expendable Trust	Total Special Revenue Funds	Debt Service	
ASSETS							
Cash and pooled investments	\$ 16,925	82,064	94,510	5,550	199,049	20,965	220,014
Receivables:							
Property tax:							
Delinquent	1,900	0	941	0	2,841	6,545	9,386
Succeeding year property tax	75,000	0	40,152	0	115,152	296,395	411,547
Interfund	698	0	0	0	698	0	698
Accrued interest	0	40	0	86	126	0	126
TOTAL ASSETS	\$ 94,523	82,104	135,603	5,636	317,866	323,905	641,771
LIABILITIES AND FUND EQUITY							
Liabilities:							
Deferred revenue:							
Succeeding year property tax	\$ 75,000	0	40,152	0	115,152	296,395	411,547
	75,000	0	40,152	0	115,152	296,395	411,547
Fund equity:							
Fund balances:							
Reserved for debt service	0	0	0	0	0	27,510	27,510
Unreserved, undesignated	19,523	82,104	95,451	5,636	202,714	0	202,714
	19,523	82,104	95,451	5,636	202,714	27,510	230,224
TOTAL LIABILITIES AND FUND EQUITY	\$ 94,523	82,104	135,603	5,636	317,866	323,905	641,771

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Special Revenue Funds					Debt Service	Total Other Nonmajor Governmental Funds
	Manage- ment	Student Activity	Physical Plant and Equipment Levy	Expendable Trust	Total Special Revenue Funds		
REVENUES:							
Local sources:							
Local tax	\$ 79,069	0	39,185	0	118,254	272,417	390,671
Other	698	164,505	1,347	290	166,840	1,107	167,947
State sources	1,264	0	627	0	1,891	4,356	6,247
TOTAL REVENUES	81,031	164,505	41,159	290	286,985	277,880	564,865
EXPENDITURES:							
Current:							
Instruction:							
Regular instruction	20,818	0	0	41	20,859	0	20,859
Other instruction	0	144,972	0	0	144,972	0	144,972
Support services:							
Support services	760	0	0	0	760	0	760
Instructional staff services	507	0	0	0	507	0	507
Administration services	16,268	0	0	0	16,268	0	16,268
Operation and maintenance							
of plant services	10,430	0	0	0	10,430	0	10,430
Transportation services	13,562	0	0	0	13,562	0	13,562
Non-instructional programs:							
Food service operations	505	0	0	0	505	0	505
Other expenditures:							
Facilities acquisitions	0	0	3,113	0	3,113	0	3,113
Long-term debt:							
Principal	0	0	0	0	0	225,000	225,000
Interest and fiscal charges	0	0	0	0	0	54,870	54,870
TOTAL EXPENDITURES	62,850	144,972	3,113	41	210,976	279,870	490,846
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	18,181	19,533	38,046	249	76,009	(1,990)	74,019
FUND BALANCE BEGINNING OF YEAR	1,342	62,571	57,405	5,387	126,705	29,500	156,205
FUND BALANCE END OF YEAR	\$ 19,523	82,104	95,451	5,636	202,714	27,510	230,224

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SIGOURNEY 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
Drama	\$ 2,037	1,712	2,433	1,316
Spanish Club	5,211	8,738	7,099	6,850
Band Trip	2,165	5,270	2,879	4,556
Girls basketball fundraising	2,130	4,775	3,022	3,883
Boys basketball	(180)	2,467	1,897	390
Girls track fundraising	404	2,045	2,375	74
Softball	0	4,040	3,016	1,024
Baseball fundraising	3,691	5,095	6,766	2,020
Volleyball fundraising	186	1,400	1,151	435
Wrestling fundraising	2,461	3,397	1,887	3,971
Athletics	9,430	37,761	37,245	9,946
Sigourney-Keota	962	19,845	14,104	6,703
Interest	32	14	6	40
Revolving	0	1,186	1,186	0
Jr High	541	212	257	496
Yearbook	6,539	9,786	12,621	3,704
FCCLA	4,237	8,304	6,892	5,649
FFA	3,520	14,438	11,750	6,208
Student Council	1,718	11,498	11,567	1,649
Cheerleaders	2,310	5,750	5,468	2,592
Wrestling cheerleader	0	717	(498)	1,215
Class of 2004	516	0	516	0
Class of 2005	1,490	245	465	1,270
Class of 2006	2,523	7,105	6,124	3,504
Class of 2007	4,192	201	0	4,393
Class of 2008	3,987	562	37	4,512
Class of 2009	2,469	3,864	2,418	3,915
Class of 2010	0	4,078	2,289	1,789
Total	\$ 62,571	164,505	144,972	82,104

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Modified Accrual Basis			
	Years Ended June 30,			
	2005	2004	2003	2002
Revenues:				
Local sources:				
Local tax	\$ 2,374,146	2,156,319	2,093,395	2,006,715
Tuition	387,580	446,806	469,005	497,153
Other	269,074	260,471	243,329	235,264
State sources	3,025,100	2,861,247	3,020,334	3,063,412
Federal sources	302,972	290,904	203,231	174,595
Total	<u>\$ 6,358,872</u>	<u>6,015,747</u>	<u>6,029,294</u>	<u>5,977,139</u>
Expenditures:				
Current:				
Instruction:				
Regular instruction	\$ 2,347,907	2,353,346	2,177,866	2,168,815
Special instruction	1,135,695	1,561,658	1,327,079	1,344,731
Other instruction	747,163	451,458	419,788	429,294
Support services:				
Student services	97,550	92,753	118,249	170,579
Instructional staff services	199,712	138,823	109,488	149,399
Administration services	646,285	586,137	547,652	585,887
Operation and maintenance of plant services	457,047	285,958	279,852	268,236
Transportation services	257,980	233,505	222,193	183,265
Central support services	0	17,854	0	0
Non-instructional programs	505	631	6,326	400
Other expenditures:				
Facilities acquisitions	3,113	17,391	38,473	19,611
Long-term debt:				
Principal	225,000	215,000	205,000	200,000
Interest and fiscal charges	54,870	63,743	72,311	80,633
AEA flow-through	193,071	196,894	212,069	213,830
Total	<u>\$ 6,365,898</u>	<u>6,215,151</u>	<u>5,736,346</u>	<u>5,814,680</u>

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
Sigourney 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 Sigourney 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 December 2, 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 Sigourney Community School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part I of the accompanying Schedule of Findings.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe items I-A-05 is a material weakness.

Compliance and Other Matters

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

Members American Institute & Iowa Society of Certified Public Accountants

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 Sigourney Community School District and other parties to Sigourney 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 Sigourney Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



NOLTE, CORNMAN & JOHNSON, P.C.

December 2, 2005

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

Part I: Findings Related to the Financial Statements:

REPORTABLE CONDITIONS:

I-A-05 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal were all done by the same person.

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

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

Conclusion - Response accepted.

SIGOURNEY 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 expenditures for the year ended June 30, 2005 exceeded the amount budgeted in the support services program area.

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

Response - The District exceeded due to account code changes; we will monitor these accounts and make any necessary budget changes in the future.

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 - Business transactions between the District and District officials and employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Julie Tremmel, Teacher Spouse owns Tremmel Backhoe Service	Services	\$80
Cyrena Buschmann, Teacher Spouse owns Sigourney Cleaners	Services	\$575
Yvonne Pitsch, Business Manager Spouse owns Sigourney Body Shop	Services	\$1,062
Dottie Dobbins, Secretary Spouse owns Phelps	Services	\$1,904
Zelda Chaney, Aide Spouse owns Sigourney News Review	Repairs	\$3,009

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

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. However, we noted that the minutes were not always published in a timely manner.

Recommendation - The District should publish the minutes within two weeks of the Board meeting, as required by 279.35 of the Code of Iowa.

Response - We will make sure that the minutes are supplied to the newspaper within the two week requirement.

Conclusion - Response accepted.

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 deposits and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy. However, we did note that the District was not receiving the proper interest rate, set by the State Rate Setting Committee, on their Certificate of Deposit.

Recommendation - The District should contact the appropriate bank and rectify the situation.

Response - We have contacted the bank to resolve this matter.

Conclusion - Response accepted.

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.