

SIOUX CENTER COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2005

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Sioux Center Community School District

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September 2004 Election)		
Roger Kempers	President	September, 2005
Kay Kusters	Vice President	September, 2004
Dale Kraayenbrink	Board Member	September, 2006
Bruce Roetman	Board Member	September, 2004
Cheryl Sneller	Board Member	September, 2005

**Board of Education
(After September 2004 Election)**

Roger Kempers	President	September, 2005
Kay Kusters	Vice President	September, 2007
Dale Kraayenbrink	Board Member	September, 2006
Bruce Roetman	Board Member	September, 2007
Cheryl Sneller	Board Member	September, 2005

School Officials

Pat O'Donnell	Superintendent	June, 2005
Ardith Lein	District Secretary	July, 2005
Deb Schroeder	District Treasurer/ Business Manager	June, 2005
Roger Evans	Attorney	July, 2005

SIEBRECHT & CO., PC
Certified Public Accountants

MEMBERS OF
American Institute of CPAs
Private Companies Practice Section
Iowa Society of CPAs

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Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund, discretionary major funds and the aggregate remaining fund information of Sioux Center Community School District, Sioux Center, Iowa, as of and for the year ended June 30, 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 and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Sioux Center Community School District at June 30, 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 reports dated October 17, 2005, on our consideration of Sioux Center Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and 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 read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 7 through 18 and 40 through 43 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Sioux Center Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2004 (none of which are presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

SIEBRECHT & CO., PC
Certified Public Accountants

Sioux Center, Iowa
October 17, 2005

Sioux Center Community School District

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$7,089,896 in fiscal 2004 to \$7,350,188 in fiscal 2005. The District also experienced an increase in General Fund expenditures from \$7,120,347 in fiscal 2004 to \$7,324,182 in fiscal 2005. The total General Fund unreserved fund balance increased from \$851,139 for fiscal year 2004 to \$875,828 for fiscal 2005, a 2.9% increase.
- The increase in General Fund revenues was due primarily to a growth in certified student enrollment resulting in an increase in state aid revenues.
- The increase in expenditures was due primarily to: 1) the hiring of additional teachers and support staff and the purchase of textbooks and supplies to support the increase in enrollment; 2) an increase in the number of special programs or services offered to students; 3) a 4.07% negotiated increase in the cost of salaries and benefits; and 4) the advance purchase of textbooks and supplies.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

- The first two statements are *District-wide Financial Statements* that report both short-term and long-term information about the District's overall financial status.
- The *Fund Financial Statements* focus on the individual parts of the District's operations, reporting in more detail than the District-wide statements, and provide information about short-term performance of the most significant funds.
 1. The *Governmental Funds Statements* tell how basic governmental services, such as regular and special education, were financed in the short term as well as what remains for future spending.
 2. The *Proprietary Funds Statements* offer both short-term and long-term financial information about the activities the District operates like a business, such as food service operations.

- The remaining statements provide financial information about activities for which the District acts solely as an agent or custodian for the benefit of those outside of school government unit.

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

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

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

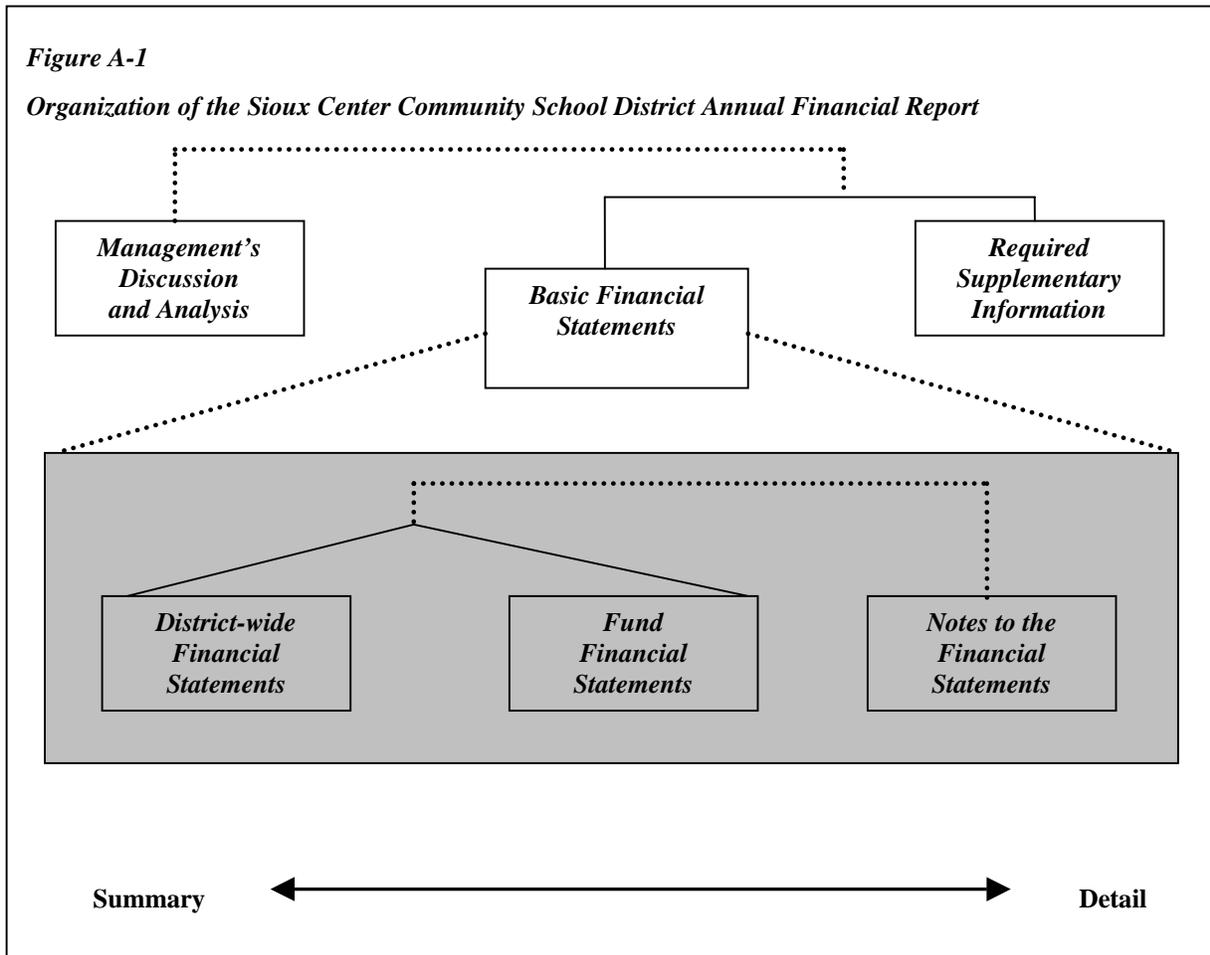


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain. The remainder of this overview section of the management’s discussion and analysis highlights the structure and contents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

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

District-wide Financial Statements

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

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

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

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

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds, not the District as a whole. A fund is a grouping of related accounts that the District uses to maintain control over resources that have been segregated for specific activities or objectives.

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

The District has two kinds of funds:

- *Governmental Funds.* Most of the District's basic services are included in governmental funds which generally focus on (1) how cash, and other financial assets that can readily be converted to cash, flow in and out of the District and (2) the balances left at year-end that are available for future spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the District-wide statements additional information at the bottom of the governmental fund statements explains the relationship or differences between the two statements.

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

- *Proprietary Funds.* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the District-wide statements, only in more detail. The District maintains one type of proprietary fund:
 1. Enterprise funds (one type of proprietary fund) are used to report the same functions presented as business-type activities in the district-wide financial statements but provide more detail and additional information,

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

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

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Assets. Figure A-3 provides a summary of the District's net assets at June 30, 2005, compared to June 30, 2004:

Figure A-3
Condensed Statement of Net Assets

	Governmental Activities		Business Type Activities		Total District		Total % Change
	June 30		June 30		June 30		June 30
	2005	2004	2005	2004	2005	2004	2004-05
Current and other assets	\$ 7,561,583	\$ 5,930,128	\$ 126,494	\$ 143,027	\$ 7,688,077	\$ 6,073,155	26.6%
Capital assets	6,703,709	5,564,009	110,756	102,265	6,814,465	5,666,274	20.2%
Total assets	\$14,265,292	\$11,494,137	\$ 237,250	\$ 245,292	\$14,502,542	\$11,739,429	23.5%
Long-term liabilities	\$ 5,219,722	\$ 3,957,765	\$ 0	\$ 0	\$ 5,219,722	\$ 3,957,765	31.9%
Other liabilities	5,896,610	5,052,527	4,539	12,474	5,901,149	5,065,001	16.5%
Total liabilities	\$11,116,332	\$ 9,010,292	\$ 4,539	\$ 12,474	\$11,120,871	\$ 9,022,766	23.3%
Net assets:							
Invested in capital assets, net of related debt	\$ 1,111,144	\$ 1,476,509	\$ 110,756	\$ 102,265	\$ 1,221,900	\$ 1,578,774	-22.6%
Restricted	1,153,534	182,136	0	0	1,153,534	182,136	533.3%
Unrestricted	884,282	825,200	121,955	130,553	1,006,237	955,753	5.3%
Total net assets	\$ 3,148,960	\$ 2,483,845	\$ 232,711	\$ 232,818	\$ 3,381,671	\$ 2,716,663	24.5%

The District's combined net assets increased by approximately \$665,000, or 25 percent, over the prior period. The largest portion of the District's increase in net assets is attributable to an increase in investment in capital assets (e.g., land, buildings, and equipment) less the related debt and an increase in cash from the local option sales tax revenue. 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 \$971,000 or 533% over the prior year. The increase was primarily a result of the collection of Local Option Sales and Services Taxes and the remaining proceeds from an issue of revenue bonds.

Unrestricted net assets, the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements, increased approximately \$50,000, or 5%.

Change in Net Assets. Figure A-4 shows the change in net assets for the year ended June 30, 2005:

Figure A-4 Changes in Net Assets			
Governmental Activities Year ended June 30,			
	2005	2004	Change
Revenues:			
Program revenues:			
Charges for service	\$ 686,275	732,239	(45,964)
Operating grants, contributions and restricted interest	1,062,369	944,326	118,043
Capital grants, contributions and restricted interest	12,376	304	12,072
General revenues:			
Property tax	3,165,871	3,486,573	(320,702)
Local option sales and services tax	560,627	231,755	328,872
Instructional support surtax	307,802	278,771	29,031
Unrestricted state grants	3,100,755	2,807,075	293,680
Unrestricted investment earnings	43,306	27,562	15,744
Other	2,386	64,282	(61,896)
Total revenues	<u>8,941,767</u>	<u>8,572,887</u>	<u>368,880</u>
Program expenses:			
Governmental activities:			
Instruction	5,403,005	5,327,198	75,807
Support services	2,205,734	2,173,823	31,911
Non-instructional programs	160	179	(19)
Other expenses	537,024	774,735	(237,711)
Total expenses	<u>8,145,923</u>	<u>8,275,935</u>	<u>(130,012)</u>
Other income (expense)			
Gain/(loss) on disposal of fixed assets	(130,729)	0	(130,729)
Change in net assets	<u>\$ 665,115</u>	<u>296,952</u>	<u>368,163</u>
Business Type Activities Year ended June 30			
	2005	2004	Change
Revenues:			
Program revenues:			
Charges for service	\$ 183,108	244,750	(61,642)
Operating grants, contributions and restricted interest	147,819	147,217	602
General revenues:			
Unrestricted investment earnings	2,848	2,353	495
Other	0	5,000	(5,000)
Total revenues	<u>333,775</u>	<u>399,320</u>	<u>(65,545)</u>

Program expenses:			
Business Type Activities:			
Non-instructional programs	333,882	346,202	(12,320)
Other expenses	0	59,150	(59,150)
	<u>333,882</u>	<u>405,352</u>	<u>(71,470)</u>
Total expenses	333,882	405,352	(71,470)
Change in net assets	<u>\$ (107)</u>	<u>(6,032)</u>	<u>5,925</u>

Change in Net Assets All Activities
Year ended June 30,

	<u>2005</u>	<u>2004</u>	<u>Change</u>
Revenues:			
Program revenues:			
Charges for service	\$ 869,383	976,989	(107,606)
Operating grants, contributions and restricted interest	1,210,188	1,091,543	118,645
Capital grants, contributions and restricted interest	12,376	304	12,072
General revenues:			
Property tax	3,165,871	3,486,573	(320,702)
Local option sales and services tax	560,627	231,755	328,872
Instructional support surtax	307,802	278,771	29,031
Unrestricted state grants	3,100,755	2,807,075	293,680
Unrestricted investment earnings	46,154	29,915	16,239
Other	2,386	69,282	(66,896)
Total revenues	<u>9,275,542</u>	<u>8,972,207</u>	<u>303,335</u>
Program expenses:			
Governmental activities:			
Instruction	5,403,005	5,327,198	75,807
Support services	2,205,734	2,173,823	31,911
Non-instructional programs	334,042	346,381	(12,339)
Other expenses	537,024	833,885	(296,861)
Total expenses	<u>8,479,805</u>	<u>8,681,287</u>	<u>(201,482)</u>
Other income (expense)	<u>(130,729)</u>	<u>0</u>	<u>(130,729)</u>
Change in net assets	<u>\$ 665,008</u>	<u>290,920</u>	<u>374,088</u>

The District's net assets increased by approximately \$374,000 during the year. Revenues for the District increased by approximately \$303,000 over the prior year, with local option sales tax receipts increasing approximately \$329,000, State aid and grants increasing approximately \$294,000 and property tax decreased by approximately \$321,000.

The District's overall cost for the year decreased approximately \$201,000 during the year. The majority of the decrease was for capital improvements that were capitalized this year and not expensed.

Property tax, local option sales tax, instructional support surtax and unrestricted state grants account for 77% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 90% of the total expenses.

Governmental Activities

Revenues for the District's governmental activities were \$8,941,767 and expenses were \$8,145,923.

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

	Total Cost of Services 2005	Net Cost of Services 2005
Instruction	\$ 5,403,005	\$ 3,977,136
Support services	2,205,734	2,198,922
Non-instructional programs	160	160
Other expenses	537,024	208,685
Totals	<u>\$ 8,145,923</u>	<u>\$ 6,384,903</u>

- The net cost of governmental activities was financed with \$3,473,673 in property and other taxes and \$3,100,755 in unrestricted state grants.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,062,369.
- The cost financed by users of the District's programs was \$686,275. This amount includes open enrollment revenue, fund raising activities, and other miscellaneous fees collected from the public or other school districts.

Business Type Activities

The District's business type activities include the School Nutrition Fund, the Child Care Fund, the Community Education Fund, and the Employee Cafeteria Fund. The Child Care Fund and the Employee Cafeteria Fund were closed this year. Total revenues for the business-type activities were \$330,927 and expenses were \$333,882. Revenues of these activities were comprised of charges for services, federal and state reimbursements, investment income, and plan contributions for employee medical and dependent care flexible spending contributions.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

The positive financial performance indicated in the District-wide statements is reflected in the governmental funds statements as well. As of the end of the year, the District's governmental funds reported a combined ending fund balance of \$2,222,601, compared to last year's ending fund balance of \$1,226,208. The primary reason for the increase in combined fund balances is due to the collection and accumulation of the Local Option Sales and Services Tax and the funds remaining from the proceeds of revenue bonds for roof and air-conditioning improvements.

Governmental Fund Highlights

- The District's General Fund balance increased from \$851,139 in 2004 to \$875,828 in 2005, an increase of less than 3.0%. This was expected due to increases in state aid. The District was able to meet the financial goals set by both Management and the Board of Education.
- The Property Plant and Equipment Levy (PPEL) Fund balance increased from deficit of \$9,345 to a surplus of \$17,285. This increase was due to spending few dollars out of this fund. Many of the building improvements were paid out of the Local Option Sales and Services Tax Fund.
- The Capital Projects Fund (Local Option Sales and Services Tax) – The fund balance was increased from \$173,980 to \$1,080,926 due to the accumulation of tax dollars and the remaining proceeds from the revenue bonds.
- The Debt Service Fund balance increased from \$38,652 to \$97,915. This was due primarily to an increase in transfers from the Property Plant and Equipment Fund and the Local Option Sales and Services Tax Fund.

Proprietary Fund Highlights

- The School Nutrition Fund balance increased from \$196,210 to \$199,292 due to normal operating fluctuations in capital.
- The Child Care Fund balance increased from a deficit of \$2,144 to a balance of \$0. The Fund was closed and services were discontinued.
- The Community Education Fund balance decreased from \$38,752 to \$33,419 due to expenses higher than enrollment fees collected.
- The Employee Cafeteria Fund administrative duties were turned over to an outside provider for the fiscal year July 1, 2004 to June 30, 2005. The fund had a cash balance which was paid out.

BUDGETARY HIGHLIGHTS

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following statutorily required public notice and hearing for all funds (excluding internal service funds, permanent funds, and agency funds). This is referred to as the certified budget. The certified budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the cash basis of accounting. During fiscal year 2005 the District did not amend its budget. A schedule showing the original budget compared to the District's actual financial activity is included in the required supplementary information section of this report.

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

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

Legal Budgetary Highlights

The District’s actual receipts for the year exceeded the certified budget by \$206,322. The District underestimated revenues for the year.

Total actual expenditures for the fiscal year exceeded the certified budget by \$540,449, due to the District not budgeting for the roof and air conditioning project.

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2005, the District had invested \$6,814,465, net of accumulated depreciation, in a broad range of capital assets, including land, buildings and improvements, transportation and maintenance equipment, and other equipment used for various instructional and administrative purposes (see Figure A-6). This amount represents a net increase of 20.2% from last year. More detailed information about the District’s capital assets is presented in Note 6 to the financial statements. Total depreciation expense for the year was \$192,904.

The original cost of the District’s capital assets was \$9,375,421. Governmental funds account for \$9,173,290, with the remainder of \$202,131 accounted for in the Proprietary School Nutrition Fund.

The largest change in capital assets activity during the year was for the capitalization of the new roof and air conditioning system and the purchase of a new bus.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental Activities		Business Type Activities		Total District		Total % Change
	June 30		June 30		June 30		June 30
	2005	2004	2005	2004	2005	2004	2004-05
Land	\$ 150,978	\$ 150,978	\$ 0	\$ 0	\$ 150,978	\$ 150,978	0.0%
Land improvements	188,601	182,489	0	0	188,601	182,489	3.3%
Construction in progress	1,285,838	0	0	0	1,285,838	0	100.0%
Buildings	4,561,048	4,725,573	0	0	4,561,048	4,725,573	-3.5%
Equipment	178,740	179,672	110,756	102,265	289,496	281,937	2.7%
Vehicles	338,504	325,297	0	0	338,504	325,297	4.1%
Net Capital Assets	\$ 6,703,709	\$ 5,564,009	\$ 110,756	\$ 102,265	\$ 6,814,465	\$ 5,666,274	20.3%

Long-term Debt

At June 30, 2005 the District had \$3,705,000 in general obligation bond debt. This represents a decrease of approximately 6.6% from last year (see Figure A-7). More detailed information about the District's long-term liabilities is presented in Note 7 to the financial statements.

The District also had \$98,000 in capital loan notes, \$1,789,565 in revenue bonds, \$0 in street assessments, and \$147,193 in early retirement obligations outstanding at June 30, 2005. The District issued \$1,789,565 in local option sales tax revenue bonds during the year.

The only activity in the long-term debt was the retirement of the current debt payable and the issuance of the revenue bonds.

Figure A-7
Outstanding Long-Term Obligations

	Total District		Total % Change
	June 30		June 30
	2005	2004	2004-05
General obligation bonds	\$ 3,705,000	\$ 3,965,000	-6.6%
Local option sales and services tax revenue bonds	1,789,565	0	100.0%
Capital loan notes	98,000	122,500	-20.0%
Street assessments	0	19,089	-100.0%
Early retirement	147,193	167,257	-12.0%
Total Outstanding Long-Term Obligations	\$ 5,739,758	\$ 4,273,846	34.3%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

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

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

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

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This report is designed to provide the District's citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. Additional details can be requested by mail at the following address: Sioux Center Community School District, Office of the Business Manager, 550 9th Street NE, Sioux Center, IA 51250.

Basic Financial Statements

Sioux Center Community School District
Statement of Net Assets
June 30, 2005

	Governmental Activities	Business Type Activities	Total
Assets			
Cash and cash equivalents:			
Cash	\$ 3,085,338	101,746	3,187,084
ISCAP	539,379	0	539,379
Receivables:			
Property tax:			
Delinquent	32,043	0	32,043
Succeeding year	3,287,208	0	3,287,208
Income surtax:			
Succeeding year	307,188	0	307,188
Accounts	933	0	933
Patronage dividend receivable	7,081	0	7,081
Due from other governments	302,413	11,473	313,886
Inventories	0	13,275	13,275
Capital assets, net of accumulated depreciation	6,703,709	110,756	6,814,465
Total assets	14,265,292	237,250	14,502,542
Liabilities			
Accounts payable	473,929	154	474,083
Salaries and benefits payable	720,242	1,740	721,982
Due to other governments	24,122	2,645	26,767
Accrued interest payable	42,592	0	42,592
Deferred revenue:			
Succeeding year property tax	3,287,208	0	3,287,208
Succeeding year income surtax	307,188	0	307,188
Other	7,081	0	7,081
ISCAP warrants payable	537,000	0	537,000
ISCAP unamortized premium on issuance	7,212	0	7,212
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	255,000	0	255,000
Capital loan notes	24,500	0	24,500
LOSST revenue bonds	210,536	0	210,536
Portion due after one year:			
General obligation bonds payable	3,450,000	0	3,450,000
Capital loan notes	73,500	0	73,500
LOSST revenue bonds	1,579,029	0	1,579,029
Early retirement payable	117,193	0	117,193
Total liabilities	11,116,332	4,539	11,120,871
Net assets			
Investment in capital assets, net of related debt	1,111,144	110,756	1,221,900
Restricted for:			
Physical plant and equipment levy	17,285	0	17,285
Debt service	55,323	0	55,323
Other special revenue purposes	1,080,926	0	1,080,926
Unrestricted	884,282	121,955	1,006,237
Total net assets	\$ 3,148,960	232,711	3,381,671

See notes to financial statements.

Sioux Center Community School District
Statement of Activities
Year ended June 30, 2005

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		Total
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	
Governmental activities:							
Instruction:							
Regular instruction	\$3,254,221	375,250	420,560	0	(2,458,411)	0	(2,458,411)
Special instruction	1,464,406	23,718	325,846	0	(1,114,842)	0	(1,114,842)
Other instruction	684,378	280,495	0	0	(403,883)	0	(403,883)
	5,403,005	679,463	746,406	0	(3,977,136)	0	(3,977,136)
Support services:							
Student services	276,095	0	0	0	(276,095)	0	(276,095)
Instructional staff services	264,199	0	0	0	(264,199)	0	(264,199)
Administration services	809,490	0	0	0	(809,490)	0	(809,490)
Operation and maintenance of plant services	512,411	6,812	0	0	(505,599)	0	(505,599)
Transportation services	328,795	0	0	0	(328,795)	0	(328,795)
Central support services	14,744				(14,744)	0	(14,744)
	2,205,734	6,812	0	0	(2,198,922)	0	(2,198,922)
Non-instructional programs	160	0	0	0	(160)	0	(160)
Other expenditures:							
Facilities acquisition	8,829	0	0	12,376	3,547	0	3,547
Long-term debt interest	176,192	0	1,632	0	(174,560)	0	(174,560)
AEA flowthrough	314,331	0	314,331	0	0	0	0
Depreciation (unallocated) *	37,672	0	0	0	(37,672)	0	(37,672)
	537,024	0	315,963	12,376	(208,685)	0	(208,685)
Total governmental activities	8,145,923	686,275	1,062,369	12,376	(6,384,903)	0	(6,384,903)
Business type activities:							
Non-instructional programs:							
Food service operations	309,974	170,503	142,819	0	0	3,348	3,348
Child care	4,342	4,342	0	0	0	0	0
Adult education	19,566	8,263	5,000	0	0	(6,303)	(6,303)
	333,882	183,108	147,819	0	0	(2,955)	(2,955)
Total	\$ 8,479,805	869,383	1,210,188	12,376	(6,384,903)	(2,955)	(6,387,858)
General Revenues:							
Property tax levied for:							
General purposes					\$ 2,516,535	0	\$ 2,516,535
Debt service					384,835	0	384,835
Capital outlay					264,501	0	264,501
Instructional support surtax					307,802	0	307,802
Local option sales and services tax					560,627	0	560,627
Unrestricted state grants					3,100,755	0	3,100,755
Unrestricted investment earnings					43,306	2,848	46,154
Other					2,386	0	2,386
Total general revenues					7,180,747	2,848	7,183,595
Other income and (expense)							
Gain/(loss) on disposal of fixed assets					(130,729)	0	(130,729)
Change in net assets					665,115	(107)	665,008
Net assets beginning of year, as restated					2,483,845	232,818	2,716,663
Net assets end of year					\$ 3,148,960	232,711	3,381,671

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

See notes to financial statements.

Sioux Center Community School District
Balance Sheet
Governmental Funds
June 30, 2005

	General	Property, Plant and Equipment Levy	Capital Projects	Non-major Special Revenue	Total
Assets					
Cash and pooled investments:					
Cash	\$ 1,391,520	24,926	1,413,944	254,948	3,085,338
ISCAP	539,379			0	539,379
Receivables:					
Property tax:					
Delinquent	25,205	2,468		4,370	32,043
Succeeding year	2,576,313	269,756		441,139	3,287,208
Income surtax:					
Succeeding year	307,188			0	307,188
Accounts	933			0	933
Patronage dividends	6,716			365	7,081
Due from other funds					
Due from other governments	233,772		68,641	0	302,413
Total assets	5,081,026	297,150	1,482,585	700,822	7,561,583
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	56,605	10,109	401,659	5,556	473,929
Salaries and benefits payable	690,242			5,000	695,242
Due to other governments	23,922			200	24,122
ISCAP warrants payable	537,000			0	537,000
ISCAP unamortized premium on Issuance	7,212			0	7,212
Deferred revenue:					
Succeeding year property tax	2,576,313	269,756		441,139	3,287,208
Succeeding year income surtax	307,188			0	307,188
Other	6,716			365	7,081
Total liabilities	4,205,198	279,865	401,659	452,260	5,338,982
Fund balances:					
Reserved for other	0	17,285	1,080,926	97,915	1,196,126
Unreserved	875,828	0		150,647	1,026,475
Total fund balances	875,828	17,285	1,080,926	248,562	2,222,601
Total liabilities and fund balances	\$5,081,026	297,150	1,482,585	700,822	7,561,583

See notes to financial statements.

Sioux Center Community School District
 Reconciliation of the Balance Sheet – Governmental Funds
 to the Statement of Net Assets
 June 30, 2005

Total fund balances of governmental funds (Exhibit C page 22)	\$ 2,222,601
 <i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	6,703,709
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.	(42,592)
Long-term liabilities, including bonds and notes payable are not due and payable in the current period and, therefore, are not reported in the funds.	(5,734,758)
 Net assets of governmental activities (Exhibit A page 20)	 <hr style="border: 1px solid black;"/> \$ 3,148,960 <hr style="border: 3px double black;"/>

See notes to financial statements.

Sioux Center Community School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year ended June 30, 2005

	General	Property, Plant and Equipment Levy	Capital Projects – Local Option Sales and Services Tax	Non-major Special Revenue	Total
Revenues:					
Local sources:					
Local tax	\$ 2,742,693	264,502	560,627	465,079	4,032,901
Tuition	325,860			0	325,860
Other	162,582	149	12,227	277,566	452,524
Intermediate sources	300			0	300
State sources	3,801,317	137		245	3,801,699
Federal sources	317,436			0	317,436
Total revenues	7,350,188	264,788	572,854	742,890	8,930,720
Expenditures:					
Current:					
Instruction:					
Regular instruction	3,167,141	5,848		27,312	3,200,301
Special instruction	1,458,155			0	1,458,155
Other instruction	376,009	35,282		267,639	678,930
	5,001,305	41,130	0	294,951	5,337,386
Support services:					
Student services	233,367	41,211		0	274,578
Instructional staff services	260,001			0	260,001
Administration services	739,561	3,718	2,500	59,753	805,532
Operation and maintenance of plant services	488,264	7,107		10,910	506,281
Transportation services	272,449	55,362		12,184	339,995
Central support services	14,744			0	14,744
	2,008,386	107,398	2,500	82,847	2,201,131
Non-instructional programs	160			0	160
Other expenditures:					
Facilities acquisition	0	39,812	1,362,704	0	1,402,516
Long-term debt:					
Principal	0			303,589	303,589
Interest and fiscal charges	0			164,096	164,096
AEA flowthrough	314,331			0	314,331
	314,331	39,812	1,362,704	467,685	2,184,532
Total expenditures	7,324,182	188,340	1,365,204	845,483	9,723,209
Excess (deficiency) of revenues over (under) expenditures	26,006	76,448	(792,350)	(102,593)	(792,489)
Other financing sources (uses):					
Operating transfers in	0			140,721	140,721
Operating transfers out	(2,485)	(50,452)	(90,269)	0	(143,206)
Proceeds from revenue bonds			1,789,565		1,789,565
Other	1,168	634		0	1,802
Total other financing sources (uses)	(1,317)	(49,818)	1,699,296	140,721	1,788,882
Net change in fund balances	24,689	26,630	906,946	38,128	996,393
Fund balances beginning of year	851,139	(9,345)	173,980	210,434	1,226,208
Fund balances end of year	\$ 875,828	17,285	1,080,926	248,562	2,222,601

See notes to financial statements.

Sioux Center Community School District
 Reconciliation of the Statement of Revenues, Expenditures and
 Changes in Fund Balances – Governmental Funds
 to the Statement of Activities
 Year ended June 30, 2005

Net change in fund balances – total governmental funds (Exhibit E page 25) \$996,393

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

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

Expenditures for capital assets	\$1,449,047	
Depreciation expense	(178,618)	
Gain/(Loss) on the disposal of fixed assets	<u>(130,729)</u>	1,139,700

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

Issued	(1,789,565)	
Repaid	<u>303,589</u>	(1,485,976)

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. (12,096)

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

Early retirement		<u>27,094</u>
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Change in net assets of governmental activities (Exhibit B) \$665,115

See notes to financial statements.

Sioux Center Community School District
Statement of Net Assets
Proprietary Funds
June 30, 2005

	School Nutrition	Child Care	Community Education	Employee Cafeteria	Total
Assets					
Cash and cash equivalents	\$ 66,825	0	34,921	0	101,746
Due from other governments	11,473	0	0	0	11,473
Inventories	13,275	0	0	0	13,275
Capital assets, net of accumulated depreciation	110,756	0	0	0	110,756
Total assets	202,329	0	34,921	0	237,250
Liabilities					
Accounts payable	154	0	0	0	154
Due to other government	2,645	0	0	0	2,645
Salaries and benefits payable	238	0	1,502	0	1,740
Total liabilities	3,037	0	1,502	0	4,539
Net Assets					
Invested in capital assets, net of related debt	110,756	0	0	0	110,756
Unrestricted	88,536	0	33,419	0	121,955
Total net assets	\$ 199,292	0	33,419	0	232,711

See notes to financial statements.

Sioux Center Community School District
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
Year ended June 30, 2005

	School Nutrition	Child Care	Community Education	Employee Cafeteria	Total
Operating revenues:					
Local sources	\$ 167,476	4,342	8,263	0	180,081
Total operating revenues	167,476	4,342	8,263	0	180,081
Operating expenses:					
Non-instructional programs:					
Salaries and benefits	132,887	4,527	13,646	0	151,060
Purchased services	3,452	52	5,441	0	8,945
Supplies	162,448	104	398	0	162,950
Depreciation	10,501	0	0	0	10,501
Other	596	0	50	0	646
Total operating expenses	309,884	4,683	19,535	0	334,102
Operating loss	(142,408)	(341)	(11,272)	0	(154,021)
Non-operating revenues:					
Local sources	2,671	0	5,939	0	8,610
State sources	5,176	0	0	0	5,176
Federal sources	137,643	0	0	0	137,643
Total non-operating revenues	145,490	0	5,939	0	151,429
Other financing sources (uses):					
Transfers in	0	2,485	0	0	2,485
Total other financing sources (uses)	0	2,485	0	0	2,485
Change in net assets	3,082	2,144	(5,333)	0	(107)
Net assets beginning of year	196,210	(2,144)	38,752	0	232,818
Net assets end of year	\$ 199,292	0	33,419	0	232,711

See notes to financial statements.

Sioux Center Community School District
Statement of Cash Flows
Proprietary Funds
Year ended June 30, 2005

	School Nutrition	Child Care	Community Education	Employee Cafeteria	Total
Cash flows from operating activities:					
Cash received from sale of lunches and breakfasts	\$ 167,552	0	0	0	167,552
Cash received from sales of services	0	4,342	13,265	0	17,607
Cash received from employee reimbursements	0	0	0	0	0
Cash payments to employees for medical claims	0	0	0	(6,087)	(6,087)
Cash payments to employees for services	(132,862)	(7,473)	(13,040)	0	(153,375)
Cash payments to suppliers for goods and services	(136,308)	(391)	(5,920)	(549)	(143,168)
Net cash provided by (used in) operating activities	(101,618)	(3,522)	(5,695)	(6,636)	(117,471)
Cash flows from non-capital financing activities:					
State grants received	5,022	0	0	0	5,022
Federal grants received	95,453	0	0	0	95,453
Other	793	2,485	5,000	0	8,278
Net cash provided by (used in) non-capital financing activities	101,268	2,485	5,000	0	108,753
Cash flows from capital and related financing activities:					
Acquisition of capital assets	(22,777)	0	0	0	(22,777)
Net cash provided by (used in) capital and related financing activities	(22,777)	0	0	0	(22,777)
Cash flows from investing activities:					
Interest on investments	1,879	0	969	0	2,848
	1,879	0	969	0	2,848
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(21,248)	(1,037)	274	(6,636)	(28,647)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	88,073	1,037	34,647	6,636	130,393
CASH AND CASH EQUIVALENTS AT END OF YEAR	66,825	0	34,921	0	101,746
Reconciliation of operating loss to net cash used in operating activities:					
Operating loss	(142,408)	(341)	(11,272)	0	(154,021)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:					
Depreciation	10,501	0	0	0	10,501
Increase (Decrease) in inventories	4,629	0	0	0	4,629
Commodities used	33,199	0	0	0	33,199
Increase (Decrease) in due to other funds	2,645	0	0	0	2,645
(Increase) Decrease in accounts receivable	(8,814)	0	5,000	0	(3,814)
Increase (Decrease) in accounts payable	(1,370)	(3,181)	577	(6,636)	(10,610)
Net cash provided by (used in) operating activities	(101,618)	(3,522)	(5,695)	(6,636)	(117,471)
Reconciliation of cash and cash equivalents at year end to specific assets Included on Combined Balance Sheet:					
Current assets:					
Cash and investments	66,825	0	34,921	0	101,746
CASH AND CASH EQUIVALENTS AT YEAR END	\$ 66,825	0	34,921	0	101,746

Non-cash investing, capital and financing activities:

During the year ended June 30, 2005, the District received Federal commodities valued at \$41,888.

See notes to financial statements.

Sioux Center Community School District

Notes to Financial Statements

June 30, 2005

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

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

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

A. Reporting Entity

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

Jointly Governed Organization – The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Sioux County Assessor's Conference Board.

B. Basis of Presentation

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

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

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

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

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

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

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

The District reports the following major governmental funds:

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

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgements and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as

expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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

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

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

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

D. Assets, Liabilities and Fund Equity

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

Cash, Pooled Investments and Cash Equivalents – The cash balances of most District funds are pooled and invested. Investments are stated at fair value.

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

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

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

Property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2003, assessed property valuations; is for the tax accrual period July 1, 2004 through June 30, 2005, and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2004.

Due from Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets – Capital assets, which include property, furniture and equipment, are recorded in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

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

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

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

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

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

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

Compensated Absences – District employees accumulate a limited amount of earned but unused vacation for subsequent use. The District does not pay out vacation time if an employee were to leave the District; therefore, no liability is accrued at June 30, 2005. This is based on GASB 16.

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

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

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

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2005, disbursements in two of the four functional areas exceeded the amounts budgeted and the District also exceeded its budgeted expenditures as a whole. The District did not exceed its General Fund unspent authorized budget.

(2) **Cash and Pooled Investments**

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

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

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

The District had no interfund payables at June 30, 2005.

(4) **Interfund Transfers**

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

Transfer To	Transfer From	Amount
Debt Service Fund	Special Revenue: Property Plant and Equipment Levy	\$50,452
	Capital Projects (Local Option Sales Tax)	\$90,269
Proprietary Funds: Child Care	General Fund	\$2,485
		\$ 143,206

The transfer from Property Plant and Equipment Fund to Debt Service Fund was to made to make payments on the capital loan notes, street assessment and the interest on both. The transfer from the Capital Project Fund (Local Option Sales Tax) was made to pay bond principal and interest. The transfer from General Fund to the Child Care Fund was made to close out the fund. All three of these transfers appear to be appropriate.

(5) Iowa School Cash Anticipation Programs (ISCAP)

The District participates in the Iowa School Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings and amounts available for withdrawal for each outstanding series of warrants. Bankers Trust Co. NA is the trustee for the program. A summary of the District's participation in ISCAP at June 30, 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>Warrant Payable</u>	<u>Accrued Interest Payable</u>
2005-2006A	6-30-2005	6-28-2006	<u>\$ 539,379</u>	<u>\$ —</u>	<u>\$ 537,000</u>	<u>\$ —</u>

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts. In addition, the District must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. There was no ISCAP advance activity in the General Fund for the year ended June 30, 2005.

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

<u>Series</u>	<u>Interest Rates on Warrants</u>	<u>Interest Rates on Investments</u>
2005-2006A	3.500%	3.903%

(6) **Capital Assets**

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 150,978	0	0	150,978
Construction in progress	0	1,285,838	0	1,285,838
Total capital assets not being depreciated	150,978	1,285,838	0	1,436,816
Capital assets being depreciated:				
Property improvements	243,098	12,848	0	255,946
Buildings	6,591,738	76,432	(236,259)	6,431,911
Furniture and equipment	342,707	18,567	0	361,274
Vehicles	631,980	55,362	0	687,342
Total capital assets being depreciated	7,809,523	163,209	(236,259)	7,736,473
Total all capital assets	7,960,501	1,449,047	(236,259)	9,173,289
Less accumulated depreciation for:				
Property improvements	60,609	6,736	0	67,345
Buildings	1,866,165	110,228	(105,530)	1,870,863
Furniture and equipment	163,035	19,499	0	182,534
Vehicles	306,683	42,155	0	348,838
Total accumulated depreciation	2,396,492	178,618	(105,530)	2,469,580
Total capital assets being depreciated, net	5,413,031	(15,409)	(130,729)	5,266,893
Governmental activities capital assets, net	\$ 5,564,009	1,270,429	(130,729)	6,703,709
Business type activities:				
Furniture and equipment	\$ 180,679	22,777	(1,325)	202,131
Less accumulated depreciation	78,414	14,286	(1,325)	91,375
Business type activities capital assets, net	\$ 102,265	8,491	0	110,756

Depreciation expense was charged to the following functions:

Governmental activities:

Instruction:

Regular	\$ 69,281
Special	6,251
Other	5,448

Support services:

Student services	517
Instructional staff	5,198
Administration	3,959
Operation and maintenance of plant	6,130
Transportation	44,162
Community services	0

Unallocated

Total depreciation expense – governmental activities \$ 178,618

Business type activities:

Food service operations \$ 14,286

(7) **Long-Term Liabilities**

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

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
General obligation bonds 2002	\$ 2,140,000	0	90,000	2,050,000	95,000
General obligation bonds 2003	1,825,000	0	170,000	1,655,000	165,000
Capital loan notes	122,500	0	24,500	98,000	24,500
Street assessment	19,089	0	19,089	0	0
Early retirement	167,257	17,882	37,946	147,193	30,000
Revenue bonds	0	1,789,565	0	1,789,565	210,536
Total	\$ 4,273,846	1,807,447	341,535	5,739,758	525,036

Early Retirement

The District from time to time will offer an early retirement benefit to employees of the School District. The Superintendent is responsible for determining the need for an early retirement plan that is beneficial to the School District and individual employees. The District did not offer an early retirement benefit for the year ended June 30, 2005. Early retirement benefits paid during the year ended June 30, 2005, for employees who retired in prior years totaled \$37,946. The addition to the early retirement liability was due to the increase in health insurance premiums paid for the employees who took early retirement in prior years.

Compensated Absences

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

Revenue Bonds

The District issued \$1,789,565 in revenue bonds during the fiscal year. These bonds will be paid for using local option sales and services tax dollars. Interest and principal will be paid on a quarterly basis. These bonds were issued to pay for the roofing and air conditioning project on the high school building.

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 April 23, 2003			
	Interest Rates	Principal	Interest	Total
2006	2.100%	\$ 165,000	50,370	215,370
2007	2.400%	170,000	46,905	216,905
2008	2.650%	170,000	42,825	212,825
2009	2.900%	180,000	38,320	218,320
2010	3.100%	180,000	33,100	213,100
2011	3.250%	185,000	27,520	212,520
2012	3.400%	190,000	21,508	211,508
2013	3.550%	205,000	15,047	220,047
2014	3.700%	210,000	7,770	217,770
Total		\$1,655,000	283,365	1,938,365

Bond Issue of January 1, 2002

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2006	4.600%	95,000	99,747	194,747
2007	4.600%	95,000	95,377	190,377
2008	4.600%	100,000	91,008	191,008
2009	4.600%	105,000	86,407	191,407
2010	4.600%	110,000	81,578	191,578
2011	4.625%	115,000	76,518	191,518
2012	4.625%	120,000	71,199	191,199
2013	4.750%	120,000	65,649	185,649
2014	4.875%	125,000	59,949	184,949
2015	4.900%	130,000	53,855	183,855
2016	5.000%	140,000	47,485	187,485
2017	5.000%	145,000	40,485	185,485
2018	5.100%	150,000	33,235	183,235
2019	5.100%	160,000	25,585	185,585
2020	5.125%	165,000	17,425	182,425
2021	5.125%	175,000	8,969	183,969
Total		\$ 2,050,000	954,471	3,004,471

Paving Assessment

The District paid the street paving assessment in full during the fiscal year. The outstanding principal was \$19,089.

Capital Loan Note

Details of the District's June 30, 2005, capital loan notes are as follows:

Year Ending June 30	Interest Rates	Principal	Interest	Total
2006	4.10%	\$ 24,500	4,165	28,665
2007	4.20%	24,500	3,161	27,661
2008	4.30%	24,500	2,132	26,632
2009	4.40%	24,500	1,078	25,578
Total		\$ 98,000	10,536	108,536

Local Option Sales and Services Tax Revenue Bonds

Details of the District's June 30, 2005, local option sales and services tax revenue bonds are as follows:

Year Ending June 30,	Bond Issue of April 15, 2005			
	Interest Rates	Principal	Interest	Total
2006	4.10%	\$ 210,536	73,396	283,932
2007	4.10%	210,536	61,503	272,039
2008	4.10%	210,536	52,871	263,407
2009	4.10%	210,536	44,239	254,775
2010	4.10%	210,536	35,607	246,143
2011	4.10%	210,536	26,975	237,511
2012	4.10%	210,536	18,343	228,879
2013	4.10%	210,536	9,712	220,248
2014	4.10%	105,277	1,620	106,897
		<u>\$1,789,565</u>	<u>324,266</u>	<u>2,113,831</u>

(8) Pension and Retirement Benefits

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

Plan members are required to contribute 3.70% of their annual covered salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2005, 2004 and 2003. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2005, 2004 and 2003 were \$273,610, \$261,357 and \$245,789 respectively, equal to the required contributions for each year.

(9) Risk Management

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

(10) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the Area Education Agency. The District's actual amount for this purpose totaled \$314,331 for the year ended June 30, 2005, and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(11) Construction Commitment

The District entered into five contracts during the fiscal year totaling \$1,954,945 for roof and air conditioner replacement and locker replacement. None of these contracts were finished at June 30, 2005. As of June 30, 2005, \$865,745 has been paid and \$377,909 was due and payable. The remainder of the contracts had not been completed as of June 30, 2005.

(12) Operating Leases

The District has entered into three operating leases. The first is for three copier/Riso duplicators. Monthly payments for the lease are \$1,664.90 per month for four years ending in September 2007. Lease expense for this lease for the year ended June 30, 2005, totaled \$19,979 and is included in the administration services in the accompanying financial statements. The second lease is for one copy machine. Monthly payments for this lease is \$35 per month for five years ending in September 2010. Lease expense for this lease for the year ended June 30, 2005, totaled \$315 and is included in the educational media services in the accompanying financial statements. The third lease is for music equipment. Annual payments for this lease are \$2,852 per year ending June 2008. There were two payments made in the fiscal year. One was made at delivery of the equipment and the second was made in June 2005 and is included in the regular instruction in the accompanying financial statements. Future minimum lease payments under these operating leases for years ending June 30 are as follows:

	<u>Copier/Riso</u>	<u>Copy Machine</u>	<u>Music Equipment</u>
2006	19,979	420	2852
2007	4,995	420	2852
2008	0	420	2852
2009	0	420	0
2010	0	105	0
	<u>\$ 24,974</u>	<u>\$ 1,785</u>	<u>\$ 8,556</u>

(13) Interest Capitalization and Expense Policy

The District does not capitalize interest during construction projects. The interest is paid from the appropriate fund when it is due.

The District interest expense is \$176,192 under full accrual based on GASB 34 and \$164,096 based on governmental method of modified accrual accounting.

(14) Reserved Fund Balances

Property Plant and Equipment Levy (PPEL) - This balance is reserved for purchasing, repairing and remodeling capital assets of the District based on Iowa Code Section 298.3.

Management Fund - This balance is reserved for paying insurance premiums, early retirement benefits, unemployment benefits and judgements against the District based on Iowa Code Section 298.4.

Debt Service Fund - This balance is reserved for paying principal and interest on bonded debt based on Iowa Code Section 298.18.

Capital Projects Fund (Local Option Sales Tax) - The bond proceeds in the fund are for the current roofing and air conditioner project. The sales tax collections are for capital projects or debt service levy reduction.

Required Supplementary Information

Sioux Center Community School District
 Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances –
 Budget and Actual (Cash Basis)– All Governmental Funds and Proprietary Funds
 Required Supplementary Information
 Year ended June 30, 2005

	Governmental Funds Actual	Proprietary Funds Actual	Total Actual	Funds Not Required To Be Budgeted	Total All Funds To Be Budgeted	Budgeted Amounts		Final to Actual Variance
						Original	Final	
Receipts:								
Local sources	\$ 4,805,798	188,797	4,994,595	0	4,994,595	4,816,657	0	177,938
Intermediate sources	300	0	300	0	300	0	0	300
State sources	3,784,865	10,082	3,794,947	0	3,794,947	3,812,655	0	(17,708)
Federal sources	302,867	128,652	431,519	0	431,519	385,727	0	45,792
Total receipts	<u>8,893,830</u>	<u>327,531</u>	<u>9,221,361</u>	<u>0</u>	<u>9,221,361</u>	<u>9,015,039</u>	<u>0</u>	<u>206,322</u>
Disbursements:								
Instruction	5,304,477	0	5,304,477	0	5,304,477	5,289,471	0	15,006
Support services	2,190,392	0	2,190,392	0	2,190,392	2,366,866	0	(176,474)
Non-instructional programs	160	319,113	319,273	0	319,273	365,500	0	(46,227)
Other expenditures	1,833,765	0	1,833,765	0	1,833,765	1,085,621	0	748,144
Total disbursements	<u>9,328,794</u>	<u>319,113</u>	<u>9,647,907</u>	<u>0</u>	<u>9,647,907</u>	<u>9,107,458</u>	<u>0</u>	<u>540,449</u>
Excess (deficiency) of receipts over (under) disbursements	(434,964)	8,418	(426,546)	0	(426,546)	(92,419)	0	
Other financing sources, net	<u>1,782,715</u>	<u>2,485</u>	<u>1,785,200</u>	<u>0</u>	<u>1,785,200</u>	<u>3,000</u>		
Excess (deficiency) of receipts and other Financing sources over (under) disbursements and other financing uses	1,347,751	10,903	1,358,654	0	1,358,654	(89,419)	0	
Balances beginning of year	<u>1,736,721</u>	<u>129,628</u>	<u>1,866,349</u>	<u>5,613</u>	<u>1,860,736</u>	<u>(2,240,843)</u>	<u>0</u>	
Balances end of year	<u>\$ 3,084,472</u>	<u>140,531</u>	<u>3,225,003</u>	<u>5,613</u>	<u>3,219,390</u>	<u>(2,330,262)</u>	<u>0</u>	

See accompanying independent auditor's report.

**Sioux Center Community School District
Audit Report Supplement
June 30, 2005**

Sioux Center 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 cash basis. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

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

During the year ended June 30, 2005, disbursements in the instruction and other expenditures functions exceeded the amounts budgeted and the District exceeded the budget as a whole by \$540,500. The District did not exceed its General Fund unspent authorized budget.

Sioux Center Community School District
 Budgetary Comparison Schedule – Budget to GAAP Reconciliation
 Required Supplementary Information
 Year ended June 30, 2005

Governmental Funds			
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$ 8,893,830	36,890	8,930,720
Expenditures	9,328,794	394,415	9,723,209
Net	(434,964)	(357,525)	(792,489)
Other financing sources, net	1,782,715	6,167	1,788,882
Beginning fund balances	1,736,721	(510,513)	1,226,208
Ending fund balances	\$ 3,084,472	(861,871)	2,222,601
Proprietary Funds			
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$ 327,531	3,979	331,510
Expenses	319,113	14,989	334,102
Net	8,418	(11,010)	(2,592)
Other financing sources, net	2,485	0	2,485
Beginning fund assets	129,628	103,190	232,818
Ending fund assets	\$ 140,531	92,180	232,711

See accompanying independent auditor's report

Sioux Center Community School District

Other Supplementary Information

Sioux Center Community School District

Sioux Center Community School District
Combining Balance Sheet
Non-major Special Revenue Funds
June 30, 2005

	Management Levy	Student Activity	Debt Service	Total
Assets				
Cash and pooled investments	\$10,088	150,425	94,435	254,948
Receivables:				
Property tax:				
Delinquent	890	0	3,480	4,370
Succeeding year	125,001	0	316,138	441,139
Accounts	0	0	0	0
Patronage dividends receivable	0	365	0	365
Total assets	<u>135,979</u>	<u>150,790</u>	<u>414,053</u>	<u>700,822</u>
Liabilities and Fund Equity				
Liabilities:				
Accounts payable	0	5,556	0	5,556
Salaries and benefits payable	5,000	0	0	5,000
Due to other governments	0	200	0	200
Deferred revenue:	0	0	0	
Succeeding year property tax	125,001	0	316,138	441,139
Other	0	365	0	365
Total liabilities	<u>130,001</u>	<u>6,121</u>	<u>316,138</u>	<u>452,260</u>
Fund equity:				
Reserved for other	0	0	97,915	97,915
Unreserved fund balances	5,978	144,669	0	150,647
	<u>5,978</u>	<u>144,669</u>	<u>97,915</u>	<u>248,562</u>
Total liabilities and fund equity	<u>\$135,979</u>	<u>150,790</u>	<u>414,053</u>	<u>700,822</u>

See accompanying independent auditor's report

Sioux Center Community School District
 Combining Schedule of Revenues, Expenditures
 and Changes in Fund Balances
 Non-major Special Revenue Funds
 Year ended June 30, 2005

	Management Levy	Student Activity	Debt Service	Total
Revenues:				
Local sources:				
Local tax	\$80,241	0	384,838	465,079
Other	812	275,122	1,632	277,566
State sources	46	0	199	245
Total revenues	<u>81,099</u>	<u>275,122</u>	<u>386,669</u>	<u>742,890</u>
Expenditures:				
Current:				
Instruction:				
Regular instruction	27,312	0	0	27,312
Special instruction	0	0	0	0
Other instruction	0	267,639	0	267,639
Total instruction	<u>27,312</u>	<u>267,639</u>	<u>0</u>	<u>294,951</u>
Support services:				
Student services	0	0	0	0
Administration services	59,311	0	442	59,753
Operation and maintenance of plant services	10,910	0	0	10,910
Transportation services	12,184	0	0	12,184
Total support services	<u>82,405</u>	<u>0</u>	<u>442</u>	<u>82,847</u>
Other expenditures:				
Facilities acquisition	0	0	0	0
Long-term debt:				
Principal	0	0	303,589	303,589
Interest & fiscal charges	0	0	164,096	164,096
	<u>0</u>	<u>0</u>	<u>467,685</u>	<u>467,685</u>
Total expenditures	<u>109,717</u>	<u>267,639</u>	<u>468,127</u>	<u>845,483</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(28,618)</u>	<u>7,483</u>	<u>(81,458)</u>	<u>(102,593)</u>
Other financing sources (uses):				
Operating transfers in	0	0	140,721	140,721
Operating transfers out	0	0	0	0
Other	0	0	0	0
Total other financing sources (uses)	<u>0</u>	<u>0</u>	<u>140,721</u>	<u>140,721</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing sources	<u>(28,618)</u>	<u>7,483</u>	<u>59,263</u>	<u>38,128</u>
Fund balances beginning of year	<u>34,596</u>	<u>137,186</u>	<u>38,652</u>	<u>210,434</u>
Fund balances end of year	<u>\$ 5,978</u>	<u>144,669</u>	<u>97,915</u>	<u>248,562</u>

See accompanying independent auditor's report.

Sioux Center Community School District
 Schedule of Changes in Special Revenue Fund, Student Activity Accounts
 Year ended June 30, 2005

Account	Balance Beginning of Year	Revenues	Expenditures	Intrafund Transfers	Balance End of Year
Drama-musical	\$3,865	8,285	6,428	(3)	5,719
Speech	1	209	712	(1)	(503)
Vocal music	622	2,130	2,252	545	1,045
Instrumental music	0	4,848	6,294	1	(1,445)
Middle School music	521	25,477	20,229	(7)	5,762
Athletics	84,934	118,279	118,658	1,936	86,491
Training room	2,523	10,619	9,473	485	4,154
Middle School annual	908	2,235	2,296	(1)	846
8 th Grade	189	1,046	1,202	(1,101)	(1,068)
Middle School Hy-Vee grant	5,447	1,803	2,322	(2,391)	2,537
Trailer account	458	0	6	0	452
High School Hy-Vee grant	3,753	1,110	2,179	476	3,160
Class of 2001	1	0	1	0	0
Class of 2002	1,894	0	1,894	0	0
Class of 2003	2,396	0	955	0	1,441
Class of 2004	891	0	0	0	891
Class of 2005	4,097	955	4,250	1	803
Class of 2006	0	10,020	6,294	0	3,726
Kinsey Elementary	1,923	5,095	6,293	176	901
Fellowship of Christian Athletes	1,930	350	162	0	2,118
Future Farmers of America	8,630	39,068	36,585	626	11,739
Donations-Need Fund	135	0	0	0	135
Junior High	0	0	0	0	0
Letter Club	173	0	0	0	173
Birthday Club	200	1,598	1,610	(84)	104
Student Council	3,683	13,190	15,173	8	1,708
Science Club	0	0	0	0	0
Spanish Club	2,004	0	445	2	1,561
Court liaison	2,496	0	1,660	0	836
Book covers	0	0	0	0	0
Annual	(961)	7,391	4,472	(188)	1,770
Dance team	2,429	16,527	13,880	0	5,076
Math club	381	1,579	1,224	0	736
Mock Trial	833	0	0	(833)	0
Jets	21	1,000	816	0	205
Students Opposed to Drugs and Alcohol	809	380	383	353	1,159
Students Against Drunk Driving	0	0	0	0	0
General activity	0	2,812	375	0	2,437
Total	\$ 137,186	276,006	268,523	0	144,669

See accompanying independent auditor's report

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

	Modified Accrual Basis				
	2005	2004	2003	2002	2001
Revenues:					
Local sources:					
Local tax	\$4,032,901	3,993,412	3,644,187	3,340,592	3,090,156
Tuition	325,860	316,551	288,500	321,899	311,888
Other	452,524	421,343	449,473	412,657	411,600
Intermediate sources	300	178	0	0	0
State sources	3,801,699	3,421,797	3,277,881	3,279,730	3,315,465
Federal sources	317,436	296,966	274,673	294,017	135,884
Total	\$8,930,720	8,450,247	7,934,714	7,648,895	7,264,993
Expenditures:					
Instruction:					
Regular instruction	\$3,200,301	3,092,609	2,910,869	2,984,408	2,900,553
Special instruction	1,458,155	1,349,439	1,096,376	931,748	775,986
Other instruction	678,930	647,088	643,067	559,155	615,506
Support services:					
Student services	274,578	297,250	287,042	295,884	254,682
Instructional staff services	260,001	301,914	339,779	334,550	265,288
Administration services	805,532	765,526	758,640	692,550	708,958
Operation and maintenance of plant services	506,281	476,504	492,763	452,784	602,177
Transportation services	339,995	349,719	343,946	308,413	331,290
Central support services	14,744	1,631	34,989	31,997	17,726
Non-instructional programs	160	179	163	124	0
Other expenditures:					
Facilities acquisition	1,402,516	212,732	2,128,227	449,078	0
Long-term debt:					
Principal	303,589	245,863	205,863	150,863	139,500
Interest and other charges	164,096	223,243	267,030	130,143	135,593
AEA flowthrough	314,331	307,902	313,459	310,138	321,721
Total	\$9,723,209	8,271,599	9,822,213	7,631,835	7,068,980

See accompanying independent auditor's report.

SIEBRECHT & CO., PC
Certified Public Accountants

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**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 Sioux Center 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 Sioux Center 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 October 17, 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 Sioux Center Community School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part II 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 II-A-05 is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Sioux Center Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and 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 III 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 Sioux Center Community School District and other parties to whom Sioux Center 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 Sioux Center Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

SIEBRECHT & CO., PC
Certified Public Accountants

Sioux Center, Iowa
October 17, 2005

Sioux Center Community School District
SCHEDULE OF FINDINGS
Year ended June 30, 2005

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

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

Part II: Findings Related to the Financial Statements:

REPORTABLE CONDITIONS:

II-A-05 Segregation of Duties

Comment – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that cash disbursements listing, check writing, invoice cancellation and posting of cash disbursements to cash disbursements journals were all done by the same person.

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

Response – We believe that with our limited staff, the Board will have to remain diligent in overseeing and approving expenditures.

Conclusion – Response accepted.

Part III: Other Findings Related to Statutory Reporting:

III-A-05

Official Depositories – A resolution naming official depositories has been adopted by the Board. The maximum deposit amounts stated in the resolution were not exceeded during the year.

III-B-05

Certified Budget – Disbursements for the year ended June 30, 2005, exceeded the budget amounts in two of the four functional areas. Instruction budget was exceeded by \$15,606, and Other Expenditures by \$748,144. The District also exceeded the budget as a whole by \$540,449.

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

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

Conclusion – Response accepted.

III-C-05

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

III-D-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.

III-E-05

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

III-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 ensure that coverage is adequate for current operations.

III-G-05

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

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

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

Conclusion – Response accepted. These procedures were implemented in January 2005.

III-H-05

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

III-I-05

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

III-J-05

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

III-K-05

Revenue Bond Sinking Fund - The District is required by the bond agreement to open, maintain separately, and make monthly deposits to a reserve account for payments of principal and interest on the bonds. As of June 30, 2005, this had not been done. The required deposits to June 30, 2005 should have been \$50,579.

Recommendation – The Board should immediately open a separate bank account and deposit the required dollar amount into the account and then continue to make the required monthly payments.

Response – We will open the account and deposit the required funds immediately and make the monthly deposits as required.

Conclusion – The bank contacted the auditors to confirm that the account has been opened and deposits made.

III-L-05

Deficit Balances in the Activity Fund - The Districts Activity Fund has deficit balances in three of the sub accounts.

Recommendation - The District should monitor the balances in the individual sub accounts and take necessary steps to avoid the deficit balances.

Response - We will monitor the balances.

Conclusion - Response accepted.

Sioux Center Community School District

Staff

This audit was performed by:

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

SIEBRECHT & CO., PC
Certified Public Accountant