

SIBLEY-OCHEYEDAN COMMUNITY SCHOOL DISTRICT

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

June 30, 2006

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Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Sibley-Ocheyedan Community School District, Sibley, Iowa, as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Sibley-Ocheyedan Community School District at June 30, 2006, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated September 26, 2006, on our consideration of Sibley-Ocheyedan Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contract and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 11 and 36 through 37 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management

regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Sibley-Ocheyedan Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the year ended June 30, 2005 (which are not presented herein) and expressed unqualified opinions on those financial statements. The financial statements for the two years ended June 30, 2004, (which are not presented herein) were audited by other auditors who expressed unqualified opinions on those financial statements. The supplemental information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

September 26, 2006

MANAGEMENT'S DISCUSSION AND ANALYSIS

Sibley-Ocheyedan Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2006. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2006 Financial Highlights

- General Fund revenues increased from \$6,351,761 in fiscal 2005 to \$6,623,052 in fiscal 2006, while General Fund expenditures increased from \$6,210,991 in fiscal 2005 to \$6,495,099 in fiscal 2006. The District's General Fund balance decreased from \$279,187 in fiscal 2005 to \$155,453 in fiscal 2006, a 44.32% decrease.
- Total property tax for the district actually decreased by twenty-two cents per \$1000 valuation.

USING THIS ANNUAL REPORT

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

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

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

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

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

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

Other Supplementary Information provides detailed information about the nonmajor funds.

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

Figure A-1				
Major Features of the Government-wide and Fund Financial Statements				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services and adult education	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
Required financial statements	Statement of net assets Statement of activities	Balance sheet Statement of revenues, expenditures and changes in fund balances	Statement of net assets Statement of revenues, expenses and changes in fund net assets Statement of cash flows	Statement of fiduciary net assets Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

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

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

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

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

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

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

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

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

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

Government-Wide Financial Analysis

Figure A-2 below provides a summary of the District's net assets at June 30, 2006 compared to June 30, 2005.

Figure A-2

	Condensed Statement of Net Assets						Percentage Change 2005-2006
	Governmental Activities		Business-type Activities		Total School District		
	2006	2005	2006	2005	2006	2005	
	\$	\$	\$	\$	\$	\$	
Current and other assets	5,260,804	5,052,413	39,229	9,853	5,300,033	5,062,266	4.7%
Capital assets	6,365,043	6,593,547	24,571	9,472	6,389,614	6,603,019	[3.2%]
Total assets	11,625,847	11,645,960	63,800	19,325	11,689,647	11,665,285	.2%
Long-term liabilities	2,875,118	3,369,493	0	0	2,875,118	3,369,493	[14.7%]
Other liabilities	3,819,694	3,730,691	4,846	4,917	3,824,540	3,735,608	2.47%
Total liabilities	6,694,812	7,100,184	4,846	4,917	6,699,658	7,105,101	[5.7%]
Net Assets:							
Invested in capital assets, net of related debt	3,845,043	3,848,547	24,571	9,472	3,869,614	3,858,019	.3%
Restricted	1,198,689	1,087,850	0	0	1,198,689	1,087,850	10.2%
Unrestricted	[112,697]	[390,621]	34,383	4,936	[78,314]	[385,685]	79.7%
TOTAL NET ASSETS	4,931,035	4,545,776	58,954	14,408	4,989,989	4,560,184	9.4%

The District's combined net assets increased by approximately \$430,000 over the prior year. The largest portion of the District's net assets is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased approximately \$111,000 over the prior year. The increase was primarily a result of sales tax revenues received but not spent. These funds will be used to decrease the debt service levy in 2006-07.

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 \$307,000.

Figure A-3 shows the change in net assets for the years ended June 30, 2006 and 2005.

Figure A-3

	Change in Net Assets						Percentage Change 2005-2006
	Governmental Activities		Business-type Activities		Total School District		
	2006 \$	2005 \$	2006 \$	2005 \$	2006 \$	2005 \$	
Revenues							
Program Revenues:							
Charges for services	593,636	577,399	299,247	195,175	892,883	772,574	15.6%
Operating grants & contributions	877,139	739,396	129,102	132,163	1,006,241	871,559	15.5%
Capital grants & contributions	11,923	25,000	0	0	11,923	25,000	[52.3%]
General Revenues:							
Property taxes	2,564,880	2,569,399	0	0	2,564,880	2,569,399	.2%
Income Surtax	190,381	177,006	0	0	190,381	177,006	[7.6%]
Local option sales tax	415,170	419,930	0	0	415,170	419,930	[1.1%]
Unrestricted state grants	3,224,189	3,165,425	0	0	3,224,189	3,165,425	1.9%
Unrestricted investment earnings	68,585	25,072	32	15	68,617	25,087	173.5%
Other revenue	6,292	12,377	0	0	6,292	12,377	[49.2%]
Total Revenues	7,952,195	7,711,004	428,381	327,353	8,380,576	8,038,357	4.3%
Expenses:							
Instruction	4,514,147	4,809,073	0	0	4,514,147	4,809,073	[6.1%]
Support services	2,362,902	2,182,280	0	0	2,362,902	2,182,280	8.3%
Non-instructional programs	0	0	402,106	368,177	402,106	368,177	9.2%
Other expenditures	671,616	665,811	0	0	671,616	665,811	.9%
Total expenses	7,548,665	7,657,164	402,106	368,177	7,950,771	8,025,341	[.9%]
Change in net assets before transfers	403,530	53,840	26,275	[40,824]	429,805	13,016	3202.1%
Transfers	[18,271]	[17,000]	18,271	17,000	0	0	
CHANGE IN NET ASSETS	385,259	36,840	44,546	[28,824]	429,805	13,016	3202.1%
Net assets beginning of year	4,545,776	4,508,936	14,408	38,232	4,560,184	4,547,168	.3%
Net assets end of year	4,931,035	4,545,776	58,954	14,408	4,989,989	4,560,184	9.4%

Property tax, Instructional Support Income Surtax, Local Option Sales Tax and unrestricted State grants account for approximately 76% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for approximately 87% of the total expenses.

Governmental Activities

Revenues for governmental activities were \$7,952,195 and expenses were \$7,548,665.

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

Figure A-4

Total and Net Cost of Governmental Activities

	Total Cost of Services 2006 \$	Total Cost of Services 2005 \$	Net Cost of Services 2006 \$	Net Cost of Services 2005 \$
Instruction	4,514,147	4,809,073	3,371,549	3,832,241
Support Services	2,362,902	2,182,280	2,333,997	2,116,781
Non-instructional Programs				
Other Expenses	671,616	665,811	360,421	366,347
TOTAL	7,548,665	7,657,164	6,065,967	6,315,369

Business Type Activities

Revenues for business type activities were \$428,381 and expenses were \$402,106. The District's business type activities include the School Nutrition Fund

INDIVIDUAL FUND ANALYSIS

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

Governmental Fund Highlights

- The District's deteriorating General Fund financial position is the result of declining enrollment and the increasing cost of finding and retaining the services of a qualified staff.
- The General Fund balance decreased from \$279,187 to \$155,453. General Fund revenues increased 4.3% while General Fund expenditures increased 4.6%.
- The Capital Projects Fund is used to account for the proceeds from and the expenditure of the local option sales tax. State law and the District's revenue purpose statement control how this money may be spent. The June 30, 2006 unreserved fund balance of \$677,386 may be used first: to reduce general obligation bonded indebtedness, second: to reduce the board approved portion of the physical plant and equipment levy, and third: for other authorized expenditures and purposes designated by the board of education.

- The Nonmajor Funds include the Management Fund, Student Activity Fund, Physical Plant and Equipment Levy Fund and the Debt Service Fund. The fund balances of the Management Fund, Student Activity Fund and Physical Plant and Equipment Levy Fund increased, while the fund balance of the Debt Service Fund remained steady.

Proprietary Fund Highlights

School Nutrition Fund net assets increased from \$19,325 at June 30, 2005 to \$58,954 at June 30, 2006. The increase in net assets was contributed to the increase in meal prices for 2005-06.

BUDGETARY HIGHLIGHTS

Over the course of the year, Sibley-Ocheyedan Community School District amended its annual budget, by \$12,420, to reflect additional revenue and expenditures for the School Nutrition Program.

The District's total revenues were \$311,830 more than budgeted revenues, a variance of 3.9%. The most significant variance resulted from the District receiving more from local sources than originally anticipated. The District's total expenditures were \$388,788 less than budgeted, a variance of 4.5%. The most significant variance resulted from the District spending less in the instruction function than anticipated.

Although total expenditures were less than the total budget, the District did exceed the certified budget in the non-instructional programs functional area because, when preparing the budget, we did not consider the value of food commodities received and used.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2006, the District had invested \$6.4 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net increase of 3.2% from last year. More detailed information about the District's capital assets is presented in Note 5 to the financial statements. Depreciation expense for the year was \$358,921.

The District's largest capital asset acquisition for fiscal year 2006 was a \$59,000 school bus.

Figure A-6

Capital Assets (net of depreciation)

	Governmental Activities		Business type Activities		Total School District		Percentage Change 2005-2006
	2006	2005	2006	2005	2006	2005	
	\$	\$	\$	\$	\$	\$	
Land	25,000	25,000	0		25,000	25,000	0.0%
Buildings	5,933,789	6,143,545	0		5,933,789	6,143,545	[3.4%]
Improvements	131,287	146,521	0		131,287	146,521	[10.4%]
Equipment & Furniture	274,967	278,481	24,571	9,472	299,538	287,953	4.0%
TOTAL	6,365,043	6,593,547	24,571	9,472	6,389,614	6,603,019	[3.2%]

Long-Term Debt

At June 30, 2006, the District had \$2,875,118 in general obligation and other long-term debt outstanding. This represents a decrease of approximately 14.7% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 6 to the financial statements.

Figure A-7
Outstanding Long-Term Obligations

	Total School District		Percentage
	2006	2005	Change
			2005-2006
	\$	\$	
General Obligation Bonds	2,520,000	2,745,000	[8.2%]
Early Retirement	355,118	624,493	[43.1%]
TOTAL	2,875,118	3,369,493	[14.7%]

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- School financing is highly dependent upon student enrollment. The District's September 2006 enrollment increased by 9 students. This increase in enrollment will increase the District's funding for fiscal year 2007.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

BASIC FINANCIAL STATEMENTS

SIBLEY-OCHEYEDAN COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2006

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
Assets			
Cash and cash equivalents:			
ISCAP	680,053	-	680,053
Other	1,635,566	34,457	1,670,023
Receivables:			
Property tax:			
Delinquent	43,557	-	43,557
Succeeding year	2,515,170	-	2,515,170
Accounts	1,606	-	1,606
Due from other governments	384,852	-	384,852
Inventories	-	4,772	4,772
Capital assets, net of accumulated depreciation	6,365,043	24,571	6,389,614
Total assets	11,625,847	63,800	11,689,647
Liabilities			
Accounts payable	60,568	20	60,588
Salaries and benefits payable	548,485	-	548,485
Accrued interest payable	9,289	-	9,289
Deferred revenue:			
Succeeding year property tax	2,515,170	-	2,515,170
Other	-	4,826	4,826
ISCAP warrants payable	681,000	-	681,000
ISCAP premium	5,182	-	5,182
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	235,000	-	235,000
Termination benefits	76,518	-	76,518
Portion due after one year:			
General obligation bonds payable	2,285,000	-	2,285,000
Termination benefits	278,600	-	278,600
Total liabilities	6,694,812	4,846	6,699,658

SIBLEY-OCHEYEDAN COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2006

	Governmental Activities	Business Type Activities	Total
	<u>\$</u>	<u>\$</u>	<u>\$</u>
Net assets			
Invested in capital assets, net of related debt	3,845,043	24,571	3,869,614
Restricted for:			
Gifted and talented program	112,649	-	112,649
Physical plant and equipment levy	308,892	-	308,892
Other special revenue purposes	99,762	-	99,762
Local option sales tax capital projects	677,386	-	677,386
Unrestricted	<u>(112,697)</u>	<u>34,383</u>	<u>(78,314)</u>
Total net assets	<u><u>4,931,035</u></u>	<u><u>58,954</u></u>	<u><u>4,989,989</u></u>

SIBLEY-OCHEYEDAN COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2006

Functions/Programs	<u>Expenses</u>	<u>Charges for Services</u>	<u>Program Revenues</u>	
			<u>Operating Grants, Contributions and Restricted Interest</u>	<u>Capital Grants, Contributions and Restricted Interest</u>
Governmental activities:				
Instruction:				
Regular instruction	2,696,021	273,165	299,695	-
Special instruction	954,725	29,309	164,069	-
Other instruction	863,401	284,778	91,582	-
	<u>4,514,147</u>	<u>587,252</u>	<u>555,346</u>	<u>-</u>
Support services:				
Student services	172,466	-	-	-
Instructional staff services	210,667	-	-	-
Administration services	725,969	-	-	-
Operation and maintenance of plant services	864,657	6,384	-	-
Transportation services	389,143	-	22,521	-
	<u>2,362,902</u>	<u>6,384</u>	<u>22,521</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	31,107	-	19,819	11,923
Long-term debt interest	120,631	-	3,837	-
AEA flowthrough	275,616	-	275,616	-
Depreciation (unallocated)*	244,262	-	-	-
	<u>671,616</u>	<u>-</u>	<u>299,272</u>	<u>11,923</u>
Total governmental activities	7,548,665	593,636	877,139	11,923
Business type activities:				
Non-instructional programs:				
Food service operations	402,106	299,247	129,102	-
Total	<u>7,950,771</u>	<u>892,883</u>	<u>1,006,241</u>	<u>11,923</u>
General Revenues:				
Property taxes levied for:				
General purposes				
Debt service				
Capital outlay				
Income surtax				
Local option sales and services tax				
Unrestricted state grants				
Unrestricted investment earnings				
Other				
Total general revenues				
Transfers				
Total general revenues and transfers				

Change in net assets

Net assets beginning of year

Net assets end of year

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

<u>Net (Expense) Revenue and Changes in Net Assets</u>		
<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
(2,123,161)	-	(2,123,161)
(761,347)	-	(761,347)
(487,041)	-	(487,041)
<u>(3,371,549)</u>	<u>-</u>	<u>(3,371,549)</u>
(172,466)	-	(172,466)
(210,667)	-	(210,667)
(725,969)	-	(725,969)
(858,273)	-	(858,273)
(366,622)	-	(366,622)
<u>(2,333,997)</u>	<u>-</u>	<u>(2,333,997)</u>
635	-	635
(116,794)	-	(116,794)
-	-	-
(244,262)	-	(244,262)
<u>(360,421)</u>	<u>-</u>	<u>(360,421)</u>
(6,065,967)	-	(6,065,967)
-	26,243	26,243
<u>(6,065,967)</u>	<u>26,243</u>	<u>(6,039,724)</u>
2,423,515	-	2,423,515
80,304	-	80,304
61,061	-	61,061
190,381	-	190,381
415,170	-	415,170
3,224,189	32	3,224,221
68,585	-	68,585
6,292	-	6,292
6,469,497	32	6,469,529
(18,271)	18,271	-
<u>6,451,226</u>	<u>18,303</u>	<u>6,469,529</u>
385,259	44,546	429,805
4,545,776	14,408	4,560,184
<u>4,931,035</u>	<u>58,954</u>	<u>4,989,989</u>

SIBLEY-OCHEYEDAN COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2006

	General Fund	Capital Projects Local Option Sales Tax	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$
Assets				
Cash and pooled investments:				
ISCAP	680,053	-	-	680,053
Other	674,976	507,760	452,830	1,635,566
Receivables:				
Property tax:				
Delinquent	33,797	-	9,760	43,557
Succeeding year	2,073,554	-	441,616	2,515,170
Accounts	1,606	-	-	1,606
Due from other governments	215,226	169,626	-	384,852
Total assets	3,679,212	677,386	904,206	5,260,804
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	54,860	-	5,708	60,568
Salaries and benefits payable	548,485	-	-	548,485
ISCAP warrants payable	681,000	-	-	681,000
ISCAP premium	5,182	-	-	5,182
Deferred revenue:				
Succeeding year property tax	2,073,554	-	441,616	2,515,170
Other	160,678	-	-	160,678
Total liabilities	3,523,759	-	447,324	3,971,083
Fund balances:				
Reserved for:				
Gifted and talented program	112,649	-	-	112,649
Debt service	-	-	4,987	4,987
Unreserved reported in:				
General fund	42,804	-	-	42,804
Special revenue funds	-	-	451,895	451,895
Capital projects funds	-	677,386	-	677,386
Total fund balances	155,453	677,386	456,882	1,289,721
Total liabilities and fund balances	3,679,212	677,386	904,206	5,260,804

SIBLEY-OCHEYEDAN COMMUNITY SCHOOL DISTRICT

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

June 30, 2006

\$

1,289,721

Total fund balances of governmental funds (Exhibit C)***Amounts reported for governmental activities in the
Statement of Net Assets are different because:***

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.

6,365,043

Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.

160,678

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.

(9,289)

Long-term liabilities, including bonds payable and termination benefits, are not due and payable in the current period and therefore, are not reported as liabilities in the governmental funds.

(2,875,118)**Net assets of governmental activities (Exhibit A)**4,931,035

SIBLEY-OCHEYEDAN COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2006

	General Fund	Capital Projects Local Option Sales Tax	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	2,179,028	302,331	576,323	3,057,682
Tuition	252,136	-	-	252,136
Other	115,454	16,083	309,734	441,271
State sources	3,779,308	112,839	-	3,892,147
Federal sources	297,126	-	11,923	309,049
Total revenues	<u>6,623,052</u>	<u>431,253</u>	<u>897,980</u>	<u>7,952,285</u>
Expenditures:				
Current:				
Instruction:				
Regular instruction	2,584,930	-	380,180	2,965,110
Special instruction	954,725	-	-	954,725
Other instruction	590,436	-	272,041	862,477
	<u>4,130,091</u>	<u>-</u>	<u>652,221</u>	<u>4,782,312</u>
Support services:				
Student services	171,466	-	1,000	172,466
Instructional staff services	210,667	-	-	210,667
Administration services	722,126	-	3,843	725,969
Operation and maintenance of plant services	694,086	-	197,970	892,056
Transportation services	291,047	-	86,664	377,711
	<u>2,089,392</u>	<u>-</u>	<u>289,477</u>	<u>2,378,869</u>
Other expenditures:				
Facilities acquisition	-	-	50,379	50,379
Long-term debt:				
Principal	-	-	225,000	225,000
Interest and fiscal charges	-	-	121,428	121,428
AEA flowthrough	275,616	-	-	275,616
	<u>275,616</u>	<u>-</u>	<u>396,807</u>	<u>672,423</u>
Total expenditures	<u>6,495,099</u>	<u>-</u>	<u>1,338,505</u>	<u>7,833,604</u>
Excess (deficiency) of revenues over (under) expenditures	<u>127,953</u>	<u>431,253</u>	<u>(440,525)</u>	<u>118,681</u>
Other financing sources (uses):				
Operating transfers in	-	-	513,687	513,687
Operating transfers out	(251,687)	(262,000)	-	(513,687)
Total other financing sources (uses)	<u>(251,687)</u>	<u>(262,000)</u>	<u>513,687</u>	<u>-</u>
Net change in fund balances	(123,734)	169,253	73,162	118,681
Fund balances beginning of year	279,187	508,133	383,720	1,171,040
Fund balances end of year	<u>155,453</u>	<u>677,386</u>	<u>456,882</u>	<u>1,289,721</u>

See notes to financial statements.

SIBLEY-OCHEYEDAN COMMUNITY SCHOOL DISTRICT

Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances - Governmental Funds to the
Statement of Activities

Year ended June 30, 2006

	\$	\$
Net change in fund balances - total governmental funds (Exhibit E)		118,681
<i>Amounts reported for governmental activities in the Statement of Activities are different because:</i>		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Depreciation expense exceeded capital outlay expenditures in the year as follows:		
Expenditures for capital assets	127,245	
Depreciation expense	<u>(355,749)</u>	(228,504)
Income surtaxes not collected for several months after the District's fiscal year ends are not considered "available" revenues in the governmental funds and are included as deferred revenues. They are, however, recorded as revenues in the statement of activities.		
		(90)
Repayment of long-term liability principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.		
		225,000
Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities interest expense is recognized as the interest accrues, regardless of when it is due.		
		797
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:		
Termination benefits		<u>269,375</u>
Changes in net assets of governmental activities (Exhibit B)		<u><u>385,259</u></u>

SIBLEY-OCHEYEDAN COMMUNITY SCHOOL DISTRICT

Statement of Net Assets
Proprietary Funds

June 30, 2006

	School Nutrition
	<u>\$</u>
Assets	
Cash and cash equivalents	34,457
Inventories	4,772
Capital assets, net of accumulated depreciation	<u>24,571</u>
Total assets	<u>63,800</u>
Liabilities	
Accounts payable	20
Deferred revenue	<u>4,826</u>
Total liabilities	<u>4,846</u>
Net assets	
Invested in capital assets, net of related debt	24,571
Unrestricted	<u>34,383</u>
Total net assets	<u><u>58,954</u></u>

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

Year ended June 30, 2006

	School Nutrition
	\$
Operating revenue:	
Local sources:	
Charges for service	299,247
Operating expenses:	
Non-instructional programs:	
Salaries	145,920
Benefits	44,641
Purchased services	507
Supplies	207,866
Depreciation	3,172
	402,106
Operating gain (loss)	(102,859)
Non-operating revenue:	
State sources	4,297
Federal sources	124,805
Interest income	32
Total non-operating revenue	129,134
Gain (loss) before capital contributions	26,275
Capital contributions	18,271
Change in net assets	44,546
Net assets beginning of year	14,408
Net assets end of year	58,954

SIBLEY-OCHEYEDAN COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows
Proprietary Funds

Year ended June 30, 2006

	School Nutrition
	\$
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	299,156
Cash payments to employees for services	(190,561)
Cash payments to suppliers for goods or services	(180,094)
Net cash used by operating activities	<u>(71,499)</u>
Cash flows from non-capital financing activities:	
State grants received	4,297
Federal grants received	97,075
Net cash provided by non-capital financing activities	<u>101,372</u>
Cash flows from capital and related financing activities	<u>-</u>
Cash flows from investing activities:	
Interest on investments	<u>32</u>
Net increase (decrease) in cash and cash equivalents	29,905
Cash and cash equivalents at beginning of year	<u>4,552</u>
Cash and cash equivalents at end of year	<u><u>34,457</u></u>
Reconciliation of operating gain (loss) to net cash used by operating activities:	
Operating gain (loss)	(102,859)
Adjustments to reconcile operating gain (loss) to net cash used by operating activities:	
Commodities used	27,730
Depreciation	3,172
Decrease (increase) in inventories	529
Decrease (increase) in accounts receivable	<u>(20)</u>
Net cash used in operating activities	<u><u>(71,448)</u></u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2006, the District received \$27,730 of federal commodities.

During the year ended June 30, 2006, the School Nutrition Fund received \$18,271 of equipment that was purchased by other funds.

SIBLEY-OCHEYEDAN COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Assets
Fiduciary Funds

June 30, 2006

	Private Purpose Trust Scholarship
	<u>\$</u>
Assets	
Cash and pooled investments	15,265
Liabilities	
	<u>-</u>
Net Assets	
Reserved for scholarships	<u><u>15,265</u></u>

SIBLEY-OCHEYEDAN COMMUNITY SCHOOL DISTRICT

Statement of Changes in Fiduciary Net Assets
Fiduciary Funds

Year ended June 30, 2006

	Private Purpose Trust Scholarship
	<u>\$</u>
Additions:	
Local sources:	
Gifts and contributions	1,000
Interest	<u>578</u>
Total additions	1,578
Deductions:	
Support services:	
Scholarships awarded	<u>700</u>
Change in net assets	878
Net assets beginning of year	<u>14,387</u>
Net assets end of year	<u><u>15,265</u></u>

SIBLEY-OCHEYEDAN COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2006

1. Summary of Significant Accounting Policies

Sibley-Ocheyedan Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The geographic area served includes the Cities of Sibley and Ocheyedan, Iowa and the predominately agricultural territory in a portion of Osceola County. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

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

A. Reporting Entity

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

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

B. Basis of Presentation

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

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

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

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

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

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

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

The District reports the following major governmental funds:

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

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

The District reports the following major proprietary fund:

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

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

D. Assets, Liabilities and Fund Equity

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

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

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

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

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the

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

Property tax revenue recognized in these funds became due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2004 assessed property valuations; is for the tax accrual period July 1, 2005, through June 30, 2006, and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2005.

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

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

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

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

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

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

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

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

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

Deferred revenue in the Statement of Net Assets consists of unspent grant proceeds, amounts received in advance for meal sales and succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use. Employees are not paid for unused vacation and sick leave benefits when employment with the District ends.

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

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

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

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2006, expenditures in the non-instructional programs and other expenditures functions exceeded the amounts budgeted.

2. **Cash and Pooled Investments**

The District's deposits in banks at June 30, 2006 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

The District had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3 as amended by Statement No. 40.

3. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2006 is as follows:

Transfer to	Transfer from	Amount
		\$
Nonmajor Fund:		
Physical Plant and Equipment Levy Fund	General Fund	251,687
Nonmajor Fund:	Capital Projects:	
Debt Service Fund	Local Option Sales Tax Fund	262,000

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

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

4. Iowa School Cash Anticipation Program (ISCAP)

The District participates in the Iowa School Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings and amounts available for withdrawal for each outstanding series of warrants. Bankers Trust Co. N.A. is the trustee for the program. A summary of the District's participation in ISCAP as of June 30, 2006 is as follows:

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable
			\$	\$	\$	\$
2006-07A	6/28/06	6/28/07	680,053	-	681,000	-

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts. In addition, the District must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. ISCAP advance activity in the General Fund for the year ended June 30, 2006, is as follows:

Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
\$	\$	\$	\$
-	300,000	300,000	-

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>
	%	%
2005-06A	4.000	3.903
2006-07A	4.500	5.676

5. Capital Assets

Capital assets activity for the year ended June 30, 2006 is as follows:

	<u>Balance Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance End of Year</u>
	\$	\$	\$	\$
Governmental activities:				
Capital assets not being depreciated:				
Land	25,000	-	-	25,000
Capital assets being depreciated:				
Buildings	9,939,821	19,272	-	9,959,093
Improvements other than buildings	270,829	-	-	270,829
Furniture and equipment	1,144,427	107,973	30,377	1,222,023
Total capital assets being deprec.	<u>11,355,077</u>	<u>127,245</u>	<u>30,377</u>	<u>11,451,945</u>
Less accumulated depreciation for:				
Buildings	3,796,276	229,028	-	4,025,304
Improvements other than buildings	124,308	15,234	-	139,542
Furniture and equipment	865,946	111,487	30,377	947,056
Total accumulated depreciation	<u>4,786,530</u>	<u>355,749</u>	<u>30,377</u>	<u>5,111,902</u>
Total capital assets being depreciated, net	<u>6,568,547</u>	<u>(228,504)</u>	-	<u>6,340,043</u>
Governmental activities capital assets, net	<u>6,593,547</u>	<u>(228,504)</u>	-	<u>6,365,043</u>
	<u>Balance Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance End of Year</u>
	\$	\$	\$	\$
Business type activities:				
Furniture and equipment	41,115	18,271	11,353	48,033
Less accumulated depreciation	<u>31,643</u>	<u>3,172</u>	<u>11,353</u>	<u>23,462</u>
Business type activities capital assets, net	<u>9,472</u>	<u>15,099</u>	-	<u>24,571</u>

Depreciation expense was charged to the following functions:

	\$
Governmental activities:	
Instruction:	
Regular	286
Other	924
Support Services:	
Operation and maintenance of plant services	27,172
Transportation	83,105
	<u>111,487</u>
Unallocated depreciation	<u>244,262</u>
Total depreciation expense – governmental activities	<u>355,749</u>
Business type activities:	
Food service operations	<u>3,172</u>

6. Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2006, are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
	\$	\$	\$	\$	\$
General obligation bonds	2,745,000	-	225,000	2,520,000	235,000
Termination benefits	624,493	-	269,375	355,118	76,518
Total	<u>3,369,493</u>	<u>-</u>	<u>494,375</u>	<u>2,875,118</u>	<u>311,518</u>

Termination Benefits

The District offers a voluntary early retirement plan to its employees. Eligible employees must have completed at least **ten years of continuous** service to the District and must have reached the **age of fifty-five** on or before August 31, in the calendar year in which early retirement commences. The application for early retirement is subject to approval by the Board of Education.

Early retirement benefits consist of District paid health insurance of up to \$550 of premium per month until age sixty-five and retirees will be paid for up to 130 days of unused sick leave at \$10 per day. The payment for unused sick leave will be made in one lump sum during the year following retirement.

At June 30, 2006, the District has obligations to **seventeen** participants with a total liability of **\$355,118**. Actual early retirement expenditures for the year ended June 30, 2006 totaled **\$269,375**.

General Obligation Bonds Payable

Details of the District's June 30, 2006 general obligation bonded indebtedness are as follows:

Bond Issue of February 1999				
Year Ending June 30,	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
2007	4.50	235,000	111,465	346,465
2008	4.50	245,000	100,890	345,890
2009	4.20	255,000	89,865	344,865
2010	4.25	265,000	79,155	344,155
2011		280,000	67,893	347,893
2012-2016	4.30-4.60	1,240,000	143,782	1,383,782
		<u>2,520,000</u>	<u>593,050</u>	<u>3,113,050</u>

7. Pension and Retirement Benefits

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

Plan members are required to contribute 3.70% of their annual salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2006, 2005 and 2004. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2006, 2005, and 2004 were \$231,338, \$227,393, and \$219,521 respectively, equal to the required contributions for each year.

8. Risk Management

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

9. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$275,616 for the year ended June 30, 2006 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

10. Lease Commitment

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

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

REQUIRED SUPPLEMENTARY INFORMATION

SIBLEY-OCHEYEDAN COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Revenues, Expenditures, and Changes in Balances -
Budget and Actual - All Governmental Funds and Proprietary Fund

Required Supplementary Information

Year ended June 30, 2006

	Governmental Fund Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
				Original	Final	
	\$	\$	\$	\$	\$	\$
Revenues:						
Local sources	3,751,089	299,279	4,050,368	3,753,531	3,753,531	296,837
State sources	3,892,147	4,297	3,896,444	3,922,305	3,922,305	(25,861)
Federal sources	309,049	124,805	433,854	393,000	393,000	40,854
Total revenues	<u>7,952,285</u>	<u>428,381</u>	<u>8,380,666</u>	<u>8,068,836</u>	<u>8,068,836</u>	<u>311,830</u>
Expenditures:						
Instruction	4,782,312	-	4,782,312	5,107,570	5,107,570	325,258
Support services	2,378,869	-	2,378,869	2,496,430	2,496,430	117,561
Non-instructional programs	-	402,106	402,106	362,580	375,000	(27,106)
Other expenditures	672,423	-	672,423	645,498	645,498	(26,925)
Total expenditures	<u>7,833,604</u>	<u>402,106</u>	<u>8,235,710</u>	<u>8,612,078</u>	<u>8,624,498</u>	<u>388,788</u>
Excess (deficiency) of revenues over (under) expenditures	118,681	26,275	144,956	(543,242)	(555,662)	700,618
Other financing sources (uses) net	-	18,271	18,271	-	-	18,271
Excess (deficiency) of revenues and other financing sources (uses) over (under) expenditures	118,681	44,546	163,227	(543,242)	(555,662)	718,889
Balance beginning of year	<u>1,171,040</u>	<u>14,408</u>	<u>1,185,448</u>	<u>1,543,102</u>	<u>1,543,102</u>	<u>(357,654)</u>
Balance end of year	<u><u>1,289,721</u></u>	<u><u>58,954</u></u>	<u><u>1,348,675</u></u>	<u><u>999,860</u></u>	<u><u>987,440</u></u>	<u><u>361,235</u></u>

SIBLEY-OCHEYEDAN COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2006

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

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Internal Service, Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year the District adopted one budget amendment increasing budgeted expenditures by \$12,420.

During the year ended June 30, 2006, expenditures in the non-instructional programs and other expenditures functions exceeded the amounts budgeted.

OTHER SUPPLEMENTARY INFORMATION

SIBLEY-OCHEYEDAN COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2006

Assets	Special Revenue Funds				Total \$
	Management Levy \$	Student Activity Fund \$	Physical Plant and Equipment Levy \$	Debt Service \$	
	Cash and pooled investments	38,110	99,922	311,156	
Receivables:					
Property tax:					
Delinquent	7,392	-	1,023	1,345	9,760
Succeeding year	300,000	-	61,151	80,465	441,616
Total assets	345,502	99,922	373,330	85,452	904,206
Liabilities & Fund Balances					
Liabilities:					
Accounts payable	2,261	160	3,287	-	5,708
Deferred revenue:					
Succeeding year property tax	300,000	-	61,151	80,465	441,616
Total liabilities	302,261	160	64,438	80,465	447,324
Fund balances:					
Reserved for debt service	-	-	-	4,987	4,987
Unreserved reported in:					
Special revenue funds	43,241	99,762	308,892	-	451,895
Total fund balances	43,241	99,762	308,892	4,987	456,882
Total liabilities and fund balances	345,502	99,922	373,330	85,452	904,206

SIBLEY-OCHEYEDAN COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2006

	Special Revenue Funds				Total
	Management	Student	Physical	Debt	
	Levy	Activity	Plant and	Service	
		Equipment			
	\$	\$	\$	\$	\$
Revenues:					
Local sources:					
Local tax	434,958	-	61,061	80,304	576,323
Other	-	281,471	24,426	3,837	309,734
Federal sources	-	-	11,923	-	11,923
Total revenues	<u>434,958</u>	<u>281,471</u>	<u>97,410</u>	<u>84,141</u>	<u>897,980</u>
Expenditures:					
Current:					
Instruction:					
Regular instruction	320,852	-	59,328	-	380,180
Other instruction	-	272,041	-	-	272,041
Support services:					
Student services	1,000	-	-	-	1,000
Administration services	-	-	3,843	-	3,843
Operation and maintenance of plant services	68,357	-	129,613	-	197,970
Transportation services	14,271	-	72,393	-	86,664
Other expenditures:					
Facilities acquisition	-	-	50,379	-	50,379
Long-term debt:					
Principal	-	-	-	225,000	225,000
Interest and fiscal charges	-	-	-	121,428	121,428
Total expenditures	<u>404,480</u>	<u>272,041</u>	<u>315,556</u>	<u>346,428</u>	<u>1,338,505</u>
Excess (deficiency) of revenues over (under) expenditures	30,478	9,430	(218,146)	(262,287)	(440,525)
Other financing sources (uses):					
Operating transfers in	-	-	251,687	262,000	513,687
Net changes in fund balances	30,478	9,430	33,541	(287)	73,162
Fund balances beginning of year	<u>12,763</u>	<u>90,332</u>	<u>275,351</u>	<u>5,274</u>	<u>383,720</u>
Fund balances end of year	<u><u>43,241</u></u>	<u><u>99,762</u></u>	<u><u>308,892</u></u>	<u><u>4,987</u></u>	<u><u>456,882</u></u>

SIBLEY-OCHEYEDAN COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2006

Account	Balance	Revenues	Expenditures	Balance End
	Beginning of			of Year
	Year			
	\$	\$	\$	\$
Boys basketball	355	5,921	5,464	812
Football	1,915	13,321	14,460	776
Boys track	191	5,470	5,591	70
Girls track	17	-	-	17
Boys golf	239	104	110	233
Girls golf	220	1,400	1,327	293
Wrestling	681	10,700	11,214	167
Baseball	(48)	4,200	3,509	643
Girls basketball	338	5,426	4,898	866
Volleyball	37	3,840	3,781	96
Softball	295	3,750	36	4,009
Girls BB special account	2,237	3,372	3,956	1,653
Boys BB special account	148	27	17	158
Weight lifting	68	-	55	13
Football special account	950	2,267	884	2,333
Girls golf special	142	-	59	83
Special cross country	335	1,086	1,280	141
Special girls track	260	3,592	3,647	205
Baseball special	743	243	200	786
Softball special account	480	-	111	369
Boys golf special account	94	-	-	94
Volleyball special	1,256	1,968	1,921	1,303
Boys track special account	1,106	601	1,032	675
Wrestling special account	895	2,493	3,043	345
Class of 2004	21	-	21	-
Class of 2005	762	-	762	-
Class of 2006	1,484	-	1,444	40
Class of 2007	3,957	13,583	13,431	4,109
Class of 2008	2,370	500	-	2,870
Class of 2009	3,797	-	-	3,797
Class of 2010	-	8,820	6,283	2,537
Student assistance	1,421	-	68	1,353
Music: band	14	4,770	4,762	22
Music: chorus	3,081	1,999	3,872	1,208
H.S. band resale	506	6,543	6,864	185
M.S. band resale	327	2,338	1,905	760
Smoothie Café	-	265	79	186
H. S. activity	6,846	26,739	24,550	9,035
M.S. activity	23	4,379	4,303	99
Elem. Activity	7,743	1,648	2,659	6,732
Art club	2,394	2,392	3,618	1,168

SIBLEY-OCHEYEDAN COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2006

<u>Account</u>	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
	\$	\$	\$	\$
Shop club	2,827	7,639	7,907	2,559
Dance team	4,995	3,658	4,075	4,578
FFA	2,050	78,283	70,994	9,339
Cheerleading	3,334	2,191	3,084	2,441
International club	4,511	1,867	2,279	4,099
National honor society	1,046	2,610	1,840	1,816
Pep club	1,483	1,366	1,042	1,807
S-O club	9	-	-	9
H.S. student leadership	7,696	14,767	13,412	9,051
M.S. student council	2,594	3,193	4,536	1,251
Speech club	721	994	1,694	21
Annual club	4,543	10,757	8,683	6,617
Home ec. club	698	900	1,598	-
Quill club	181	-	39	142
M.S. art club	749	540	1,289	-
H.S. science club	536	428	-	964
Drama club	2,003	2,476	1,109	3,370
Academic decathalon	1,358	-	1,358	-
Concessions	1,298	6,045	5,886	1,457
	<u>90,332</u>	<u>281,471</u>	<u>272,041</u>	<u>99,762</u>
Total	<u>90,332</u>	<u>281,471</u>	<u>272,041</u>	<u>99,762</u>

SIBLEY-OCHEYEDAN COMMUNITY SCHOOL DISTRICT

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

For the Last Four Years

	Modified Accrual Basis			
	2006	2005	2004	2003
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	3,057,682	3,166,335	2,909,796	2,850,678
Tuition	252,136	226,228	168,361	161,240
Other	441,271	402,033	535,133	653,650
State sources	3,892,147	3,672,039	3,445,911	3,515,254
Federal sources	309,049	254,119	244,550	190,068
Total revenues	<u>7,952,285</u>	<u>7,720,754</u>	<u>7,303,751</u>	<u>7,370,890</u>
Expenditures:				
Instruction:				
Regular instruction	2,965,110	2,848,585	3,088,736	2,982,152
Special instruction	954,725	690,073	799,427	825,293
Other instruction	862,477	891,442	677,601	351,603
Support services:				
Student services	172,466	220,483	198,888	556,438
Instructional staff services	210,667	222,105	174,239	164,493
Administration services	725,969	604,896	317,775	561,073
Operation and maintenance of plant services	892,056	748,234	933,046	627,578
Transportation services	377,711	434,252	284,364	271,242
Other expenditures:				
Facilities acquisition	50,379	202,571	332,131	300,425
Long-term debt:				
Principal	225,000	210,000	200,000	190,000
Interest and other charges	121,428	130,351	138,044	147,462
AEA flowthrough	275,616	270,801	271,598	299,086
Total expenditures	<u>7,833,604</u>	<u>7,473,793</u>	<u>7,415,849</u>	<u>7,276,845</u>

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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
Sibley-Ocheyedan Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Sibley-Ocheyedan Community School District as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated September 26, 2006. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe items 06-I-A and 06-OI-B are material weaknesses.

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2006 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Sibley-Ocheyedan Community School District and other parties to whom Sibley-Ocheyedan Community School District may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Sibley-Ocheyedan Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

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

September 26, 2006

Sibley-Ocheyedan Community School District

Schedule of Findings

June 30, 2006

Part I: Findings Related to the Financial Statements:

Instances of Noncompliance:

No matters were reported.

Reportable Conditions:

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

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

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

Conclusion: Response accepted.

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

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

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

Conclusion: Response accepted.

Sibley-Ocheyedan Community School District

Schedule of Findings

June 30, 2006

Part II: Other Findings Related to Statutory Reporting:

06-II-A Certified Budget: Expenditures for the year ended June 30, 2006, exceeded the amounts budgeted in the non-instructional programs and other expenditures functions.

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

District Response: We did amend our budget, but year-end expenditures were more than anticipated.

Conclusion: Response accepted.

06-II-B 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.

06-II-C Travel Expenses: No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

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

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
		\$
Kyle Grimes, board member, employee of Mericks Printing Co.	Printing posters and t-shirts	13,604
LaDonn Hartzell, board secretary, spouse is part owner of Hartzell & Rosenberg	Snow removal and concrete	9,765
Beth Thole, teacher, spouse is partner In DeKoter, Thole & Dawson	Legal services	302

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

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

District Response: We will consult with our attorney.

Conclusion: Response accepted.

Sibley-Ocheyedan Community School District

Schedule of Findings

June 30, 2006

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

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

06-II-F Board Minutes: No transactions requiring board approval that had not been approved by the board were noted.

06-II-G Certified Enrollment: The number of total resident students reported to the Iowa Department of Education on Line 7 of the Certified Enrollment Certification Form for September 2005, was overstated by two students.

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

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

Conclusion: Response accepted.

06-II-H Deposits and Investments: No instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.

06-II-I Certified Annual Report: Our audit was completed before the Certified Annual Report due date.

06-II-J Allocation of Interest: We noted that interest from a pooled bank account is not being allocated to the Management Fund.

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

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

Conclusion: Response accepted.

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

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

Sibley-Ocheyedan Community School District

Schedule of Findings

June 30, 2006

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

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

Conclusion: Response accepted.

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

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

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

Recommendation: During fiscal year 2006, the District transferred \$251,687 from the General Fund to the Physical Plant and Equipment Levy Fund. During the year the Physical Plant and Equipment Levy Fund had approximately \$274,900 of expenditures for buses, equipment and routine maintenance that could have been paid with General Fund money.

The District should discontinue the practice of making transfers from the General Fund to the Physical Plant and Equipment Levy Fund.

District Response: The instructional support monies will not be transferred to the Physical Plant and Equipment Levy Fund in the future.

Conclusion: Response accepted.