

SIOUX CENTER COMMUNITY SCHOOL DISTRICT

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

June 30, 2007

## Table of Contents

		<u>Page</u>
Officials		1
Independent Auditor's Report		2-3
Management's Discussion and Analysis (MD&A)		4-13
Basic Financial Statements:	<u>Exhibit</u>	
Government-Wide Financial Statements:		
Statement of Net Assets	A	15-16
Statement of Activities	B	17-18
Governmental Fund Financial Statements:		
Balance Sheet	C	19
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets	D	20
Statement of Revenues, Expenditures and Changes in Fund Balances	E	21-22
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	F	23
Proprietary Fund Financial Statements:		
Statement of Net Assets	G	24
Statement of Revenues, Expenses, and Changes in Fund Net Assets	H	25
Statement of Cash Flows	I	26
Fiduciary Fund Financial Statements:		
Statement of Fiduciary Net Assets	J	27
Statement of Changes in Fiduciary Net Assets	K	28
Notes to Financial Statements		29-40
Required Supplementary Information:		
Budgetary Comparison Schedule of Revenues, Expenditures and Changes in Balances - Budget and Actual - All Governmental Funds and Proprietary Fund		42
Notes to Required Supplementary Information - Budgetary Reporting		43
	<u>Schedule</u>	
Other Supplementary Information:		
Nonmajor Governmental Funds:		
Combining Balance Sheet	1	45
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	2	46
Nonmajor Enterprise Funds:		
Combining Schedule of Net Assets	3	47
Combining Schedule of Revenues, Expenses and Changes in Fund Net Assets	4	48
Combining Schedule of Cash Flows	5	49
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	6	50
Schedule of Revenues by Source and Expenditures by Function - All Governmental Funds	7	51
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 <u>Government Auditing Standards</u>		52-53
Schedule of Findings and Responses		54-57



BURTON E. TRACY & CO., P.C.

Certified Public Accountants

Gary E. Horton CPA

PO Box 384  
Clarion, IA 50525-0384

(515)532-6681 Phone

(515) 532-2405 Fax

BETCO@mchsi.com E-mail

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 and the aggregate remaining fund information of Sioux Center Community School District, Sioux Center, Iowa, as of and for the year ended June 30, 2007, 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 Sioux Center Community School District as of June 30, 2007, 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 March 28, 2008, 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, 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 13 and 42 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. The financial statements for the three years ended June 30, 2006, (which are not presented herein) were audited by other auditors who expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 7, 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

March 28, 2008

---

## 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, 2007. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### 2007 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$7,867,936 in fiscal 2006 to \$8,326,327 in fiscal 2007, while General Fund expenditures increased from \$7,957,322 in fiscal 2006 to \$8,703,708 in fiscal 2007. The District's General Fund balance decreased from \$790,384 in fiscal 2006 to \$413,002 in fiscal 2007, a 48% decrease.
- The increase in General Fund revenues was due primarily to a growth in certified student enrollment and limited English proficient students resulting in an increase in state aid revenues and also an increase in property tax collected due to an increase in property valuations. The increase in expenditures was due primarily to an increase in the negotiated salary and benefits and restricted grant expenditures, along with an increase in operating expenses.

### 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 the Sioux Center 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 the Sioux Center 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 the Sioux Center 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 shows how the various parts of this annual report are arranged and relate to one another.

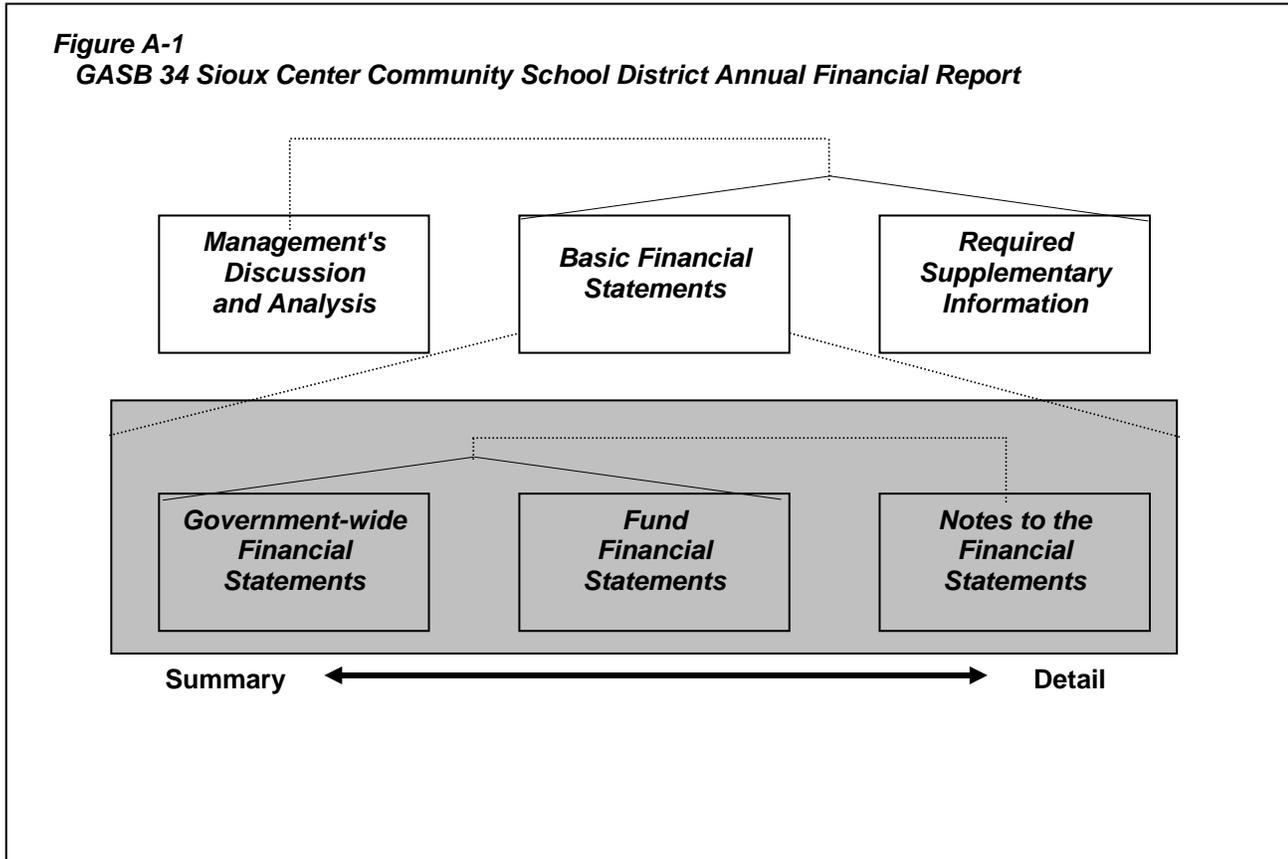


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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

## REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

### *Government-wide Financial Statements*

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

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

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

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

### *Fund Financial Statements*

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

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

The District has three kinds of funds:

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

The District's governmental funds include the General Fund, Management Fund, Debt Service Fund, Physical Plant and Equipment Fund and Capital Projects 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 government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has two Enterprise Funds, the School Nutrition Fund and the Community Education 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 Funds.

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

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-3 below provides a summary of the District's net assets at June 30, 2007 compared to June 30, 2006.

Figure A-3

	Condensed Statement of Net Assets						Percentage Change
	Governmental Activities		Business-type Activities		Total School District		
	As Restated				As restated		
	2007	2006	2007	2006	2007	2006	2006-2007
	\$	\$	\$	\$	\$	\$	%
Current and other assets	7,586,400	6,846,542	65,362	107,552	7,651,762	6,954,094	10.0
Capital assets	9,111,047	7,314,063	94,532	101,640	9,205,579	7,415,703	24.1
<b>Total assets</b>	<b>16,697,447</b>	<b>14,160,605</b>	<b>159,894</b>	<b>209,192</b>	<b>16,857,341</b>	<b>14,369,797</b>	<b>17.3</b>
Long-term liabilities	6,730,446	5,185,993	-	-	6,730,446	5,185,993	29.8
Other liabilities	5,796,710	5,136,761	3,956	1,238	5,800,666	5,137,999	12.9
<b>Total liabilities</b>	<b>12,527,156</b>	<b>10,322,754</b>	<b>3,956</b>	<b>1,238</b>	<b>12,531,112</b>	<b>10,323,992</b>	<b>21.4</b>
Net Assets:							
Invested in capital assets, net of related debt	2,477,555	2,216,534	94,532	101,640	2,572,087	2,318,174	11.0
Restricted	1,034,416	595,669	-	-	1,034,416	595,669	73.7
Unrestricted	658,320	1,025,648	61,406	106,314	719,726	1,131,962	-36.4
<b>TOTAL NET ASSETS</b>	<b>4,170,291</b>	<b>3,837,851</b>	<b>155,938</b>	<b>207,954</b>	<b>4,326,229</b>	<b>4,045,805</b>	<b>6.9</b>

The District's total net assets increased by nearly 7%, or approximately \$280,000 over the prior year. The largest portion of the District's increase in net assets is attributable to an increase in investment 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 \$439,000 or 74% over the prior year. The increase was primarily a result of the sale of Revenue Bonds against the future property tax of the PPEL Fund and the future sales tax of the SILO Fund for capital improvements at Kinsey Elementary and the Middle School.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased approximately \$412,000, or 36%. This reduction in unrestricted net assets was a result of the District using carryover fund balance to meet its financial obligations during the year.

Figure A-4 shows the change in net assets for the years ended June 30, 2007 and 2006.

Figure A-4

	Change in Net Assets						Percentage Change 2006-2007
	Governmental Activities		Business-type Activities		Total School District		
	2007	2006	2007	2006	2007	2006	
	\$	\$	\$	\$	\$	\$	
Revenues							
Program Revenues:							
Charges for services	653,755	924,259	166,524	166,650	820,279	1,090,909	-24.8
Operating grants & contributions	1,122,212	873,597	176,243	171,211	1,298,455	1,044,808	24.3
Capital grants & contributions	43,781	15,375	0	0	43,781	15,375	184.8
General Revenues:							
Property taxes	3,474,290	3,285,872	0	0	3,474,290	3,285,872	5.7
Income Surtax	370,594	329,669	0	0	370,594	329,669	12.4
Local option sales tax	596,275	510,197	0	0	596,275	510,197	16.9
Unrestricted state grants	3,606,779	3,381,992	0	0	3,606,779	3,381,992	6.6
Unrestricted investment earnings	91,144	43,219	2,821	4,501	93,965	47,720	96.9
Other revenue	10,308	54,880	0	7,407	10,308	62,287	-83.5
<b>Total Revenues</b>	<b>9,969,138</b>	<b>9,419,060</b>	<b>345,588</b>	<b>349,769</b>	<b>10,314,726</b>	<b>9,768,829</b>	<b>5.6</b>
Expenses:							
Instruction	6,265,722	5,873,938	0	0	6,265,722	5,873,938	6.7
Support services	2,546,883	2,461,331	0	0	2,546,883	2,461,331	3.5
Non-instructional programs	0	265	397,604	374,526	397,604	374,791	6.1
Other expenditures	824,093	723,877	0	0	824,093	723,877	13.8
<b>Total expenses</b>	<b>9,636,698</b>	<b>9,059,411</b>	<b>397,604</b>	<b>374,526</b>	<b>10,034,302</b>	<b>9,433,937</b>	<b>6.4</b>
<b>Change in net assets before transfers</b>	<b>332,440</b>	<b>359,649</b>	<b>(52,016)</b>	<b>(24,757)</b>	<b>280,424</b>	<b>334,892</b>	<b>-16.3</b>
Transfers	0	0	0	0	0	0	
<b>CHANGE IN NET ASSETS</b>	<b>332,440</b>	<b>359,649</b>	<b>(52,016)</b>	<b>(24,757)</b>	<b>280,424</b>	<b>334,892</b>	<b>-16.3</b>

The District's net assets decreased by \$54,468 during the year. Revenues for the District increased by \$545,897 over the prior year, while expenditures increased by \$600,365.

Property tax, local option sales tax, instructional support surtax and unrestricted state grants account for 78% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 88% of the total expenses.

## Governmental Activities

Revenues for governmental activities were \$9,969,138 and expenses were \$9,636,698. In a difficult budget year, the District revenues exceeded expenses by \$332,440.

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-5

	Total Cost of Services			Net Cost of Services		
	2007	2006	Change 2006-2007	2007	2006	Change 2006-2007
	\$	\$		\$	\$	
Instruction	6,265,722	5,873,938	391,784	4,993,073	4,556,748	436,325
Support Services	2,546,883	2,461,331	85,552	2,404,186	2,319,958	84,228
Non-instructional Programs	0	265	-265	0	265	-265
Other Expenses	824,093	723,877	100,216	419,691	369,209	50,482
<b>TOTAL</b>	<b>9,636,698</b>	<b>9,059,411</b>	<b>577,287</b>	<b>7,816,950</b>	<b>7,246,180</b>	<b>570,770</b>

- The cost financed by users of the District's programs was \$653,755. Most of these revenues are derived from tuition charged to other school districts and from student activities.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,122,212.
- The net cost of governmental activities was financed with \$4,441,159 in property and local other taxes and \$3,606,779 in unrestricted state grants

## Business Type Activities

Revenues for business type activities were \$345,588 and expenses were \$397,604. The District's business type activities include the School Nutrition Fund and the Community Education Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

## INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$1,510,409, above last year's ending fund balances of \$1,441,207. However, the primary reason for the increase in combined fund balances in fiscal 2007 is due to unexpended general obligation bond proceeds received in fiscal 2007.

## Governmental Fund Highlights

- The District's deteriorating General Fund financial position is the result of many factors. Growth during the year in tax and grants resulted in an increase in revenues. However, the increase in revenues was more than offset by the District's increase in General Fund expenditures requiring the District to use carryover fund balance to meet its financial obligations during the year.

- The General Fund balance decreased from \$790,383 to \$413,002, due in part to the negotiated salary and benefits settlement and existing expenditure commitments of the District.
- The Physical Plant and Equipment Levy (PEEL) Fund balance decreased from \$45,426 to \$3,744 in fiscal 2007. While revenues remained approximately the same, the District's expenditures increased due to capital improvements at Kinsey Elementary and the Middle School.
- The Capital Projects Fund balance increased from \$336,047 to \$838,605 due to the sale of revenue bonds during fiscal 2007. Fiscal 2007 ended with a balance of \$838,605 consisting primarily of unexpended bond proceeds, which will be expended as the project is completed.

### **Proprietary Fund Highlights**

School Nutrition Fund net assets decreased from \$179,696 at June 30, 2006 to \$135,613 at June 30, 2007, representing a decrease of approximately 33%. For fiscal 2007, the District did not increase meal prices while salaries and food costs increased.

### **BUDGETARY HIGHLIGHTS**

Over the course of the year, the Sioux Center Community School District amended its annual budget one time to reflect additional revenues and expenditures associated with the capital improvements at Kinsey Elementary and the Middle School.

The District's receipts were \$169,148 less than budgeted receipts. The District underestimated revenues for the year.

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

### **CAPITAL ASSETS AND DEBT ADMINISTRATION**

#### **Capital Assets**

At June 30, 2007, the District had invested \$9,205,579, 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 24.1% 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 \$243,171.

The original cost of the District's capital assets was \$12,187,181. Governmental funds account for \$11,971,127, with the remainder of \$216,054 accounted for in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress totaled \$2,080,350 at June 30, 2007, compared to \$129,531 reported at June 30, 2006. This significant increase resulted from construction activity financed by the sale of Revenue Bonds against the future property tax of the PEEL Fund and the future sales tax of the SILO Fund for capital improvements at Kinsey Elementary and the Middle School. The District has committed approximately \$300,000 to complete the projects.

Figure A-6

**Capital Assets (net of depreciation)**

	Governmental Activities		Business type Activities		Total School District		Percentage Change 2006-2007
	2007	2006	2007	2006	2007	2006	
	\$	\$	\$	\$	\$	\$	
Land	150,978	150,978			150,978	150,978	0%
Construction in progress	2,080,350	129,531			2,080,350	129,531	1506.1%
Buildings	6,173,388	6,328,304			6,173,388	6,328,304	-2.4%
Improvements	175,130	181,866			175,130	181,866	-3.7%
Equipment & Furniture	531,201	523,384	94,532	101,640	625,733	625,024	0.1%
<b>TOTAL</b>	<b>9,111,047</b>	<b>7,314,063</b>	<b>94,532</b>	<b>101,640</b>	<b>9,205,579</b>	<b>7,415,703</b>	<b>24.1%</b>

**Long-Term Debt**

At June 30, 2007, the District had \$6,730,446 in general obligation, revenue and other long-term debt outstanding. This represents an increase of approximately 29% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 7 to the financial statements.

In fiscal year 2007, the District issued \$1,800,000 of local option sales and services tax revenue bonds and \$570,000 capital loan notes for the elementary and middle school building project.

The district had \$3,180,000 in general obligation bonds, \$2,994,492 in revenue bonds, \$459,000 in capital loan notes, \$12,503 in compensated absences and \$84,451 in termination benefits outstanding at June 30, 2007.

**Figure A-7  
Outstanding Long-Term Obligations**

	Total School District		Percentage Change 2006-2007
	2007	2006	
	\$	\$	
General Obligation Bonds	3,180,000	3,445,000	-7.7%
Local Option Sales and Services Tax Revenue Bonds	2,994,492	1,579,028	89.6%
Capital Loan Notes	459,000	73,500	524.5%
Early Retirement	84,451	117,968	-28.4%
Compensated Absences	12,503	0	
	<b>6,730,446</b>	<b>5,215,496</b>	<b>29.0%</b>

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

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

- 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 of 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.
- As a result of the Capital Project building additions, the District was not able to use PPEL and SILO Funds as previously used to assist in equipment purchases and building repairs. The General Fund had to absorb these expenses, which decreased the District's unspent balance.

## **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. Additional details can be requested by mail at the following address: Sioux Center Community School District, Office of the Business Manager, 550 9<sup>th</sup> Street NE, Sioux Center, IA 51250.

## BASIC FINANCIAL STATEMENTS

## SIOUX CENTER COMMUNITY SCHOOL DISTRICT

## Statement of Net Assets

June 30, 2007

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
<b>Assets</b>			
Cash and cash equivalents:			
ISCAP	1,050,843	-	1,050,843
Other	2,278,056	59,826	2,337,882
Receivables:			
Property tax:			
Delinquent	26,307	-	26,307
Succeeding year	3,576,702	-	3,576,702
Accounts	3,021	707	3,728
Accrued interest:			
ISCAP	11,621	-	11,621
Due from other governments	639,850	-	639,850
Inventories	-	4,829	4,829
Capital assets, net of accumulated depreciation	9,111,047	94,532	9,205,579
<b>Total assets</b>	<b>16,697,447</b>	<b>159,894</b>	<b>16,857,341</b>
<b>Liabilities</b>			
Accounts payable	305,070	-	305,070
Salaries and benefits payable	790,826	-	790,826
Accrued interest payable	49,961	-	49,961
Deferred revenue:			
Succeeding year property tax	3,576,702	-	3,576,702
Other	6,153	3,956	10,109
ISCAP unamortized premium	5,678	-	5,678
ISCAP warrants payable	1,053,000	-	1,053,000
ISCAP accrued interest payable	9,320	-	9,320
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	270,000	-	270,000
Revenue bonds payable	378,536	-	378,536
Notes payable	229,500	-	229,500
Termination benefits	27,951	-	27,951
Compensated absences	12,503	-	12,503
Portion due after one year:			
General obligation bonds payable	2,910,000	-	2,910,000
Revenue bonds payable	2,615,956	-	2,615,956
Notes payable	229,500	-	229,500
Termination benefits	56,500	-	56,500
<b>Total liabilities</b>	<b>12,527,156</b>	<b>3,956</b>	<b>12,531,112</b>

See notes to financial statements.

## SIOUX CENTER COMMUNITY SCHOOL DISTRICT

## Statement of Net Assets

June 30, 2007

	Governmental Activities	Business Type Activities	Total
	<u>\$</u>	<u>\$</u>	<u>\$</u>
<b>Net assets</b>			
Invested in capital assets, net of related debt	2,477,555	94,532	2,572,087
Restricted for:			
State categorical aid	6,909	-	6,909
Physical plant and equipment levy	3,744	-	3,744
Other special revenue purposes	166,856	-	166,856
Local option sales tax capital projects	750,407	-	750,407
Debt service	106,500	-	106,500
Unrestricted	<u>658,320</u>	<u>61,406</u>	<u>719,726</u>
<b>Total net assets</b>	<u><u>4,170,291</u></u>	<u><u>155,938</u></u>	<u><u>4,326,229</u></u>

## Sioux Center Community School District

## Statement of Activities

Year ended June 30, 2007

<b>Functions/Programs</b>	Expenses	Program Revenues		
		Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
	\$	\$	\$	\$
Governmental activities:				
Instruction:				
Regular	3,698,866	364,008	425,016	-
Special	1,322,181	42,096	85,858	-
Other	1,244,675	231,836	123,835	-
	<u>6,265,722</u>	<u>637,940</u>	<u>634,709</u>	<u>-</u>
Support services:				
Student	255,889	-	-	-
Instructional staff	343,186	-	-	-
Administration	883,493	-	-	-
Operation and maintenance of plant	652,621	15,815	-	-
Transportation	411,694	-	126,882	-
	<u>2,546,883</u>	<u>15,815</u>	<u>126,882</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	23,782	-	-	43,781
Long-term debt interest	280,046	-	2,008	-
AEA flowthrough	358,613	-	358,613	-
Depreciation (unallocated)*	161,652	-	-	-
	<u>824,093</u>	<u>-</u>	<u>360,621</u>	<u>43,781</u>
Total governmental activities	<u>9,636,698</u>	<u>653,755</u>	<u>1,122,212</u>	<u>43,781</u>
Business type activities:				
Non-instructional programs:				
Food service operations	379,186	161,809	171,243	-
Community education	18,418	4,715	5,000	-
Total business-type activities	<u>397,604</u>	<u>166,524</u>	<u>176,243</u>	<u>-</u>
Total	<u>10,034,302</u>	<u>820,279</u>	<u>1,298,455</u>	<u>43,781</u>
<b>General Revenues:</b>				
Property taxes levied for:				
General purposes				
Debt service				
Capital outlay				
Income surtax				
Local option sales and services tax				
Unrestricted state grants				
Unrestricted investment earnings				
Other				
Total general revenues				

**Change in net assets**

Net assets beginning of year, as restated

Net assets end of year

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

Net (Expense) Revenue and Changes in Net Assets

Governmental Activities	Business Type Activities	Total
\$	\$	\$
(2,909,842)	-	(2,909,842)
(1,194,227)	-	(1,194,227)
(889,004)	-	(889,004)
<u>(4,993,073)</u>	<u>-</u>	<u>(4,993,073)</u>
(255,889)	-	(255,889)
(343,186)	-	(343,186)
(883,493)	-	(883,493)
(636,806)	-	(636,806)
(284,812)	-	(284,812)
<u>(2,404,186)</u>	<u>-</u>	<u>(2,404,186)</u>
19,999	-	19,999
(278,038)	-	(278,038)
-	-	-
(161,652)	-	(161,652)
<u>(419,691)</u>	<u>-</u>	<u>(419,691)</u>
<u>(7,816,950)</u>	<u>-</u>	<u>(7,816,950)</u>
-	(46,134)	(46,134)
-	(8,703)	(8,703)
-	<u>(54,837)</u>	<u>(54,837)</u>
<u>(7,816,950)</u>	<u>(54,837)</u>	<u>(7,871,787)</u>
2,834,389	-	2,834,389
347,855	-	347,855
292,046	-	292,046
370,594	-	370,594
596,275	-	596,275
3,606,779	-	3,606,779
91,144	2,821	93,965
10,308	-	10,308
<u>8,149,390</u>	<u>2,821</u>	<u>8,152,211</u>
332,440	(52,016)	280,424
<u>3,837,851</u>	<u>207,954</u>	<u>4,045,805</u>
<u>4,170,291</u>	<u>155,938</u>	<u>4,326,229</u>

## SIOUX CENTER COMMUNITY SCHOOL DISTRICT

Balance Sheet  
Governmental Funds

June 30, 2007

	General Fund	Capital Projects	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$
<b>Assets</b>				
Cash and pooled investments:				
ISCAP	1,050,843	-	-	1,050,843
Other	1,141,870	881,326	254,860	2,278,056
Receivables:				
Property tax:				
Delinquent	21,063	-	5,244	26,307
Succeeding year	2,740,060	-	836,642	3,576,702
Accounts	2,462	-	559	3,021
Accrued interest - ISCAP	11,621	-	-	11,621
Due from other governments	520,162	119,688	-	639,850
<b>Total assets</b>	<b>5,488,081</b>	<b>1,001,014</b>	<b>1,097,305</b>	<b>7,586,400</b>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts payable	140,800	162,409	1,861	305,070
Salaries and benefits payable	790,826	-	-	790,826
ISCAP unamortized premium	5,678	-	-	5,678
ISCAP warrants payable	1,053,000	-	-	1,053,000
ISCAP accrued interest payable	9,320	-	-	9,320
Deferred revenue:				
Succeeding year property tax	2,740,060	-	836,642	3,576,702
Other	335,395	-	-	335,395
Total liabilities	5,075,079	162,409	838,503	6,075,991
Fund balances:				
Reserved for:				
State categorical aid	6,909	-	-	6,909
Debt service	-	88,198	68,263	156,461
Unreserved reported in:				
General fund	406,093	-	-	406,093
Special revenue funds	-	-	190,539	190,539
Capital projects funds	-	750,407	-	750,407
Total fund balances	413,002	838,605	258,802	1,510,409
<b>Total liabilities and fund balances</b>	<b>5,488,081</b>	<b>1,001,014</b>	<b>1,097,305</b>	<b>7,586,400</b>

## SIOUX CENTER COMMUNITY SCHOOL DISTRICT

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

June 30, 2007

	\$
<b>Total fund balances of governmental funds (Exhibit C)</b>	1,510,409
<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.	9,111,047
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	329,242
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.	(49,961)
Long-term liabilities, including bonds payable, notes payable, termination benefits and compensated absences, are not due and payable in the current period and therefore, are not reported as liabilities in the governmental funds.	<u>(6,730,446)</u>
<b>Net assets of governmental activities (Exhibit A)</b>	<u><u>4,170,291</u></u>

## SIOUX CENTER COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2007

	General Fund	Capital Projects	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	3,094,754	596,275	750,130	4,441,159
Tuition	334,630	-	-	334,630
Other	170,291	43,781	252,294	466,366
State sources	4,477,105	-	331	4,477,436
Federal sources	249,547	-	-	249,547
Total revenues	<u>8,326,327</u>	<u>640,056</u>	<u>1,002,755</u>	<u>9,969,138</u>
Expenditures:				
Current:				
Instruction:				
Regular	3,684,791	-	36,434	3,721,225
Special	1,321,988	-	-	1,321,988
Other	987,323	-	256,376	1,243,699
	<u>5,994,102</u>	<u>-</u>	<u>292,810</u>	<u>6,286,912</u>
Support services:				
Student	255,493	-	-	255,493
Instructional staff	336,883	-	3,186	340,069
Administration	814,617	-	61,748	876,365
Operation and maintenance of plant	590,003	-	59,265	649,268
Transportation	353,997	-	74,416	428,413
	<u>2,350,993</u>	<u>-</u>	<u>198,615</u>	<u>2,549,608</u>
Other expenditures:				
Facilities acquisition	-	1,955,349	19,252	1,974,601
Long-term debt:				
Principal	-	-	834,036	834,036
Interest and fiscal charges	-	-	266,166	266,166
AEA flowthrough	358,613	-	-	358,613
	<u>358,613</u>	<u>1,955,349</u>	<u>1,119,454</u>	<u>3,433,416</u>
Total expenditures	<u>8,703,708</u>	<u>1,955,349</u>	<u>1,610,879</u>	<u>12,269,936</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(377,381)</u>	<u>(1,315,293)</u>	<u>(608,124)</u>	<u>(2,300,798)</u>

## SIOUX CENTER COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2007

	General Fund	Capital Projects	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$
Other financing sources (uses):				
Capital loan notes issued	-	-	570,000	570,000
Bonds issued	-	1,800,000	-	1,800,000
Operating transfers in	-	570,000	752,919	1,322,919
Operating transfers out	-	(552,149)	(770,770)	(1,322,919)
	<u>-</u>	<u>1,817,851</u>	<u>552,149</u>	<u>2,370,000</u>
Net change in fund balances	(377,381)	502,558	(55,975)	69,202
Fund balances beginning of year	<u>790,383</u>	<u>336,047</u>	<u>314,777</u>	<u>1,441,207</u>
Fund balances end of year	<u><u>413,002</u></u>	<u><u>838,605</u></u>	<u><u>258,802</u></u>	<u><u>1,510,409</u></u>

## 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, 2007

	\$	\$
<b>Net change in fund balances - total governmental funds (Exhibit E)</b>		69,202
<b>Amounts reported for governmental activities in the Statement of Activities are different because:</b>		
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 Activities 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	2,024,764	
Depreciation expense	<u>(227,780)</u>	1,796,984
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.		834,036
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.		(13,880)
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	28,601	
Compensated absences	<u>(12,503)</u>	16,098
Proceeds from issuing long-term liabilities are included in the governmental funds but increase long-term liabilities in the Statement of Net Assets.		<u>(2,370,000)</u>
<b>Changes in net assets of governmental activities (Exhibit B)</b>		<u><u>332,440</u></u>

## SIOUX CENTER COMMUNITY SCHOOL DISTRICT

Statement of Net Assets  
Proprietary Funds

June 30, 2007

	Nonmajor Enterprise Funds
	<u>\$</u>
<b>Assets</b>	
Cash and cash equivalents	59,826
Accounts receivable	707
Inventories	4,829
Capital assets, net of accumulated depreciation	<u>94,532</u>
<b>Total assets</b>	159,894
<b>Liabilities</b>	
Deferred revenue	<u>3,956</u>
<b>Net assets</b>	
Invested in capital assets, net of related debt	94,532
Unrestricted	<u>61,406</u>
<b>Total net assets</b>	<u><u>155,938</u></u>

## SIOUX CENTER COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenses, and Changes in Fund Net Assets  
Proprietary Funds

Year ended June 30, 2007

	Nonmajor Enterprise Funds
	<u>\$</u>
Operating revenues:	
Local sources:	
Charges for service	<u>166,524</u>
Operating expenses:	
Non-instructional programs:	
Salaries	140,443
Benefits	33,267
Purchased services	10,739
Supplies	197,519
Depreciation	15,391
Other	245
	<u>397,604</u>
Operating gain (loss)	<u>(231,080)</u>
Non-operating revenues:	
Local sources - donations	5,000
State sources	5,124
Federal sources	166,119
Interest income	2,821
Total non-operating revenues	<u>179,064</u>
Change in net assets	(52,016)
Net assets beginning of year	<u>207,954</u>
Net assets end of year	<u><u>155,938</u></u>

## SIOUX CENTER COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows  
Proprietary Funds

Year ended June 30, 2007

	Nonmajor Enterprise Funds
	<u>\$</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	165,083
Cash received from sales of services	4,715
Cash payments to employees for services	(174,948)
Cash payments to suppliers for goods or services	<u>(172,714)</u>
Net cash used by operating activities	<u>(177,864)</u>
Cash flows from non-capital financing activities:	
State grants received	5,124
Federal grants received	130,373
Donations	<u>5,000</u>
Net cash provided by non-capital financing activities	<u>140,497</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	<u>(8,282)</u>
Cash flows from investing activities:	
Interest on investments	<u>2,821</u>
Net increase (decrease) in cash and cash equivalents	(42,828)
Cash and cash equivalents at beginning of year	<u>102,654</u>
Cash and cash equivalents at end of year	<u><u>59,826</u></u>
<b>Reconciliation of operating gain (loss) to net cash used by operating activities:</b>	
Operating gain (loss)	(231,080)
Adjustments to reconcile operating gain (loss) to net cash used by operating activities:	
Commodities used	35,746
Depreciation	15,391
Decrease (increase) in inventories	44
Decrease (increase) in accounts receivable	(682)
(Decrease) increase in salaries and benefits payable	(1,239)
(Decrease) increase in deferred revenue	<u>3,956</u>
Net cash used in operating activities	<u><u>(177,864)</u></u>

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

During the year ended June 30, 2007, the District received \$35,746 of federal commodities.

SIOUX CENTER COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Assets  
Fiduciary Funds

June 30, 2007

	Private Purpose Trust Scholarship
	<u>\$</u>
<b>Assets</b>	
Cash and pooled investments	13,867
<b>Liabilities</b>	
	<u>-</u>
<b>Net Assets</b>	
Reserved for scholarships	<u><u>13,867</u></u>

## SIOUX CENTER COMMUNITY SCHOOL DISTRICT

Statement of Changes in Fiduciary Net Assets  
Fiduciary Funds

Year ended June 30, 2007

	Private Purpose Trust Scholarship <u>\$</u>
Additions:	
Local sources:	
Gifts and contributions	13,867
Deductions	<u>-</u>
Change in net assets	13,867
Net assets beginning of year	<u>-</u>
Net assets end of year	<u><u>13,867</u></u>

# SIOUX CENTER COMMUNITY SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2007

### 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 predominately 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. The Sioux Center 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 not meeting 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 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 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 (LOSST) is used to account for all resources used in the acquisition and construction of capital facilities.

The District's proprietary funds include the Enterprise, School Nutrition Fund, which is used to account for the food service operations of the District and the Community Education Fund, which is used to account for the adult education program.

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 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 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 financial statements:

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, 2005 assessed property valuations; is for the tax accrual period July 1, 2006, through June 30, 2007, and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2006.

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	2,500
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:

<u>Asset Class</u>	<u>Estimated Useful Life</u>
Buildings	40-65 years
Improvements other than buildings	15-40 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 hours for subsequent use. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2007. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

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

Fund Equity – In the governmental fund financial statements, reservations of fund balance are reported for amounts not available for appropriation or 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 are 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.

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

The District's deposits in banks at June 30, 2007 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, 2007 is as follows:

Transfer To	Transfer From	Amount
		\$
Nonmajor Governmental: Debt Service Fund	Nonmajor Governmental: Physical Plant and Equipment Levy Fund	200,770
Capital Projects Fund	Nonmajor Governmental: Physical Plant and Equipment Levy Fund	570,000
Nonmajor Governmental: Debt Service Fund	Capital Projects	552,149

These transfers moved revenues from the funds statutorily required to collect the resources to the funds statutorily required to expend the resources.

**4. Iowa School Cash Anticipation Program (ISCAP)**

The District participates in the Iowa School Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings and amounts available for withdrawal for each outstanding series of warrants. Bankers Trust Co. N.A. is the trustee for the program. A summary of the District's participation in ISCAP as of June 30, 2007 is as follows:

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable
			\$	\$	\$	\$
2006-07B	1/26/07	1/25/08	507,702	11,459	509,000	9,186
2007-08A	6/27/07	6/27/08	543,141	162	544,000	134
Total			<u>1,050,843</u>	<u>11,621</u>	<u>1,053,000</u>	<u>9,320</u>

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts. In addition, the District must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. ISCAP advance activity in the General Fund for the year ended June 30, 2007, is as follows:

Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
\$	\$	\$	\$
-	<u>300,000</u>	<u>300,000</u>	-

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>
	%	%
2006-07A	4.500	5.676
2006-07B	4.250	5.315
2007-08A	4.500	5.455

## 5. Capital Assets

Capital assets activity for the year ended June 30, 2007 was as follows:

	<u>Balance Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance End of Year</u>
	\$	\$	\$	\$
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Construction in progress	129,531	1,950,819	-	2,080,350
Land	150,978	-	-	150,978
Total capital assets not being depr.	<u>280,509</u>	<u>1,950,819</u>	<u>-</u>	<u>2,231,328</u>
Capital assets being depreciated:				
Buildings	8,358,458	-	-	8,358,458
Improvements other than buildings	255,946	-	-	255,946
Equipment	1,051,450	73,945	-	1,125,395
Total capital assets being deprec.	<u>9,665,854</u>	<u>73,945</u>	<u>-</u>	<u>9,739,799</u>
Less accumulated depreciation for:				
Buildings	2,030,154	154,916	-	2,185,070
Improvements other than buildings	74,080	6,736	-	80,816
Equipment	528,066	66,128	-	594,194
Total accumulated depreciation	<u>2,632,300</u>	<u>227,780</u>	<u>-</u>	<u>2,860,080</u>
Total capital assets being depreciated, net	<u>7,033,554</u>	<u>(153,835)</u>	<u>-</u>	<u>6,879,719</u>
Governmental activities capital assets, net	<u>7,314,063</u>	<u>1,796,984</u>	<u>-</u>	<u>9,111,047</u>
	<u>Balance Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance End of Year</u>
	\$	\$	\$	\$
<b>Business type activities:</b>				
Furniture and equipment	207,771	8,283	-	216,054
Less accumulated depreciation	<u>106,131</u>	<u>15,391</u>	<u>-</u>	<u>118,522</u>
Business type activities capital assets, net	<u>101,640</u>	<u>(7,108)</u>	<u>-</u>	<u>94,532</u>

Depreciation expense was charged to the following functions:

	<u>Amount</u>
	\$
Governmental activities:	
Instruction:	
Regular	6,242
Special	193
Other	5,788
Support services:	
Student services	396
Instructional staff services	1,988
Administration services	161
Operation and maintenance of plant services	6,329
Transportation	45,031
	<u>66,128</u>
Unallocated depreciation	<u>161,652</u>
Total depreciation expense – governmental activities	<u><u>227,780</u></u>
Business type activities:	
Food services	<u><u>15,391</u></u>

## 6. Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2007, are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
	\$	\$	\$	\$	\$
General obligation bonds	3,445,000	-	265,000	3,180,000	270,000
Local option sales and services tax revenue bonds	1,579,028	1,800,000	384,536	2,994,492	378,536
Capital loan notes	73,500	570,000	184,500	459,000	229,500
Compensated absences	-	12,503	-	12,503	12,503
Termination benefits	117,968	-	33,517	84,451	27,951
Total	<u>5,215,496</u>	<u>2,382,503</u>	<u>867,553</u>	<u>6,730,446</u>	<u>918,490</u>

### Termination Benefits

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, 2007.

At June 30, 2007, the District has obligations to five participants with a total liability of \$84,451. Actual early retirement expenditures for the year ended June 30, 2007 totaled \$33,517.

General Obligation Bonds Payable

Details of the District's June 30, 2007 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of April, 2003			
	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
2008	2.65	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		1,320,000	186,090	1,506,090

Year Ending June 30,	Bond Issue of January, 2002			
	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
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		1,860,000	759,347	2,619,347

Capital Loan Notes

Details of the capital loan notes are as follows:

Year Ending June 30,	January, 2000 Issue			
	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
2008	4.30	24,500	2,132	26,632
2009	4.40	24,500	1,078	25,578
Total		49,000	3,210	52,210

Year Ending June 30,	November, 2006 Issue			
	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
2008	4.60	205,000	18,860	223,860
2009	4.60	205,000	9,430	214,430
Total		410,000	28,290	438,290

During the year ended June 30, 2007 the District made principal and interest payments totaling \$200,771 under the note agreements.

#### Local Option Sales and Services Tax Revenue Bonds

Details of the District's June 30, 2007, local option sales and services tax revenue bonds are as follows:

Year Ending June 30,	April, 2005 Issue			
	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
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	105,276	1,620	106,897
Total		1,368,492	189,367	1,557,860

Year Ending June 30,	October, 2006 Issue			
	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
2008	4.95	168,000	77,369	245,369
2009	4.95	184,000	68,756	252,756
2010	4.95	196,000	59,424	255,424
2011	4.95	216,000	49,352	265,352
2012	4.95	236,000	38,288	274,288
2013	4.95	264,000	26,086	290,086
2014	4.95	362,000	6,720	368,720
Total		1,626,000	325,995	1,951,995

The local option sales and services tax revenue bonds were issued for the purpose of defraying a portion of the cost of school infrastructure. The bonds are payable solely from the proceeds of the local option sales and services tax revenues received by the District. The bonds are not a general obligation of the District. The debt, however, is subject to the constitutional debt limitation of the District.

The resolution providing for the issuance of the local option sales and services revenue bonds include the following provisions:

- Proceeds from the local option sales and services tax shall be placed in a revenue account. Monthly transfers from the revenue account to the sinking account are required. Money in the sinking account shall be used to pay the interest and principal on the bonds. Any surplus monies remaining in the revenue fund may be used for any lawful purpose for which the local option sales tax may be used or may be used to redeem the bonds in accordance with their terms. The sinking fund is part of the Capital Projects Fund.

## **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, 2007, 2006 and 2005. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2007, 2006, and 2005 were \$311,152, \$292,211, and \$273,610 respectively, equal to the required contributions for each year.

## **8. 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.

## **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 \$358,613 for the year ended June 30, 2007 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

## **10. Construction Commitment**

The District has entered into a \$2,121,756 contract for expansion of the Middle and Elementary schools. As of June 30, 2007 costs of \$1,851,451 had been incurred against the contract. The balance remaining at June 30, 2007 will be paid as work on the project progresses.

## **11. Operating Leases**

The District has entered into three operating leases. The first is for copiers. Monthly payments for the lease are \$1,036 per month for three years ending in April 2010. The second lease is for one copy machine. Monthly payments for this lease are \$35 per month for five years ending in September 2010. Lease expense for this lease for the year ended June 30, 2007, totaled \$420. The third lease is for music equipment. Annual payments for this lease are \$2,852 per year ending June 2008. Future minimum lease payments under these operating leases for year ending June 30 are as follows:

	<u>Copier</u>	<u>Copy Machine</u>	<u>Music equipment</u>
	\$	\$	\$
2008	12,432	420	2,852
2009	12,432	420	-
2010	10,360	105	-
	<u>35,224</u>	<u>945</u>	<u>2,852</u>

## 12. Restatement of Beginning Balances

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

	\$
June 30, 2006 net assets as previously reported	3,508,609
Deferred revenue liability for income surtax was overstated	<u>329,242</u>
Beginning net assets, as restated	<u>3,837,851</u>

REQUIRED SUPPLEMENTARY INFORMATION

SIOUX CENTER 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, 2007

	Governmental Fund Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
				Original	Final	
	\$	\$	\$	\$	\$	\$
<b>Revenues:</b>						
Local sources	5,242,155	174,345	5,416,500	5,349,428	5,349,428	67,072
State sources	4,477,436	5,124	4,482,560	4,697,446	4,697,446	(214,886)
Federal sources	249,547	166,119	415,666	437,000	437,000	(21,334)
Total revenues	<u>9,969,138</u>	<u>345,588</u>	<u>10,314,726</u>	<u>10,483,874</u>	<u>10,483,874</u>	<u>(169,148)</u>
<b>Expenditures:</b>						
Instruction	6,286,912	-	6,286,912	6,418,893	6,418,893	131,981
Support services	2,549,608	-	2,549,608	2,506,204	2,556,204	6,596
Non-instructional programs	-	397,604	397,604	447,889	447,889	50,285
Other expenditures	3,433,416	-	3,433,416	2,470,015	3,670,015	236,599
Total expenditures	<u>12,269,936</u>	<u>397,604</u>	<u>12,667,540</u>	<u>11,843,001</u>	<u>13,093,001</u>	<u>425,461</u>
Excess (deficiency) of revenues over (under) expenditures	(2,300,798)	(52,016)	(2,352,814)	(1,359,127)	(2,609,127)	256,313
Other financing sources (uses) net	<u>2,370,000</u>	<u>-</u>	<u>2,370,000</u>	<u>-</u>	<u>2,370,000</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources (uses) over (under) expenditures	69,202	(52,016)	17,186	(1,359,127)	(239,127)	256,313
Balance beginning of year	<u>1,441,207</u>	<u>207,954</u>	<u>1,649,161</u>	<u>2,354,245</u>	<u>2,354,245</u>	<u>(705,084)</u>
Balance end of year	<u><u>1,510,409</u></u>	<u><u>155,938</u></u>	<u><u>1,666,347</u></u>	<u><u>995,118</u></u>	<u><u>2,115,118</u></u>	<u><u>(448,771)</u></u>

## SIOUX CENTER COMMUNITY SCHOOL DISTRICT

### Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2007

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

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Internal Service, Private Purpose Trust and Agency funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the 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 function level, not by the fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing budgeted disbursements by \$1,250,000.

OTHER SUPPLEMENTARY INFORMATION

## SIOUX CENTER COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet  
Nonmajor Governmental Funds

June 30, 2007

	Special Revenue Funds				Total \$
	Management Levy \$	Student Activity Fund \$	Physical Plant and Equipment Levy \$	Debt Service \$	
<b>Assets</b>					
Cash and pooled investments	19,087	168,158	1,739	65,876	254,860
Receivables:					
Property tax:					
Delinquent	852	-	2,005	2,387	5,244
Succeeding year	130,000	-	302,809	403,833	836,642
Accounts	-	559	-	-	559
<b>Total assets</b>	<b>149,939</b>	<b>168,717</b>	<b>306,553</b>	<b>472,096</b>	<b>1,097,305</b>
<b>Liabilities &amp; Fund Balances</b>					
Liabilities:					
Accounts payable	-	1,861	-	-	1,861
Deferred revenue:					
Succeeding year property tax	130,000	-	302,809	403,833	836,642
Total liabilities	130,000	1,861	302,809	403,833	838,503
Fund balances:					
Reserved for debt service	-	-	-	68,263	68,263
Unreserved reported in:					
Special revenue funds	19,939	166,856	3,744	-	190,539
Total fund balances	19,939	166,856	3,744	68,263	258,802
<b>Total liabilities and fund balances</b>	<b>149,939</b>	<b>168,717</b>	<b>306,553</b>	<b>472,096</b>	<b>1,097,305</b>

## SIOUX CENTER COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2007

	Special Revenue Funds				Total
	Management	Student	Physical	Debt	
	Levy	Activity	Plant and	Service	
	\$	Fund	Equipment	\$	\$
		\$	Levy	\$	
Revenues:					
Local sources:					
Local tax	110,229	-	292,046	347,855	750,130
Other	9,880	238,702	1,704	2,008	252,294
State sources	53	-	127	151	331
Total revenues	<u>120,162</u>	<u>238,702</u>	<u>293,877</u>	<u>350,014</u>	<u>1,002,755</u>
Expenditures:					
Current:					
Instruction:					
Regular	25,034	-	11,400	-	36,434
Other	-	256,376	-	-	256,376
Support services:					
Instructional staff	-	-	3,186	-	3,186
Administration	61,533	-	-	215	61,748
Operation and maintenance of plant	20,387	-	38,878	-	59,265
Transportation	12,343	-	62,073	-	74,416
Other expenditures:					
Facilities acquisition	-	-	19,252	-	19,252
Long-term debt:					
Principal	-	-	-	834,036	834,036
Interest and fiscal charges	-	-	-	266,166	266,166
Total expenditures	<u>119,297</u>	<u>256,376</u>	<u>134,789</u>	<u>1,100,417</u>	<u>1,610,879</u>
Excess (deficiency) of revenues over (under) expenditures	<u>865</u>	<u>(17,674)</u>	<u>159,088</u>	<u>(750,403)</u>	<u>(608,124)</u>
Other financing sources (uses):					
Proceeds from capital loan notes	-	-	570,000	-	570,000
Operating transfers in	-	-	-	752,919	752,919
Operating transfers out	-	-	(770,770)	-	(770,770)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(200,770)</u>	<u>752,919</u>	<u>552,149</u>
Net change in fund balances	865	(17,674)	(41,682)	2,516	(55,975)
Fund balances beginning of year	<u>19,074</u>	<u>184,530</u>	<u>45,426</u>	<u>65,747</u>	<u>314,777</u>
Fund balances end of year	<u>19,939</u>	<u>166,856</u>	<u>3,744</u>	<u>68,263</u>	<u>258,802</u>

## SIOUX CENTER COMMUNITY SCHOOL DISTRICT

Combining Schedule of Net Assets  
Nonmajor Enterprise Funds

June 30, 2007

	Nonmajor Enterprise Funds		
	School Nutrition	Community Education	Total
	\$	\$	\$
<b>Assets</b>			
Cash and cash equivalents	39,501	20,325	59,826
Accounts receivable	707	-	707
Inventories	4,829	-	4,829
Capital assets, net of accumulated depreciation	94,532	-	94,532
<b>Total assets</b>	139,569	20,325	159,894
<b>Liabilities</b>			
Deferred revenue	3,956	-	3,956
<b>Net assets</b>			
Invested in capital assets, net of related debt	94,532	-	94,532
Unrestricted	41,081	20,325	61,406
<b>Total net assets</b>	<u>135,613</u>	<u>20,325</u>	<u>155,938</u>

## SIOUX CENTER COMMUNITY SCHOOL DISTRICT

Combining Schedule of Revenues, Expenses and Changes in Fund Net Assets  
Nonmajor Enterprise Funds

Year ended June 30, 2007

	Nonmajor Enterprise Funds		
	School Nutrition	Community Education	Total
	\$	\$	\$
Operating revenues:			
Local sources:			
Charges for service	161,809	4,715	166,524
Operating expenses:			
Non-instructional programs:			
Salaries	130,419	10,024	140,443
Benefits	29,027	4,240	33,267
Purchased services	7,034	3,705	10,739
Supplies	197,315	204	197,519
Depreciation	15,391	-	15,391
Other	-	245	245
	<u>379,186</u>	<u>18,418</u>	<u>397,604</u>
Operating gain (loss)	<u>(217,377)</u>	<u>(13,703)</u>	<u>(231,080)</u>
Non-operating revenues:			
Local sources - donations	-	5,000	5,000
State sources	5,124	-	5,124
Federal sources	166,119	-	166,119
Interest income	2,051	770	2,821
Total non-operating revenues	<u>173,294</u>	<u>5,770</u>	<u>179,064</u>
Change in net assets	(44,083)	(7,933)	(52,016)
Net assets beginning of year	<u>179,696</u>	<u>28,258</u>	<u>207,954</u>
Net assets end of year	<u><u>135,613</u></u>	<u><u>20,325</u></u>	<u><u>155,938</u></u>

## SIOUX CENTER COMMUNITY SCHOOL DISTRICT

Combining Schedule of Cash Flows  
Nonmajor Enterprise Funds

Year ended June 30, 2007

	Nonmajor Enterprise Funds		
	School Nutrition	Community Education	Total
	\$	\$	\$
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	165,083	-	165,083
Cash received from sales of services	-	4,715	4,715
Cash payments to employees for services	(159,594)	(15,354)	(174,948)
Cash payments to suppliers for goods or services	(168,560)	(4,154)	(172,714)
Net cash used by operating activities	<u>(163,071)</u>	<u>(14,793)</u>	<u>(177,864)</u>
Cash flows from non-capital financing activities:			
State grants received	5,124	-	5,124
Federal grants received	130,373	-	130,373
Donations	-	5,000	5,000
Net cash provided by non-capital financing activities	<u>135,497</u>	<u>5,000</u>	<u>140,497</u>
Cash flows from capital and related financing activities:			
Acquisition of capital assets	<u>(8,282)</u>	<u>-</u>	<u>(8,282)</u>
Cash flows from investing activities:			
Interest on investments	<u>2,051</u>	<u>770</u>	<u>2,821</u>
Net increase (decrease) in cash and cash equivalents	(33,805)	(9,023)	(42,828)
Cash and cash equivalents at beginning of year	<u>73,306</u>	<u>29,348</u>	<u>102,654</u>
Cash and cash equivalents at end of year	<u><u>39,501</u></u>	<u><u>20,325</u></u>	<u><u>59,826</u></u>
<b>Reconciliation of operating gain (loss) to net cash used by operating activities:</b>			
Operating gain (loss)	(217,377)	(13,703)	(231,080)
Adjustments to reconcile operating gain (loss) to net cash used by operating activities:			
Commodities used	35,746	-	35,746
Depreciation	15,391	-	15,391
Decrease (increase) in inventories	44	-	44
Decrease (increase) in accounts receivable	(682)	-	(682)
(Decrease) increase in salaries and benefits payable	(149)	(1,090)	(1,239)
(Decrease) increase in deferred revenue	3,956	-	3,956
Net cash used in operating activities	<u>(163,071)</u>	<u>(14,793)</u>	<u>(177,864)</u>

## SIOUX CENTER COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2007

Account	Balance	Revenues	Expenditures	Intra-fund Transfers	Balance End of Year
	Beginning of Year				
	\$	\$	\$	\$	\$
Drama-musical	5,549	8,322	6,487	204	7,588
Speech	1,597	300	1,272	900	1,525
Vocal music	564	2,561	1,425	47	1,747
Instrumental music	713	2,582	1,612	40	1,723
Middle School music	4,757	23,187	24,183	111	3,872
Athletics	88,938	98,853	98,476	3,450	92,765
Training room	5,506	162	989	(1,075)	3,604
Middle School annual	491	3,583	2,709	38	1,403
8th grade	343	1,079	365	31	1,088
Middle School activity	2,012	2,747	3,093	67	1,733
Trailer account	457	-	-	13	470
High School activity	3,717	2,851	5,686	(586)	296
Class of 2003	1,455	-	1,455	-	-
Class of 2004	899	-	899	-	-
Class of 2005	811	-	811	-	-
Class of 2006	1,935	-	1,935	-	-
Class of 2007	5,438	102	5,303	7	244
Class of 2008	-	13,699	8,799	136	5,036
Kinsey Elementary	2,703	5,042	6,231	25	1,539
Fellowship of Christian Athletes	2,962	-	2,962	-	-
Future Farmers of America	10,816	31,858	37,594	152	5,232
Donations	137	-	8,315	28,549	20,371
Letter club	174	-	-	5	179
Birthday club	638	3,987	3,828	25	822
Student council	1,030	6,388	5,686	39	1,771
Spanish club	1,575	-	570	28	1,033
Court liaison	894	736	-	45	1,675
Annual	1,181	8,454	11,259	-	(1,624)
Dance team	7,800	12,913	11,052	268	9,929
Math club	704	1,096	1,485	9	324
Mock trial	(67)	-	-	1,627	1,560
Jets	266	1,115	1,377	-	4
Students Opposed to Drugs and Alcohol	1,166	227	471	25	947
General activity	27,369	6,858	47	(34,180)	-
Total	184,530	238,702	256,376	-	166,856

## SIOUX CENTER COMMUNITY SCHOOL DISTRICT

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

For the Last Four Years

	Modified Accrual Basis			
	2007	2006	2005	2004
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	4,441,159	4,125,737	4,032,901	3,993,412
Tuition	334,630	271,109	325,860	316,551
Other	466,366	538,024	452,524	421,343
Intermediate sources	-	-	300	178
State sources	4,477,436	4,161,053	3,801,699	3,421,797
Federal sources	249,547	334,251	317,436	296,966
Total revenues	<u>9,969,138</u>	<u>9,430,174</u>	<u>8,930,720</u>	<u>8,450,247</u>
Expenditures:				
Instruction:				
Regular	3,721,225	3,414,494	3,200,301	3,092,609
Special	1,321,988	1,593,770	1,458,155	1,349,439
Other	1,243,699	787,333	678,930	647,088
Support services:				
Student	255,493	407,640	274,578	297,250
Instructional staff	340,069	193,131	260,001	301,914
Administration	876,365	887,405	805,532	765,526
Operation and maintenance of plant	649,268	559,984	506,281	476,504
Transportation	428,413	332,840	339,995	349,719
Central support	-	-	14,744	1,631
Non-instructional programs	-	265	160	179
Other expenditures:				
Facilities acquisition	1,974,601	980,254	1,402,516	212,732
Long-term debt:				
Principal	834,036	459,037	303,589	245,863
Interest and other charges	266,166	227,678	164,096	223,243
AEA flowthrough	358,613	337,438	314,331	307,902
Total expenditures	<u>12,269,936</u>	<u>10,181,269</u>	<u>9,723,209</u>	<u>8,271,599</u>

Gary E. Horton CPA

PO Box 384  
Clarion, IA 50525-0384  
(515)532-6681 Phone  
(515) 532-2405 Fax  
BETCO@mchsi.com E-mail

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, 2007, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 28, 2008. 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 as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Sioux Center Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Sioux Center Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Sioux Center Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Sioux Center Community School District's financial statements that is more than inconsequential will not be prevented or detected by Sioux Center Community School District's internal control. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings and Responses to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Sioux Center Community School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe items 07-I-A, 07-I-B, 07-I-C and 07-I-D are material weaknesses.

#### 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 II of the accompanying Schedule of Findings and Responses.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2007 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.

Sioux Center Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Responses. While we have expressed our conclusions on the District's responses, we did not audit Sioux Center Community School District's responses and, accordingly, we express no opinion on them.

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. 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.

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

March 28, 2008

SIoux CENTER COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2007

Part I: Findings Related to the Financial Statements:

Significant deficiencies:

07-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, preparing and posting general journal entries, 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 that District officials are aware that the condition exists.

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

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

Conclusion: Response accepted.

07-I-B Financial Reporting: During the audit, we identified material amounts of payables and prior year audit adjustments not recorded in the District's financial records. Adjustments were subsequently made by the District to properly include these amounts in the financial statements.

Recommendation: The District should implement procedures to ensure all payables and audit adjustments are identified and included in the District's financial records.

District Response: We will double check these in the future to avoid missing any payables we have posted in the current year audit adjustments.

Conclusion: Response accepted.

07-I-C Financial Statement Preparation: Financial statement preparation is the responsibility of the District. At the present time District personnel do not have the skills necessary to be able to write the District's financial statements and the related note disclosures. This is not an unusual situation for small governmental entities.

Recommendation: District personnel should attend any governmental accounting and reporting training sessions that may be offered by the Iowa Department of Education, State Auditor's Office or Iowa Association of School Business Officials. The school business office should also have governmental accounting and reporting reference materials.

SIoux CENTER COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2007

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

District Response: As a school we certainly understand the need for continuing education classes for all of our staff. However, we have a limited budget and must continually prioritize needs. At this point in time it is not cost effective to train our staff to the level necessary that would enable them to write the financial statements, nor is it feasible to hire additional employees that already possess the skills.

Conclusion: Response accepted.

07-I-D Restatement of Beginning Net Assets – Governmental Activities: The beginning net assets of the governmental activities were increased by \$329,242 because June 30, 2006 deferred revenue liability for income surtax was overstated.

Recommendation: District administrators and accounting personnel should review the completed financial statements and should review the adjustments converting the modified accrual basis statements to the full accrual basis statements.

District Response: We were not aware of this required adjustment; future financial statements will be reviewed.

Conclusion: Response accepted.

07-I-E Receipts: We noted that the District was not using a receipt system as the initial control over all cash and checks received by the school.

Recommendation: The District's internal control could be improved by using three part pre-numbered receipts. One copy should be given to the person bringing in the money, the person issuing the receipt should keep one copy and the third copy should be given to the business manager. The business manager should account for the numerical sequence of the receipts and all receipts should be posted in the accounting records by receipt number.

District Response: We will review our current system.

Conclusion: Response accepted.

Instances of Noncompliance:

No matters were reported.

SIoux CENTER COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2007

Part II: Other Findings Related to Statutory Reporting:

07-II-A Certified Budget: Expenditures for the year ended June 30, 2007 did not exceed the amounts budgeted.

07-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.

07-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.

07-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>
Mike McAlpine, Board Vice-President, Senior Vice-President and shareholder At local bank	School banking	\$

Recommendation: When school board members have relationships with local banks, conflicts of interest may occur with school banking agreements and when the bank has a depositor or lender relationship with entities that also do business with the school. The board should consult with its attorney before entering into any transactions that may appear to be a conflict of interest.

District response: We will consult with our attorney on all issues that might be a conflict of interest.

Conclusion: Response accepted.

07-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.

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

07-II-G Certified Enrollment: No variances in the basic enrollment data certified to the Department of Education were noted.

07-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.

SIoux CENTER COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2007

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

07-II-I Certified Annual Report: The Certified Annual Report was certified to the Iowa Department of Education timely.

07-II-J Deficit Balances: The Districts Activity Fund has a deficit balance in one sub account at June 30, 2007.

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

District Response: We will monitor the balances.

Conclusion: Response accepted.

07-II-K Reclassification of Student Activity Fund Accounts: The Student Activity Fund is to be used to account for the District's extracurricular student activity program, including athletic programs and student clubs. The fund should not have miscellaneous accounts or be used as a revolving fund. We noted miscellaneous building accounts in the Student Activity Fund that may belong more appropriately in other funds or may belong in an account for a specific student activity.

Recommendation: We recommend these accounts be reviewed and transferred to the proper fund or other student activity account.

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

Conclusion: Response accepted.

07-II-L Physical Plant and Equipment Levy Fund Expenditures (PPEL): The PPEL property tax levy may be spent to purchase and improve grounds; to construct buildings; to rent facilities under Chapter 28E of the Code of Iowa; to purchase or lease a single unit of equipment or technology exceeding \$500 in value per unit; to repair, remodel improve, or expand buildings; for energy conservation; and to purchase transportation equipment.

We noted that the District used the PPEL Fund to pay \$9,666 for items such as tables, desks, and music stands with a per unit cost of less than \$500. These items do not appear to be allowable from the PPEL Fund.

Recommendation: The District should be aware of the limitation on types of expenditures allowed from this fund. And the General Fund should reimburse the PPEL Fund for these expenditures.

District Response: We will monitor expenditures from the PPEL Fund and make the reimbursement.

Conclusion: Response accepted.