

SIBLEY-OCHEYEDAN COMMUNITY SCHOOL DISTRICT

Sibley, Iowa

**Independent Auditor's Reports
Basic Financial Statements and Supplemental Information
Schedule of Findings**

June 30, 2008

SIBLEY-OCHEYEDAN COMMUNITY SCHOOL DISTRICT

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SIBLEY-OCHEYEDAN COMMUNITY SCHOOL DISTRICT

OFFICIALS

JUNE 30, 2008

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<u>BOARD OF EDUCATION</u> (Before September 2007 Election)		
Kevin Hertz	President	2007
Julie Eddy	Vice President	2008
Cindy Onken	Board Member	2008
Kyle Grimes	Board Member	2007
Keith Newman	Board Member	2009

BOARD OF EDUCATION
(After September 2007 Election)

Kyle Grimes	President	2011
Cindy Onken	Vice President	2008
Keith Newman	Board Member	2009
Julie Eddy	Board Member	2008
Todd Ackerman	Board Member	2009

SCHOOL OFFICIALS

Jeff Herzberg	Superintendent	2008
LaDonn K. Hartzell	Board Secretary	2008
Elizabeth Grob	Attorney	Indefinite



KING, REINSCH, PROSSER & CO., L.L.P.
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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Sibley-Ocheyedan Community School District (the District), Sibley, Iowa, as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the District at June 30, 2008 and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 13, 2009 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



KING, REINSCH, PROSSER & CO., L.L.P.
Certified Public Accountants

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

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 10 and 37 and 38 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, 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 the District's basic financial statements. Other supplementary information included in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

April 13, 2009
Sioux City, Iowa

King, Reinsch, Prosser & Co., L.L.P.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Sibley-Ocheyedan Community School District (the 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, 2008. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2008 Financial Highlights

- General Fund revenues increased from \$6,573,215 in fiscal 2007 to \$7,307,176 in fiscal 2008, while General Fund expenditures increased from \$7,115,255 in fiscal 2007 to \$7,352,484 in fiscal 2008. The District's General Fund balance decreased from a deficit of (\$386,587) in fiscal 2007 to (\$405,340) in fiscal 2008, a 4.9 percent decrease.
- The increase in General Fund revenues was primarily attributable to an increased enrollment of open enrolled students, an increase in property tax valuations, and an increase in State Foundation Aid and Teacher Quality monies.
- The minimal increase in General Fund expenditures was primarily attributable to an overall effort to keep costs down to eliminate the deficit fund balance. A greater effort to use local option sales tax dollars for capital purchases was achieved also.

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 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 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 District acts solely as an agent or custodian for the benefit of those outside of the District.

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 Special Revenue Funds.

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, Special Revenue Funds, Debt Service 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 provides more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund.

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

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

- **Private-Purpose Trust Fund** - The District accounts for outside donations for scholarships for individual students in this fund.
- **Agency Funds** - These are funds through which the District administers and accounts for certain federal and/or state grants on behalf of other Districts and certain revenue collected for District employee purchases of pop and related expenditures.

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 includes 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-1 below provides a summary of the District's net assets at June 30, 2008 and 2007.

Figure A-1 (In Thousands)
Condensed Statement of Net Assets

	Governmental Activities		Business-Type Activities		Total District		Total Percentage Change
	2008	2007	2008	2007	2008	2007	2007-2008
Current and other assets	\$ 6,968	\$ 5,096	\$ 42	\$ 36	\$ 7,010	\$ 5,132	36.6%
Capital assets, net	6,650	6,270	28	26	6,678	6,296	6.1%
Total assets	\$ 13,618	\$ 11,366	\$ 70	\$ 62	\$ 13,688	\$ 11,428	19.8%
Long-term liabilities	\$ 3,087	\$ 2,679	\$ -	\$ -	\$ 3,087	\$ 2,679	15.2%
Other liabilities	5,898	4,383	5	5	5,903	4,388	34.5%
Total liabilities	\$ 8,985	\$ 7,062	\$ 5	\$ 5	\$ 8,990	\$ 7,067	27.2%
Net assets:							
Invested in capital assets, net of related debt	\$ 3,835	\$ 3,985	\$ 28	\$ 26	\$ 3,863	\$ 4,011	-3.7%
Restricted	1,351	830	-	-	1,351	830	62.8%
Unrestricted	(553)	(511)	37	31	(516)	(480)	-7.5%
Total net assets	\$ 4,633	\$ 4,304	\$ 65	\$ 57	\$ 4,698	\$ 4,361	7.7%

The District's combined net assets increased nearly 8 percent, or approximately \$336,000, over the prior year. The largest portion of the District's net assets is the invested in capital assets (e.g., land, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources from the debt service fund which is funded by a separate tax levy and local option sales tax revenue.

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 \$521,000, or 63 percent over the prior year, the increase was primarily a result of unspent bond proceeds.

The unrestricted net assets are available from the day to day District operations and are not subject to constraints established by debt covenants, enabling legislation or other legal requirements - decreased approximately \$36,000, or 8 percent over the prior year.

Figure A-2 shows the changes in net assets for the years ended June 30, 2008 and 2007.

Figure A-2 (In Thousands)
Change in Net Assets

	Governmental Activities		Business Type Activities		Total District		Total Percentage Change
	2008	2007	2008	2007	2008	2007	2007-2008
Revenues:							
Program revenues:							
Charges for services	\$ 579	\$ 543	\$ 323	\$ 319	\$ 902	\$ 862	4.6%
Operating grants, contributions and restricted interest	1,217	917	154	143	1,371	1,060	29.3%
General revenues:							
Property tax	2,532	2,498	-	-	2,532	2,498	1.4%
Unrestricted state grants	3,552	3,189	-	-	3,552	3,189	11.4%
Unrestricted investment earnings	85	93	-	-	85	93	-8.6%
Local surtax	208	160	-	-	208	160	30.0%
Local option sales tax	483	487	-	-	483	487	-0.8%
Other	16	12	-	-	16	12	33.3%
Total revenues	<u>\$ 8,672</u>	<u>\$ 7,899</u>	<u>\$ 477</u>	<u>\$ 462</u>	<u>\$ 9,149</u>	<u>\$ 8,361</u>	<u>9.4%</u>
Program expenses:							
Instruction	\$ 5,384	\$ 5,181	\$ -	\$ -	\$ 5,384	\$ 5,181	3.9%
Support services	2,432	2,635	-	-	2,432	2,635	-7.7%
Non-instructional programs	-	-	470	464	470	464	1.3%
Other expenses	527	550	-	-	527	550	-4.2%
Total expenses	<u>\$ 8,343</u>	<u>\$ 8,366</u>	<u>\$ 470</u>	<u>\$ 464</u>	<u>\$ 8,813</u>	<u>\$ 8,830</u>	<u>-0.2%</u>
Change in net assets	<u>\$ 329</u>	<u>\$ (467)</u>	<u>\$ 7</u>	<u>\$ (2)</u>	<u>\$ 336</u>	<u>\$ (469)</u>	<u>171.6%</u>

Property tax and unrestricted state grants account for 66.5 percent of the total revenue (68.0 percent in 2007). The District's expenses primarily relate to instruction and support services, which account for 88.7 percent of the total expenses (88.5 percent in 2007).

Governmental Activities - Revenues for governmental activities were \$8,671,781 and expenses were \$8,342,470. Governmental activities revenue increased over 2007 primarily as a result of an increase in unrestricted state grant money and property taxes being received into the management fund also during the year.

The following table presents the total and net cost of the District's major governmental activities for the years ended June 30, 2008 and 2007: Instruction, support services, non-instructional programs and other expenses.

Figure A-3 (In Thousands)
Total and Net Cost of Governmental Activities

	Total Cost of Services		Percent	Net Cost of Services		Percent
	2008	2007	Change	2008	2007	Change
Instruction	\$ 5,384	\$ 5,181	3.9%	\$ 3,968	\$ 4,059	-2.2%
Support services	2,432	2,635	-7.7%	2,346	2,580	-9.1%
Other expenses	<u>527</u>	<u>550</u>	<u>-4.2%</u>	<u>232</u>	<u>267</u>	<u>-13.1%</u>
Totals	<u>\$ 8,343</u>	<u>\$ 8,366</u>	<u>-0.3%</u>	<u>\$ 6,546</u>	<u>\$ 6,906</u>	<u>-5.2%</u>

- The cost financed by users of the District's programs was \$579,467 (\$542,769 in 2007).
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,216,617 (\$916,750 in 2007).
- The net cost of governmental activities was financed with \$3,222,773 in property and other taxes (\$3,146,176 in 2007) and \$3,551,617 in unrestricted state grants (\$3,189,393 in 2007).

Business-Type Activities - Revenues for business-type activities were \$477,278 (\$462,027 in 2007) and expenses were \$469,969 (\$463,524 in 2007). The District's business-type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income. Revenue and expense increases were attributable to his/her participation in the program and normal cost increases.

Governmental Fund Analysis

As previously noted, the 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 \$1,076,091, above last year's ending fund balances of \$720,989. The District's proprietary funds reported end of year net assets of \$64,766, above last year's ending fund balances of \$57,457.

Governmental Fund Highlights

The District's deteriorating General Fund financial position is due to the necessary addition of 6.5 positions over the last four years for a cost exceeding \$1,000,000. The necessary faculty additions included a Middle School Counselor, Elementary Principal, Special Ed Teacher, ELL Teacher, Pre-Kindergarten Teacher and a High School Teacher.

The Capital Projects Fund balance increase was due to the District issuing a new bond totaling \$760,000 to fund an Energy Savings Project.

Proprietary Fund Highlights

Proprietary fund net assets increased \$7,309 from \$57,457 in 2007 to \$64,766 in 2008 due to increased participation more than offsetting any increase in costs.

Budgetary Highlights

The District's total revenues were \$258,284 less than budgeted revenues, a variance of 2.7 percent. The most significant variance resulted from the District receiving less from both state and federal sources that originally anticipated. The District's total expenditures were \$158,968 less than budgeted, a variance of 1.6 percent. The most significant variances resulted from the District spending less in the instruction and support services functions than anticipated, and spending more in the other instruction functions due to various infrastructure projects during the year.

Although total expenditures were less than the total budget, the District did exceed the certified budget in the non-instructional programs and other expenditures functional area due to expenditures being more than anticipated, including facilities acquisition.

Capital Assets and Debt Administration

Capital Assets - At June 30, 2008, the District had invested \$6,677,965, 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-4) More detailed information about the District's capital assets is presented in Note 4 to the financial statements. Depreciation expense for the year was \$337,353.

The original cost of the District's capital assets was \$12,292,835. Governmental funds account for \$12,234,085, with the remainder of \$58,750 accounted for in the Proprietary, School Nutrition Fund.

Figure A-4 (In Thousands)
Capital Assets, Net of Depreciation

	Governmental Activities		Business Type Activities		Total District		Percent
	2008	2007	2008	2007	2008	2007	Change 2007-2008
Land	\$ 25	\$ 25	\$ -	\$ -	\$ 25	\$ 25	0.0%
Construction in progress	147	146	-	-	147	146	0.7%
Buildings	6,163	5,705	-	-	6,163	5,705	8.0%
Improvements other than buildings	101	116	-	-	101	116	-12.9%
Furniture and equipment	214	278	28	26	242	304	-20.4%
Totals	\$ 6,650	\$ 6,270	\$ 28	\$ 26	\$ 6,678	\$ 6,296	6.1%

Long-Term Debt - At June 30, 2008, the District had \$2,815,000 in general obligation and school infrastructure sales and service tax revenue bonds, and \$271,813 early retirement payable outstanding (total of \$3,086,813). In order to obtain more favorable interest rates, in May 2008 the District issued \$2,055,000 General Obligation Bonds (refunding) to advance refund \$2,040,000 of the District's previously issued and outstanding general obligation bonds. Also during fiscal year 2008, a \$760,000 School Infrastructure Sales and Service Tax Revenue Bond was issued to fund a new energy efficiency project. Table A-5 summarizes the District's long-term debt as of June 30, 2008 and 2007. Additional information about the District's long-term debt is presented in Note 5 to the financial statements.

Figure A-5 (In Thousands)
Outstanding Long-Term Obligations

	Total District		Total
	June 30,		Change
	<u>2008</u>	<u>2007</u>	<u>2007-2008</u>
General obligation bonds	\$ 2,055	\$ 2,285	-10.1%
School infrastructure sales and service tax revenue bonds	760	-	100.0%
Early retirement	<u>272</u>	<u>394</u>	<u>-31.0%</u>
	<u>\$ 3,087</u>	<u>\$ 2,679</u>	<u>15.2%</u>

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 affect its financial health in the future:

Enrollment is the key to financial stability. Enrollment projections for the District predict the school enrollment to decrease by approximately thirty students by June 30, 2010. However, enrollment should appear more balanced by the beginning of the fiscal year ending June 30, 2011 for that is when the last of the large classes the District has experienced will graduate. At which point, going forward class size is expected to approximate 60-65 students.

Contacting the District's Financial Management

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

BASIC FINANCIAL STATEMENTS

SIBLEY-OCHEYEDAN COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2008

			Program Revenues	
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
FUNCTIONS/PROGRAMS:				
Governmental activities:				
Instruction:				
Regular instruction	\$ 3,262,145	\$ 293,696	\$ 642,441	\$ -
Special instruction	1,302,462	25,998	113,759	-
Other instruction	<u>819,245</u>	<u>235,257</u>	<u>105,061</u>	-
	<u>\$ 5,383,852</u>	<u>\$ 554,951</u>	<u>\$ 861,261</u>	<u>\$ -</u>
Support services:				
Student services	\$ 302,784	\$ -	\$ -	\$ -
Instructional staff services	220,023	-	49,670	-
Administration services	872,456	-	-	-
Operation and maintenance of plant services	727,935	24,516	-	-
Transportation services	<u>308,129</u>	<u>-</u>	<u>10,751</u>	<u>-</u>
	<u>\$ 2,431,327</u>	<u>\$ 24,516</u>	<u>\$ 60,421</u>	<u>\$ -</u>
Other expenses:				
Facilities acquisition	\$ 121,065	\$ -	\$ -	\$ -
Long-term debt interest	111,291	-	-	-
AEA flow through	<u>294,935</u>	<u>-</u>	<u>294,935</u>	<u>-</u>
	<u>\$ 527,291</u>	<u>\$ -</u>	<u>\$ 294,935</u>	<u>\$ -</u>
Total governmental activities	\$ 8,342,470	\$ 579,467	\$ 1,216,617	\$ -
Business type activities:				
Non-instructional programs:				
Food service operations	<u>469,969</u>	<u>323,144</u>	<u>154,094</u>	<u>-</u>
Total	<u>\$ 8,812,439</u>	<u>\$ 902,611</u>	<u>\$ 1,370,711</u>	<u>\$ -</u>
GENERAL REVENUES:				
Property tax levied for:				
General purposes				
Management levy				
Physical plant and equipment levy				
Unrestricted state grants				
Unrestricted investment earnings				
Local surtax				
Local option sales tax				
Sale of equipment				
Total general revenues				
Change in net assets				
Net assets beginning of year, as previously reported				
Prior period adjustment (Note 12)				
Net assets beginning of year, as restated				
Net assets end of year				

See notes to financial statements.

Net (Expense) Revenue and Changes in Net Assets

<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
\$ (2,326,008)	\$ -	\$ (2,326,008)
(1,162,705)	-	(1,162,705)
<u>(478,927)</u>	<u>-</u>	<u>(478,927)</u>
\$ <u>(3,967,640)</u>	\$ <u>-</u>	\$ <u>(3,967,640)</u>
\$ (302,784)	\$ -	\$ (302,784)
(170,353)	-	(170,353)
(872,456)	-	(872,456)
(703,419)	-	(703,419)
<u>(297,378)</u>	<u>-</u>	<u>(297,378)</u>
\$ <u>(2,346,390)</u>	\$ <u>-</u>	\$ <u>(2,346,390)</u>
\$ (121,065)	\$ -	\$ (121,065)
(111,291)	-	(111,291)
<u>-</u>	<u>-</u>	<u>-</u>
\$ <u>(232,356)</u>	\$ <u>-</u>	\$ <u>(232,356)</u>
\$ (6,546,386)	\$ -	\$ (6,546,386)
<u>-</u>	<u>7,269</u>	<u>7,269</u>
\$ <u>(6,546,386)</u>	\$ <u>7,269</u>	\$ <u>(6,539,117)</u>
\$ 2,170,349	\$ -	\$ 2,170,349
300,278	-	300,278
61,778	-	61,778
3,551,617	-	3,551,617
85,467	40	85,507
207,679	-	207,679
482,689	-	482,689
<u>15,840</u>	<u>-</u>	<u>15,840</u>
\$ <u>6,875,697</u>	\$ <u>40</u>	\$ <u>6,875,737</u>
\$ <u>329,311</u>	\$ <u>7,309</u>	\$ <u>336,620</u>
\$ 4,479,849	\$ 57,457	\$ 4,537,306
<u>(176,724)</u>	<u>-</u>	<u>(176,724)</u>
\$ <u>4,303,125</u>	\$ <u>57,457</u>	\$ <u>4,360,582</u>
\$ <u>4,632,436</u>	\$ <u>64,766</u>	\$ <u>4,697,202</u>

SIBLEY-OCHEYEDAN COMMUNITY SCHOOL DISTRICTBALANCE SHEET - GOVERNMENTAL FUNDSJUNE 30, 2008

<u>ASSETS</u>	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor Special Revenue</u>	<u>Total</u>
Cash and pooled investments:				
ISCAP	\$ 2,213,721	\$ -	\$ -	\$ 2,213,721
Other	151,144	1,109,712	324,559	1,585,415
Receivables:				
Property tax:				
Current year	62,510	-	10,398	72,908
Succeeding year	2,584,955	-	322,676	2,907,631
Accounts	4,311	-	-	4,311
Accrued interest:				
ISCAP	10,648	-	-	10,648
Due from other governments	<u>64,296</u>	<u>109,049</u>	<u>-</u>	<u>173,345</u>
Total assets	<u>\$ 5,091,585</u>	<u>\$ 1,218,761</u>	<u>\$ 657,633</u>	<u>\$ 6,967,979</u>
 <u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:				
Accounts payable	\$ 56,146	\$ 71,102	\$ 1,185	\$ 128,433
Salaries and benefits payable	616,645	-	-	616,645
Deferred revenue:				
Succeeding year property tax	2,584,955	-	322,676	2,907,631
ISCAP warrants payable	2,199,000	-	-	2,199,000
ISCAP accrued interest payable	10,109	-	-	10,109
ISCAP premium	<u>30,070</u>	<u>-</u>	<u>-</u>	<u>30,070</u>
Total liabilities	<u>\$ 5,496,925</u>	<u>\$ 71,102</u>	<u>\$ 323,861</u>	<u>\$ 5,891,888</u>
Fund balances:				
Reserved for:				
Debt service	\$ -	\$ -	\$ 874	\$ 874
State categorical aid	147,824	-	-	147,824
Unreserved	<u>(553,164)</u>	<u>1,147,659</u>	<u>332,898</u>	<u>927,393</u>
Total fund balances	<u>\$ (405,340)</u>	<u>\$ 1,147,659</u>	<u>\$ 333,772</u>	<u>\$ 1,076,091</u>
Total liabilities and fund balances	<u>\$ 5,091,585</u>	<u>\$ 1,218,761</u>	<u>\$ 657,633</u>	<u>\$ 6,967,979</u>

See notes to financial statements.

SIBLEY-OCHEYEDAN COMMUNITY SCHOOL DISTRICT

RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS

TO THE STATEMENT OF NET ASSETS

JUNE 30, 2008

Total fund balances of governmental funds \$ 1,076,091

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. 6,649,647

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. (6,489)

Long-term liabilities, including bonds payable and early retirement, are not due and payable in the current period and, therefore, are not reported in the governmental funds. (3,086,813)

Net assets of governmental activities \$ 4,632,436

SIBLEY-OCHEYEDAN COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -

GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2008

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor Special Revenue</u>	<u>Total</u>
Revenues:				
Local sources:				
Local tax	\$ 2,378,028	\$ 482,689	\$ 362,056	\$ 3,222,773
Tuition	251,630	-	-	251,630
Other	134,405	84,969	305,381	524,755
State sources	4,303,562	116,821	-	4,420,383
Federal sources	<u>239,551</u>	<u>-</u>	<u>-</u>	<u>239,551</u>
Total revenues	<u>\$ 7,307,176</u>	<u>\$ 684,479</u>	<u>\$ 667,437</u>	<u>\$ 8,659,092</u>
Expenditures:				
Current:				
Instruction:				
Regular instruction	\$ 3,068,833	\$ -	\$ 169,980	\$ 3,238,813
Special instruction	1,259,281	-	-	1,259,281
Other instruction	<u>517,900</u>	<u>-</u>	<u>267,295</u>	<u>785,195</u>
	<u>\$ 4,846,014</u>	<u>\$ -</u>	<u>\$ 437,275</u>	<u>\$ 5,283,289</u>
Support services:				
Student services	\$ 286,663	\$ -	\$ 1,000	\$ 287,663
Instructional staff services	174,299	-	-	174,299
Administration services	836,214	-	-	836,214
Operation and maintenance of plant services	635,497	-	63,976	699,473
Transportation services	<u>278,862</u>	<u>-</u>	<u>18,840</u>	<u>297,702</u>
	<u>\$ 2,211,535</u>	<u>\$ -</u>	<u>\$ 83,816</u>	<u>\$ 2,295,351</u>
Other expenditures:				
Facilities and equipment acquisition	\$ -	\$ 710,505	\$ 163,256	\$ 873,761
Long-term debt:				
Principal	-	-	245,000	245,000
Interest and fiscal charges	-	-	113,209	113,209
AEA flow through	<u>294,935</u>	<u>-</u>	<u>-</u>	<u>294,935</u>
	<u>\$ 294,935</u>	<u>\$ 710,505</u>	<u>\$ 521,465</u>	<u>\$ 1,526,905</u>
Total expenditures	<u>\$ 7,352,484</u>	<u>\$ 710,505</u>	<u>\$ 1,042,556</u>	<u>\$ 9,105,545</u>
Excess (deficiency) of revenues over (under) expenditures	\$ (45,308)	\$ (26,026)	\$ (375,119)	\$ (446,453)
Other financing sources (uses):				
Proceeds from bond issuance	\$ -	\$ 760,000	\$ -	\$ 760,000
Refunding bond proceeds	-	-	2,055,000	2,055,000
Payment to escrow agent	-	-	(2,040,000)	(2,040,000)
Sale of equipment	26,555	-	-	26,555
Transfers (to) from other funds	<u>-</u>	<u>(337,000)</u>	<u>337,000</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures	\$ (18,753)	\$ 396,974	\$ (23,119)	\$ 355,102
Fund balances beginning of year	<u>(386,587)</u>	<u>750,685</u>	<u>356,891</u>	<u>720,989</u>
Fund balances end of year	<u>\$ (405,340)</u>	<u>\$ 1,147,659</u>	<u>\$ 333,772</u>	<u>\$ 1,076,091</u>

SIBLEY-OCHEYEDAN COMMUNITY SCHOOL DISTRICTRECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES ANDCHANGES IN FUND BALANCES - GOVERNMENTAL FUNDSTO THE STATEMENT OF ACTIVITIESYEAR ENDED JUNE 30, 2008

Net change in fund balances - total governmental funds \$ 355,102

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

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are capitalized in the Statement of Net Activities and are expensed 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	\$ 727,494	
Depreciation expense	<u>(333,659)</u>	393,835

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

Bonds issued	\$ (760,000)	
Refunding bonds issued	(2,055,000)	
Bond principal retirement	245,000	
Payments to refunded bonds escrow agent	<u>2,040,000</u>	(530,000)

Cash received on sale of capital assets is recognized as revenue in the governmental funds. In the Statement of Activities, a gain (loss) on disposal of capital assets is recognized based on the difference between the cash received and the net book value of the capital assets disposed. (13,865)

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. 1,918

Early retirement expenses reported in the Statement of Activities are measured by the amount incurred during the year. However, in the governmental funds, early retirement expenditures are measured by the amount actually paid. 122,321

Change in net assets of governmental activities \$ 329,311

See notes to financial statements.

SIBLEY-OCHEYEDAN COMMUNITY SCHOOL DISTRICTSTATEMENT OF NET ASSETS - PROPRIETARY FUNDSJUNE 30, 2008

	<u>School Nutrition</u>
ASSETS:	
Cash and cash equivalents	\$ 31,017
Inventories	10,685
Due from other governments	25
Capital assets, net of accumulated depreciation	<u>28,318</u>
Total assets	<u>\$ 70,045</u>
LIABILITIES:	
Deferred revenue	\$ 5,279
Total liabilities	<u>\$ 5,279</u>
NET ASSETS:	
Invested in capital assets, net of related debt	\$ 28,318
Unrestricted	<u>36,448</u>
Total net assets	<u>\$ 64,766</u>
Total liabilities and net assets	<u>\$ 70,045</u>

SIBLEY-OCHEYEDAN COMMUNITY SCHOOL DISTRICTSTATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS -PROPRIETARY FUNDSYEAR ENDED JUNE 30, 2008

	<u>School Nutrition</u>
Operating revenues:	
Local sources:	
Charges for service	\$ <u>323,144</u>
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	\$ 146,989
Benefits	48,298
Supplies	270,988
Depreciation	<u>3,694</u>
Total operating expenses	\$ <u>469,969</u>
Operating loss	\$ <u>(146,825)</u>
Non-operating revenues:	
Interest income	\$ 40
State sources	4,486
Federal sources	130,799
Food distribution	<u>18,809</u>
Total non-operating revenues	\$ <u>154,134</u>
Change in net assets	\$ 7,309
Net assets beginning of year	<u>57,457</u>
Net assets end of year	<u>\$ 64,766</u>

SIBLEY-OCHEYEDAN COMMUNITY SCHOOL DISTRICTSTATEMENT OF CASH FLOWS - PROPRIETARY FUNDSYEAR ENDED JUNE 30, 2008

	<u>School Nutrition</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 323,119
Cash paid to employees for services	(195,287)
Cash paid to suppliers for goods or services	(257,894)
Net cash used by operating activities	<u>\$ (130,062)</u>
Cash flows from non-capital financing activities:	
State grants received	\$ 4,486
Federal grants received	130,799
Net cash provided by non-capital financing activities	<u>\$ 135,285</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	\$ (5,927)
Net cash used by capital and related financing activities	<u>\$ (5,927)</u>
Cash flows from investing activities:	
Interest on investments	<u>\$ 40</u>
Net change in cash and cash equivalents	\$ (664)
Cash and cash equivalents beginning of year	<u>31,681</u>
Cash and cash equivalents end of year	<u>\$ 31,017</u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (146,825)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Commodities used	16,827
Depreciation	3,694
Increase in inventories	(3,733)
Increase in accounts receivable	(25)
Net cash used by operating activities	<u>\$ (130,062)</u>
Non-cash investing, capital and financing activities:	
During the year ended June 30, 2008, the District received \$18,809 of federal commodities.	

SIBLEY-OCHEYEDAN COMMUNITY SCHOOL DISTRICTSTATEMENTS OF FIDUCIARY NET ASSETS - FIDUCIARY FUNDSJUNE 30, 2008

	<u>Private Purpose Trust</u>	<u>Agency Fund</u>
ASSETS:		
Cash and pooled investments	\$ 15,471	\$ -
Accounts receivable	<u>-</u>	<u>1,477</u>
Total assets	<u>\$ 15,471</u>	<u>\$ 1,477</u>
LIABILITIES:		
Outstanding checks in excess of cash	<u>\$ -</u>	<u>\$ 1,477</u>
Total liabilities	<u>\$ -</u>	<u>\$ 1,477</u>
NET ASSETS:		
Unrestricted	<u>\$ 15,471</u>	<u>\$ -</u>
Total net assets	<u>\$ 15,471</u>	<u>\$ -</u>
Total liabilities and net assets	<u>\$ 15,471</u>	<u>\$ 1,477</u>

SIBLEY-OCHEYEDAN COMMUNITY SCHOOL DISTRICTSTATEMENT OF CHANGES IN FIDUCIARY NET ASSETS - FIDUCIARY FUNDSYEAR ENDED JUNE 30, 2008

	<u>Private Purpose Trust</u>
Additions:	
Local sources:	
Interest	\$ 713
Deductions:	
Support services:	
Scholarships awarded	<u>850</u>
Change in net assets	\$ (137)
Net assets beginning of year	<u>15,608</u>
Net asset end of year	<u>\$ 15,471</u>

SIBLEY-OCHEYEDAN COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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

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

- A. Reporting Entity - For financial reporting purposes, the 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 GASB 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 District has no component units which meet the GASB 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 non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for service.

SIBLEY-OCHEYEDAN COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

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

Invested in Capital Assets, Net of Related Debt - Consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

Restricted Net Assets - Result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

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

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

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

SIBLEY-OCHEYEDAN COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

The District reports the following major governmental funds:

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

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

The District reports the following major proprietary fund:

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

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds included 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.

The Agency Fund is used to account for assets held by the District as an agent for individuals, private organizations and other governments. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of results of operations.

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available.

SIBLEY-OCHEYEDAN COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

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

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

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

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

Proprietary funds distinguished 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 charged 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.

SIBLEY-OCHEYEDAN COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

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

D. Assets, Liabilities and Fund Equity

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

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the 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 that the tax asking is certified by the Board of Education. Current year delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1-1/2 percent per month penalty for delinquent payments; is based on January 1, 2006 assessed property valuations; is for the tax accrual period July 1, 2007 through June 30, 2008 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2007.

SIBLEY-OCHEYEDAN COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

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 value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

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

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

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	20-50 years
Improvements other than buildings	5-20 years
Furniture and equipment	5-15 years

SIBLEY-OCHEYEDAN COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

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 represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period.

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

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

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

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

SIBLEY-OCHEYEDAN COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

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

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2008, expenditures in the non-instructional programs and other expenditures functions exceeded the amounts budgeted. The District also exceeded its General Fund spending authority.

NOTE 2 - CASH AND POOLED INVESTMENTS:

The District's deposits in banks at June 30, 2008 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 ensure 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.

NOTE 3 - 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 of the program. A summary of the District's participation in ISCAP as of June 30, 2008 is as follows:

SIBLEY-OCHEYEDAN COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

NOTE 3 - IOWA SCHOOL CASH ANTICIPATION PROGRAM (ISCAP) (CONTINUED):

<u>Series</u>	<u>Warrant Date</u>	<u>Final Warrant Maturity</u>	<u>Investments</u>	<u>Accrued Interest Receivable</u>	<u>Warrants Payable</u>	<u>Accrued Interest Payable</u>
2008-09A	6/26/2008	6/25/009	\$ 1,563,641	\$ 593	\$ 1,551,000	\$ 456
2007-08B	1/23/2008	1/23/2009	650,080	9,713	648,000	9,653
2007-08A	6/27/2007	6/27/2008	-	342	-	-
Total			<u>\$ 2,213,721</u>	<u>\$ 10,648</u>	<u>\$ 2,199,000</u>	<u>\$ 10,109</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, 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 percent of the warrant amount. ISCAP advance activity in the General Fund for the year ended June 30, 2008, is as follows:

<u>Series</u>	<u>Balance Beginning of Year</u>	<u>Advances Received</u>	<u>Advances Repaid</u>	<u>Balance End of Year</u>
2007-08B	\$ -	\$ 50,000	\$ 50,000	\$ -
2007-08A	-	700,000	700,000	-
Total	<u>\$ -</u>	<u>\$ 750,000</u>	<u>\$ 750,000</u>	<u>\$ -</u>

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

<u>Series</u>	<u>Interest Rates on Warrants</u>	<u>Interest Rates on Investments</u>
2008-09A	3.500%	3.469%
2007-08B	3.750%	3.451%
2007-08A	4.500%	5.448%

SIBLEY-OCHEYEDAN COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

NOTE 4 - CAPITAL ASSETS:

Capital assets activity for the year ended June 30, 2008 was as follows:

	<u>Balance</u> <u>Beginning</u> <u>of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>End</u> <u>of Year</u>
Governmental activities:				
Capital assets not being depreciated				
Land	\$ 25,000	\$ -	\$ -	\$ 25,000
Construction in progress	<u>145,812</u>	<u>146,831</u>	<u>145,812</u>	<u>146,831</u>
Total capital assets not being depreciated	<u>\$ 170,812</u>	<u>\$ 146,831</u>	<u>\$ 145,812</u>	<u>\$ 171,831</u>
Capital assets being depreciated:				
Buildings	\$ 9,959,093	\$ 702,195	\$ -	\$ 10,661,288
Improvements other than buildings	270,829	-	-	270,829
Furniture and equipment	<u>1,195,584</u>	<u>24,280</u>	<u>89,727</u>	<u>1,130,137</u>
Total capital assets being depreciated	<u>\$ 11,425,506</u>	<u>\$ 726,475</u>	<u>\$ 89,727</u>	<u>\$ 12,062,254</u>
Less accumulated depreciation for:				
Buildings	\$ 4,254,332	\$ 243,738	\$ -	\$ 4,498,070
Improvements other than buildings	154,776	15,234	-	170,010
Furniture and equipment	<u>917,533</u>	<u>74,687</u>	<u>75,862</u>	<u>916,358</u>
Total accumulated depreciation	<u>\$ 5,326,641</u>	<u>\$ 333,659</u>	<u>\$ 75,862</u>	<u>\$ 5,584,438</u>
Total capital assets being depreciated, net	<u>\$ 6,098,865</u>	<u>\$ 392,816</u>	<u>\$ 13,865</u>	<u>\$ 6,477,816</u>
Governmental activities capital assets, net	<u>\$ 6,269,677</u>	<u>\$ 539,647</u>	<u>\$ 159,677</u>	<u>\$ 6,649,647</u>
Business type activities:				
Furniture and equipment	\$ 52,823	\$ 5,927	\$ -	\$ 58,750
Less accumulated depreciation	<u>26,738</u>	<u>3,694</u>	<u>-</u>	<u>30,432</u>
Business type activities capital assets, net	<u>\$ 26,085</u>	<u>\$ 2,233</u>	<u>\$ -</u>	<u>\$ 28,318</u>

SIBLEY-OCHEYEDAN COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

NOTE 4 - CAPITAL ASSETS (CONTINUED):

Depreciation expense was charged to the following functions:

Governmental activities:

Instruction:

Regular	\$ 140,378
Special	54,580
Other	<u>34,032</u>
	<u>\$ 228,990</u>

Support services:

Student	\$ 15,121
Instructional staff	9,141
Administration	36,243
Operation and maintenance of plant	31,261
Transportation	<u>12,903</u>
	<u>\$ 104,669</u>

Total depreciation expense - governmental activities \$ 333,659

Business type activities:

Food service operations	<u>\$ 3,694</u>
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NOTE 5 - LONG-TERM LIABILITIES:

Changes in long-term liabilities for the year ended June 30, 2008 are summarized as follows:

	Balance Beginning <u>of Year</u>	<u>Additions</u>	<u>Reductions</u>	Balance End <u>of Year</u>	Due Within <u>One Year</u>
General obligation bonds	\$ 2,285,000	\$ -	\$ 2,285,000	\$ -	\$ -
School refunding bonds (2008)	-	2,055,000	-	2,055,000	265,000
School infrastructure sales and services tax revenue bonds	-	760,000	-	760,000	115,000
Early retirement	<u>394,134</u>	<u>18,888</u>	<u>141,209</u>	<u>271,813</u>	<u>72,927</u>
Total	<u>\$ 2,679,134</u>	<u>\$ 2,833,888</u>	<u>\$ 2,426,209</u>	<u>\$ 3,086,813</u>	<u>\$ 452,927</u>

SIBLEY-OCHEYEDAN COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

NOTE 5 - LONG-TERM LIABILITIES (CONTINUED):

Early Retirement - The District offers a voluntary early retirement plan to its employees. Eligible certified employees must have completed ten years of service to the District, the last five must be continuous, and must have reached the age of fifty-eight on or before June 30 of the last-employed school year. Employees must complete an application which is required to be approved by the Board of Education.

Early retirement benefits for certified employees consist of District paid health insurance of up to \$550 of premium per month until age sixty-five, 1 percent of their current annual contract for every year they have worked for the District, and up to 130 sick days of unused sick leave at \$20 per day. The payment for unused sick leave and the 1 percent monetary bonus will be made in one lump sum during the year following retirement.

Early retirement benefits for non-certified employees consist of a stipend paid based on years of service to the District and retirees will be paid for up to 130 sick days of unused sick leave at \$10 per day. The early retirement benefit will be made in one lump sum during the year following retirement.

Early retirement benefits paid during the year ended June 30, 2008 totaled \$141,209. The total liability for early retirement are recorded as long-term liabilities in the government-wide financial statements and includes sixteen participants extending through the year ending June 30, 2015.

School Infrastructure Sales and Services Tax Revenue Bonds - Details of the District's June 30, 2008 school infrastructure sales and services tax revenue bonds indebtedness are as follows:

<u>Revenue Bond Issue of 2008</u>			
<u>Year Ending</u>			
<u>June 30,</u>	<u>Interest Rates</u>	<u>Principal</u>	<u>Interest</u>
2009	3.20%	\$ 115,000	\$ 14,449
2010	3.40%	120,000	23,988
2011	3.60%	125,000	19,908
2012	3.70%	130,000	15,408
2013	3.85%	135,000	10,598
Thereafter	4.00%	<u>135,000</u>	<u>5,400</u>
Total		<u>\$ 760,000</u>	<u>\$ 89,751</u>

SIBLEY-OCHEYEDAN COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

NOTE 5 - LONG-TERM LIABILITIES (CONTINUED):

The District has pledged future local option sales and services tax revenues to repay the \$760,000 bonds issued in June 2008. The bonds were issued for the purpose of financing school infrastructure. The bonds are payable solely from the proceeds of the local option sales and services tax revenues received by the District and are payable through 2015. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require nearly 30 percent of the local option sales and services tax revenues. The total principal and interest remaining to be paid on the notes is \$849,751.

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

- a) All proceeds from the local option sales and services tax shall be placed in a Revenue Account (capital project fund account).
- b) An amount necessary to make the next scheduled bond payment shall be deposited in the Sinking Fund.
- c) The balance of proceeds shall be deposited to the Project Fund and expended therefrom for the purposes of issuance.

The District maintained adequate balances in the District's Capital Projects Fund account and made payments for the purposes of issuance during the year ended June 30, 2008.

School Refunding Bonds - 2008 - In order to obtain more favorable interest rates, in May 2008 the District issued \$2,055,000 General Obligation Bonds (refunding), to advance refund \$2,040,000 of the District's previously issued and outstanding general obligation bonds with interest rates ranging between 4.20 and 4.60 percent. As a result of the refunding, the District reduced its aggregate debt service payments to maturity by \$87,852, and obtained an economic gain (difference between present value of the debt service payments on the old and new debt) of \$78,707.

School Refunding Bond Issue of 2008

Year Ending			
June 30,	Interest Rates	Principal	Interest
2009	3.48%	\$ 265,000	\$ 74,692
2010	3.48%	275,000	62,292
2011	3.48%	285,000	52,722
2012	3.48%	295,000	42,804
2013	3.48%	305,000	32,538
Thereafter	3.48%	<u>630,000</u>	<u>33,060</u>
Total		<u>\$ 2,055,000</u>	<u>\$ 298,108</u>

SIBLEY-OCHEYEDAN COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

NOTE 6 - PENSION AND RETIREMENT BENEFITS:

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

Plan members are required to contribute 3.90 percent of their annual covered salary and the District is required to contribute 6.05 percent of annual covered payroll for the years ended June 30, 2008, 2007 and 2006. Contribution requirements are established by state statute. The District's contribution to IPERS for the years ended June 30, 2008, 2007 and 2006 were \$271,085, \$244,946, and \$231,338, respectively, equal to the required contributions for each year.

NOTE 7 - INTERFUND TRANSFERS:

During the year ended June 30, 2008, \$337,000 was transferred from the Capital Projects Fund to the Debt Service Fund in order to provide for principal and interest payments on the District's long-term debt.

NOTE 8 - RISK MANAGEMENT:

The 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.

NOTE 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 \$294,935 for the year ended June 30, 2008 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

SIBLEY-OCHEYEDAN COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

NOTE 10 - CONSTRUCTION COMMITMENTS:

At June 30, 2008, the District had entered into a construction contract totaling \$421,316 for improvements to the land and building. At June 30, 2008, \$279,485 of the contract was uncompleted.

NOTE 11 - LEASE COMMITMENT:

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

Year Ended <u>June 30</u>	Lease <u>Payment</u>
2009	\$ 25,239
2010	25,836
2011	25,836
2012	25,836
2013	25,836
Thereafter	<u>12,918</u>
	<u>\$ 141,501</u>

NOTE 12 - PRIOR PERIOD ADJUSTMENT:

During the year ended June 30, 2007, the District overstated amounts due from other governments relating to income surtax revenue by \$176,724. This resulted in ending net assets being overstated by \$176,724 as of June 30, 2007.

NOTE 13 - SUBSEQUENT EVENT:

Subsequent to June 30, 2008, the District issued \$915,000 General Obligation Energy Management Improvement Capital Loan Notes for the purpose of school infrastructure.

REQUIRED SUPPLEMENTARY INFORMATION

SIBLEY-OCHEYEDAN COMMUNITY SCHOOL DISTRICT

BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES

IN BALANCES - BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS

AND PROPRIETARY FUNDS

REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2008

	Governmental Funds <u>Actual</u>	Proprietary Funds <u>Actual</u>	Total <u>Actual</u>
Revenues:			
Local sources	\$ 3,999,158	\$ 323,184	\$ 4,322,342
State sources	4,420,383	4,486	4,424,869
Federal sources	<u>239,551</u>	<u>149,608</u>	<u>389,159</u>
Total revenues	<u>\$ 8,659,092</u>	<u>\$ 477,278</u>	<u>\$ 9,136,370</u>
Expenditures:			
Instruction	\$ 5,384,493	\$ -	\$ 5,384,493
Support services	2,353,736	-	2,353,736
Non-instructional programs	-	469,969	469,969
Other expenditures	<u>1,367,316</u>	<u>-</u>	<u>1,367,316</u>
Total expenditures	<u>\$ 9,105,545</u>	<u>\$ 469,969</u>	<u>\$ 9,575,514</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (446,453)</u>	<u>\$ 7,309</u>	<u>\$ (439,144)</u>
Other financing sources (uses):			
Bonds issued	\$ 760,000	\$ -	\$ 760,000
Refunding bonds issued	2,055,000	-	2,055,000
Payments to refunded bond escrow agent	(2,040,000)	-	(2,040,000)
Sale of equipment	<u>26,555</u>	<u>-</u>	<u>26,555</u>
Total other financing sources (uses)	<u>\$ 801,555</u>	<u>\$ -</u>	<u>\$ 801,555</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures	<u>\$ 355,102</u>	<u>\$ 7,309</u>	<u>\$ 362,411</u>
Balances beginning of year	<u>720,989</u>	<u>57,457</u>	<u>778,446</u>
Balances end of year	<u>\$ 1,076,091</u>	<u>\$ 64,766</u>	<u>\$ 1,140,857</u>

See accompanying independent auditor's report.

<u>Budgeted Amounts</u>		<u>Final to</u>
<u>Original</u>	<u>Final</u>	<u>Actual</u>
		<u>Variance</u>
\$ 4,134,859	\$ 4,134,859	\$ 187,483
4,709,795	4,709,795	(284,926)
<u>550,000</u>	<u>550,000</u>	<u>(160,841)</u>
<u>\$ 9,394,654</u>	<u>\$ 9,394,654</u>	<u>\$ (258,284)</u>
\$ 5,765,022	\$ 5,765,022	\$ 380,529
2,693,000	2,693,000	339,264
425,000	425,000	(44,969)
<u>851,460</u>	<u>851,460</u>	<u>(515,856)</u>
<u>\$ 9,734,482</u>	<u>\$ 9,734,482</u>	<u>\$ 158,968</u>
<u>\$ (339,828)</u>	<u>\$ (339,828)</u>	<u>\$ (99,316)</u>
\$ -	\$ -	\$ (760,000)
-	-	(2,055,000)
-	-	2,040,000
-	-	(26,555)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ (801,555)</u>
<u>\$ (339,828)</u>	<u>\$ (339,828)</u>	<u>\$ (900,871)</u>

SIBLEY-OCHEYEDAN COMMUNITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING

YEAR ENDED JUNE 30, 2008

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

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

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

During the year ended June 30, 2008, expenditures in the non-instructional programs and other expenditure functions exceeded the amounts budgeted. The District also exceeded its General Fund spending authority as of June 30, 2008.

OTHER SUPPLEMENTARY INFORMATION

SIBLEY-OCHEYEDAN COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS

JUNE 30, 2008

ASSETS

	<u>Management Levy</u>	<u>Student Activity</u>	<u>Physical Plant and Equipment Levy</u>	<u>Debt Service</u>	<u>Total</u>
Cash and pooled investments	\$ 186,525	\$ 100,092	\$ 37,068	\$ 874	\$ 324,559
Receivables:					
Property tax:					
Current year	8,649	-	1,749	-	10,398
Succeeding year	<u>260,000</u>	<u>-</u>	<u>62,676</u>	<u>-</u>	<u>322,676</u>
Total assets	<u>\$ 455,174</u>	<u>\$ 100,092</u>	<u>\$ 101,493</u>	<u>\$ 874</u>	<u>\$ 657,633</u>

LIABILITIES AND FUND EQUITY

Liabilities:					
Accounts payable	\$ -	\$ -	\$ 1,185	\$ -	\$ 1,185
Deferred revenue:					
Succeeding year property tax	<u>260,000</u>	<u>-</u>	<u>62,676</u>	<u>-</u>	<u>322,676</u>
Total liabilities	\$ 260,000	\$ -	\$ 63,861	\$ -	\$ 323,861
Fund equity:					
Reserved for debt service	-	-	-	874	874
Unreserved fund balances	<u>195,174</u>	<u>100,092</u>	<u>37,632</u>	<u>-</u>	<u>332,898</u>
Total liabilities and fund equity	<u>\$ 455,174</u>	<u>\$ 100,092</u>	<u>\$ 101,493</u>	<u>\$ 874</u>	<u>\$ 657,633</u>

SIBLEY-OCHEYEDAN COMMUNITY SCHOOL DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN

FUND BALANCES - NONMAJOR SPECIAL REVENUE FUNDS

YEAR ENDED JUNE 30, 2008

	Management Levy	Student Activity	Physical Plant and Equipment Levy	Debt Service	Total
Revenues:					
Local sources:					
Local tax	\$ 300,278	\$ -	\$ 61,778	\$ -	\$ 362,056
Other	-	254,969	49,439	973	305,381
Total revenues	\$ 300,278	\$ 254,969	\$ 111,217	\$ 973	\$ 667,437
Expenditures:					
Current:					
Instruction:					
Regular instruction	\$ 169,980	\$ -	\$ -	\$ -	\$ 169,980
Other instruction	-	267,295	-	-	267,295
	\$ 169,980	\$ 267,295	\$ -	\$ -	\$ 437,275
Support services:					
Student services	\$ 1,000	\$ -	\$ -	\$ -	\$ 1,000
Operation and maintenance of plant services	63,976	-	-	-	63,976
Transportation	18,840	-	-	-	18,840
	\$ 83,816	\$ -	\$ -	\$ -	\$ 83,816
Other expenditures:					
Facilities acquisition	\$ -	\$ -	\$ 163,256	\$ -	\$ 163,256
Long-term debt:					
Principal	-	-	-	245,000	245,000
Interest and fiscal charges	-	-	-	113,209	113,209
	\$ -	\$ -	\$ 163,256	\$ 358,209	\$ 521,465
Total expenditures	\$ 253,796	\$ 267,295	\$ 163,256	\$ 358,209	\$ 1,042,556
Excess (deficiency) of revenues over (under) expenditures	\$ 46,482	\$ (12,326)	\$ (52,039)	\$ (357,236)	\$ (375,119)
Other financing sources:					
Refunding bond proceeds	\$ -	\$ -	\$ -	\$ 2,055,000	\$ 2,055,000
Payment to escrow agent	-	-	-	(2,040,000)	(2,040,000)
Transfers in	-	-	-	337,000	337,000
Total financing sources	\$ -	\$ -	\$ -	\$ 352,000	\$ 352,000
Excess (deficiency) of revenues and other financing sources over (under) expenditures	\$ 46,482	\$ (12,326)	\$ (52,039)	\$ (5,236)	\$ (23,119)
Fund balances beginning of year	148,692	112,418	89,671	6,110	356,891
Fund balances end of year	\$ 195,174	\$ 100,092	\$ 37,632	\$ 874	\$ 333,772

SIBLEY-OCHEYEDAN COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS

YEAR ENDED JUNE 30, 2008

ACCOUNT:	Balance Beginning of Year	Revenues and Interfund Transfers	Expenditures	Balance End of Year
Boys basketball	\$ 382	\$ 8,599	\$ 6,677	\$ 2,304
Athletics	3,580	2,220	5,729	71
Football	4,594	19,443	23,999	38
Boys track	6	3,296	3,184	118
Girls track	17	-	-	17
Boys golf	238	511	560	189
Girls golf	419	335	159	595
Wrestling	45	5,825	5,869	1
Baseball	559	-	528	31
Girls basketball	1,894	8,046	6,461	3,479
Volleyball	51	3,465	3,350	166
Softball	645	304	868	81
Girls BB special account	1,374	4,888	5,847	415
Boys BB special account	284	4,153	3,676	761
Weight lifting	13	-	-	13
Football special account	2,759	4,464	3,351	3,872
Girls golf special	132	650	424	358
Special cross country	446	942	1,006	382
Special girls track	409	2,004	1,916	497
Baseball special	769	156	893	32
Softball special account	529	-	364	165
Boys golf special account	324	250	-	574
Volleyball special	2,642	1,840	653	3,829
Boys track special account	1,107	889	648	1,348
Wrestling special account	588	2,502	2,690	400
Class of 2006	40	-	40	-
Class of 2007	346	-	346	-
Class of 2008	1,905	-	1,615	290
Class of 2009	6,477	4,983	8,224	3,236
Class of 2010	2,537	500	-	3,037
Class of 2011	2,729	-	-	2,729
Student assistance	1,328	-	-	1,328
Music - band	495	4,584	5,024	55
Music - chorus	1,032	1,505	2,482	55
H.S. band resale	97	4,831	4,904	24
M.S. band resale	1,295	1,787	1,841	1,241
Smoothie Café	46	-	-	46
H.S. activity	16,724	17,246	27,153	6,817
M.S. activity	1,038	3,560	4,308	290
Elementary activity	8,071	2,901	9,778	1,194
Art club	1,759	199	67	1,891
Dance team	4,827	2,297	1,869	5,255
FFA	1,882	88,004	74,917	14,969
Cheerleading	3,245	1,397	1,595	3,047
International club	3,127	3,146	3,322	2,951
National Honor Society	1,598	800	595	1,803
Pep Club	1,998	650	482	2,166
S-O Club	9	-	-	9
H.S. student leadership	10,860	7,805	6,439	12,226
M.S. student council	4,343	6,462	3,176	7,629
Speech club	477	18	454	41
Annual club	5,425	8,804	9,574	4,655
Quill club	103	-	39	64
H.S. science club	841	-	841	-
Drama club	2,741	2,746	3,388	2,099
Co-ed athletics	-	3,625	3,625	-
Concessions	1,217	12,337	12,345	1,209
Total	\$ 112,418	\$ 254,969	\$ 267,295	\$ 100,092

SIBLEY-OCHEYEDAN COMMUNITY SCHOOL DISTRICT

SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION

ALL GOVERNMENTAL FUNDS

FOR THE LAST FIVE YEARS

	Modified Accrual Basis				
	2008	2007	2006	2005	2004
Revenues:					
Local sources:					
Local tax	\$ 3,222,773	\$ 3,146,175	\$ 3,057,682	\$ 3,166,335	\$ 2,909,796
Tuition	251,630	184,206	252,136	226,228	168,361
Other	524,755	462,940	441,271	402,033	535,133
State sources	4,420,383	3,876,109	3,892,147	3,672,039	3,445,911
Federal sources	239,551	230,034	309,049	254,119	244,550
Other financing sources:					
Proceeds from bond issuance, net	775,000	-	-	-	-
Sale of equipment	26,555	-	-	-	-
Total	<u>\$ 9,460,647</u>	<u>\$ 7,899,464</u>	<u>\$ 7,952,285</u>	<u>\$ 7,720,754</u>	<u>\$ 7,303,751</u>
Expenditures:					
Instruction:					
Regular instruction	\$ 3,238,813	\$ 2,972,147	\$ 2,965,110	\$ 2,848,585	\$ 3,088,736
Special instruction	1,259,281	1,091,078	954,725	690,073	799,427
Other instruction	785,195	924,693	862,477	891,442	677,601
Support services:					
Student services	287,663	199,600	172,466	220,483	198,888
Instructional staff services	174,299	319,025	210,667	222,105	174,239
Administration services	836,214	805,178	725,969	604,896	317,775
Operation and maintenance of plant services	699,473	834,642	892,056	748,234	933,046
Transportation services	297,702	390,150	377,711	434,252	284,364
Other expenditures:					
Facilities acquisition	873,761	302,002	50,379	202,571	332,131
Long-term debt:					
Principal	245,000	235,000	225,000	210,000	200,000
Interest and other charges	113,209	111,865	121,428	130,351	138,044
AEA flow through	294,935	282,816	275,616	270,801	271,598
Total	<u>\$ 9,105,545</u>	<u>\$ 8,468,196</u>	<u>\$ 7,833,604</u>	<u>\$ 7,473,793</u>	<u>\$ 7,415,849</u>



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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Sibley-Ocheyedan Community School District (the District) as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated April 13, 2009. 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 the 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 the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the 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 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 the 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 the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.



To the Board of Education
Sibley-Ocheyedan Community School District

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 the 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 I-A-08, I-B-08, and I-C-08 are material weaknesses.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the 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, noncompliance 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 noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2008 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.

The District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit the 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 the District and other parties to whom the District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the 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.

April 13, 2009
Sioux City, Iowa

King, Reinsch, Prosser & Co., L.L.P.

SIBLEY-OCHEYEDAN COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

YEAR ENDED JUNE 30, 2008

Part I: Findings Related to the Financial Statements

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

MATERIAL WEAKNESSES:

I-A-08 Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Incompatible duties, for accounting control purposes, are those duties that place a person in a position where they could both perpetrate and conceal errors or irregularities. To accomplish proper segregation of duties, the system, insofar as possible, should provide for different individuals to perform the functions of (a) authorizing transactions, (b) recording transactions, (c) maintaining custody of the assets that result from transactions, and (d) comparing assets with the related amounts recorded in the accounting records. In performing our audit, we noted that the Business Manager has primary responsibility for many accounting and financial duties.

Recommendation - The size of the District's accounting and administrative staff precludes certain internal controls that would be preferred if the staff were large enough to provide optimum segregation of duties. This situation dictates that the Board of Education and Superintendent remain actively involved in the financial affairs of the District to provide oversight and review functions.

Response - The District understands the nature of the weakness and the necessity for the Board and Superintendent to provide oversight and review functions. The District will review its procedures and implement changes as deemed necessary.

Conclusion - Response accepted.

I-B-08 Preparation of Financial Statements in Accordance with GAAP - The financial statements are the responsibility of the District's management. Part of that responsibility is satisfied by either (a) management preparing the financial statements in accordance with GAAP or (b) management demonstrating the necessary GAAP expertise when reviewing and approving financial statements (that the auditor has assisted in drafting) and the various schedules and calculations used to prepare such financial statements. Management does review draft financial statements prior to issuance but does not fully possess a knowledge of the District's GAAP financial reporting process.

SIBLEY-OCHEYEDAN COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

YEAR ENDED JUNE 30, 2008

(CONTINUED)

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

Recommendation - We recommend management review the District's GAAP financial reporting process and seek the necessary guidance/training so as to more fully understand the process to prepare the District's financial statements in accordance with GAAP.

Response - The District understands the nature of the weakness and the necessity for management to further its understanding of GAAP financial reporting. The District will implement changes as deemed necessary.

Conclusion - Response accepted.

I-C-08 Reconciliation of Capital Assets - The District maintains a detailed schedule of capital assets including cost and depreciation information on each asset which is used to prepare the District's financial statements in accordance with GAAP. The beginning cost and accumulated depreciation amounts per this schedule should match the previous year's audited financial statements. During the course of our audit, we noted beginning cost and accumulated depreciation amounts did not match the previous year's audited financial statements.

Recommendation - We recommend management review the capital asset schedule to ensure it is updated and reconcile with the audited financial statements.

Response - The District will implement this procedure.

Conclusion - Response accepted.

SIBLEY-OCHEYEDAN COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

YEAR ENDED JUNE 30, 2008

(CONTINUED)

Part II: Other Findings Related to Statutory Reporting

II-A-08 Certified Budget - Expenditures for the year ended June 30, 2008, exceeded the amounts budgeted in the non-instructional programs and other expenditures functions. The District also exceeded its General Fund spending authority.

Recommendation - The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget. The District should contact the Iowa Department of Education and the School Budget Review Committee to resolve any budget issues.

District Response - We will monitor expenditures more closely in the future and amend the budget when necessary. We have contacted the School Budget Review Committee.

Conclusion - Response accepted.

II-B-08 Questionable Disbursements - We noted no disbursements that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

II-C-08 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

II-D-08 Business Transactions - Business transactions between the District and District officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Kyle Grimes, Board Member, Employee of Mericks Printing Co.	Officiating Printing/Shirts	\$ 280 \$13,823
LaDonn Hartzell, Board Secretary, Spouse is part owner of Hartzel & Rosenberg	Snow Removal	\$ 4,325

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

SIBLEY-OCHEYEDAN COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

YEAR ENDED JUNE 30, 2008

(CONTINUED)

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

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

District Response: We will consult with our attorney

Conclusion: Response accepted.

II-E-08 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

II-F-08 Board Minutes - We noted no transactions requiring Board approval which had not been approved by the Board.

II-G-08 Certified Enrollment - The number of resident public students reported to the Iowa Department of Education on Line 1 of the Certified Enrollment Certification Form for October 2007 was overstated. The District's certified enrollment count included 1 foreign exchange student in Line 1 incorrectly. This resulted in overstating the total actual enrollment at Line 1 by one student.

Recommendation - The District should contact the Iowa Department of Education and the Department of Management to resolve this matter.

Response - We will contact the Iowa Department of Education and the Department of Management.

Conclusion - Response accepted.

SIBLEY-OCHEYEDAN COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

YEAR ENDED JUNE 30, 2008

(CONTINUED)

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

II-H-08 Deposits and Investments - The Board for the District did not approve a bank in which funds can be deposited nor did it establish a maximum amount which may be kept on deposit in such banks, both of which are required by provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

Recommendation - The District should discuss all banks with which they have deposits and set a maximum depository resolution with them.

District Response - We will name and set depository resolutions at all banks at the next Board meeting.

Conclusion - Response accepted.

II-I-08 Certified Annual Report - The Certified Annual Report was certified to the Department of Education timely.

II-J-08 Deficit Balances - The District has a deficit fund balance in the General Fund of \$405,340 at June 30, 2008.

Recommendation - The District should continue to monitor the fund balance and investigate alternatives to eliminate the deficit.

District Response - We are working on ways to eliminate the deficit by eliminating spending.

Conclusion - Response accepted.