

**SIBLEY-OCHEYEDAN COMMUNITY SCHOOL DISTRICT**

**Sibley, Iowa**

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

**June 30, 2009**

SIBLEY-OCHEYEDAN COMMUNITY SCHOOL DISTRICT

TABLE OF CONTENTS

	<u>Page</u>
OFFICIALS	1
INDEPENDENT AUDITOR'S REPORT	2-3
MANAGEMENT'S DISCUSSION AND ANALYSIS	4-10
BASIC FINANCIAL STATEMENTS:	
Government-Wide Financial Statements:	
Statement of Net Assets	A 11
Statement of Activities	B 12
Governmental Fund Financial Statements:	
Balance Sheet	C 13
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets	D 14
Statement of Revenues, Expenditures and Changes in Fund Balances	E 15
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	F 16
Proprietary Fund Financial Statements:	
Statement of Net Assets	G 17
Statement of Revenues, Expenses and Changes in Fund Net Assets	H 18
Statement of Cash Flows	I 19
Fiduciary Fund Financial Statements:	
Statements of Fiduciary Net Assets	J 20
Statement of Changes in Fiduciary Net Assets	K 21
Notes to Financial Statements	22-37
REQUIRED SUPPLEMENTARY INFORMATION:	
Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances - Budget and Actual - All Governmental Funds and Proprietary Funds	38
Notes to Required Supplementary Information - Budgetary Reporting	39
OTHER SUPPLEMENTARY INFORMATION:	<u>Schedule</u>
Nonmajor Special Revenue Funds:	
Combining Balance Sheet	1 40
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	2 41
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	3 42
Schedule of Changes in Fiduciary Assets and Liabilities - Agency Fund	4 43
Schedule of Revenues by Source and Expenditures by Function - All Governmental Funds	5 44
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 <i>GOVERNMENT AUDITING STANDARDS</i>	45-46
SCHEDULE OF FINDINGS	47-50

SIBLEY-OCHEYEDAN COMMUNITY SCHOOL DISTRICT

OFFICIALS

JUNE 30, 2009

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<u>BOARD OF EDUCATION</u> (Before September 2008 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

BOARD OF EDUCATION  
(After September 2008 Election)

Kyle Grimes	President	2011
Keith Newman	Vice President	2009
Jeff Knoblock	Board Member	2009
Paul Feldkamp	Board Member	2011
Todd Ackerman	Board Member	2009

SCHOOL OFFICIALS

Jeff Herzberg	Superintendent	2009
LaDonn K. Hartzell	Board Secretary	2009
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, 2009, 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, 2009 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 February 24, 2010 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 38 and 39 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. Other supplementary information included in Schedules 1 through 5 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.

February 24, 2010  
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, 2009. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### **2009 Financial Highlights**

- General Fund revenues increased from \$7,307,176 in fiscal 2008 to \$7,912,316 in fiscal 2009, while General Fund expenditures increased from \$7,352,484 in fiscal 2008 to \$7,482,551 in fiscal 2009. The District's General Fund balance increased from a deficit of \$405,340 in fiscal 2008 to \$24,675 in fiscal 2009, a 106.1 percent increase.
- The increase in General Fund revenues was primarily attributable to higher local property tax rates and property valuations and an increase in state teacher quality monies.
- The minimal increase in General Fund expenditures was primarily attributable to normal cost of living adjustments offset by various cost cutting measures implemented in all areas. The District did not eliminate positions but instead filled those vacated by early retirement at a decreased cost.

### **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 provide more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund.

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

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

- **Private-Purpose Trust Fund** - The District accounts for outside donations for scholarships for individual students in this fund.
- **Agency Funds** - These are funds through which the District administers and accounts for certain federal and/or state grants on behalf of other 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, 2009 compared to June 30, 2008.

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

	Governmental Activities		Business-Type Activities		Total District		Total Percentage Change 2008-2009
	2009	2008	2009	2008	2009	2008	
Current and other assets	\$ 8,231	\$ 6,968	\$ 23	\$ 42	\$ 8,254	\$ 7,010	17.7%
Capital assets, net	7,111	6,650	25	28	7,136	6,678	6.9%
Total assets	\$ 15,342	\$ 13,618	\$ 48	\$ 70	\$ 15,390	\$ 13,688	12.4%
Long-term liabilities	\$ 3,652	\$ 3,087	\$ -	\$ -	\$ 3,652	\$ 3,087	18.3%
Other liabilities	6,699	5,898	6	5	6,705	5,903	13.6%
Total liabilities	\$ 10,351	\$ 8,985	\$ 6	\$ 5	\$ 10,357	\$ 8,990	15.2%
Net assets:							
Invested in capital assets, net of related debt	\$ 4,554	\$ 4,453	\$ 25	\$ 28	\$ 4,579	\$ 4,481	2.2%
Restricted	436	733	-	-	436	733	-40.5%
Unrestricted	1	(553)	17	37	18	(516)	103.5%
Total net assets	\$ 4,991	\$ 4,633	\$ 42	\$ 65	\$ 5,033	\$ 4,698	7.1%

The District's combined net assets increased approximately 7 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 other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets decreased approximately \$297,000, or 41 percent over the prior year due to a decrease in unspent categorical funding and restricted capital projects funds.

The unrestricted net assets can be used to finance day to day operations without constraints established by debt covenants, enabling legislation or other legal requirements - increased approximately \$534,000, or 104 percent over the prior year, primarily due to more favorable results in the District's General Fund.

Figure A-2 shows the changes in net assets for the years ended June 30, 2009 compared to June 30, 2008.

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

	Governmental Activities		Business-Type Activities		Total District		Total Percentage Change
	2009	2008	2009	2008	2009	2008	2008-2009
Revenues:							
Program revenues:							
Charges for services	\$ 651	\$ 579	\$ 333	\$ 323	\$ 984	\$ 902	9.1%
Operating grants, contributions and restricted interest	1,118	1,217	153	154	1,271	1,371	-7.3%
General revenues:							
Property tax	2,900	2,532	-	-	2,900	2,532	14.5%
Unrestricted state grants	3,554	3,552	-	-	3,554	3,552	0.1%
Unrestricted investment earnings	78	85	-	-	78	85	-8.2%
Local surtax	222	208	-	-	222	208	6.7%
Statewide sales and services tax	492	483	-	-	492	483	1.9%
Other	-	16	-	-	-	16	100.0%
Total revenues	<u>\$ 9,015</u>	<u>\$ 8,672</u>	<u>\$ 486</u>	<u>\$ 477</u>	<u>\$ 9,501</u>	<u>\$ 9,149</u>	<u>3.8%</u>
Program expenses:							
Instruction	\$ 5,599	\$ 5,384	\$ -	\$ -	\$ 5,599	\$ 5,384	4.0%
Support services	2,431	2,432	-	-	2,431	2,432	0.0%
Non-instructional programs	-	-	508	470	508	470	8.1%
Other expenses	627	527	-	-	627	527	19.0%
Total expenses	<u>\$ 8,657</u>	<u>\$ 8,343</u>	<u>\$ 508</u>	<u>\$ 470</u>	<u>\$ 9,165</u>	<u>\$ 8,813</u>	<u>4.0%</u>
Change in net assets	<u>\$ 358</u>	<u>\$ 329</u>	<u>\$ (22)</u>	<u>\$ 7</u>	<u>\$ 336</u>	<u>\$ 336</u>	<u>0.0%</u>

Property tax and unrestricted state grants account for 67.9 percent of the total revenue (66.5 percent in 2008). The District's expenses primarily relate to instruction and support services, which account for 87.6 percent of the total expenses (88.7 percent in 2008).

Governmental Activities - Revenues for governmental activities were \$9,016,012 and expenses were \$8,657,200. Governmental activities revenue increased over 2008 primarily as a result of more favorable results in the District's General Fund.

The following table presents the total and net cost of the District's major governmental activities, instruction, support services and other expenses, for the year ended June 30, 2009 compared to the year ended June 30, 2008.

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

	Total Cost of Services		Percent	Net Cost of Services		Percent
	2009	2008	Change	2009	2008	Change
Instruction	\$ 5,599	\$ 5,384	4.0%	\$ 4,193	\$ 3,968	5.7%
Support services	2,431	2,432	0.0%	2,378	2,346	1.4%
Other expenses	627	527	19.0%	316	232	36.2%
Totals	\$ 8,657	\$ 8,343	3.7%	\$ 6,887	\$ 6,546	5.2%

- The cost financed by users of the District's programs was \$651,099 (\$579,467 in 2008).
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,118,483 (\$1,216,617 in 2008).
- The net cost of governmental activities was financed with \$3,613,910 in property and other taxes (\$3,222,773 in 2008) and \$3,554,225 in unrestricted state grants (\$3,551,617 in 2008).

Business-Type Activities - Revenues for business-type activities were \$485,678 (\$477,278 in 2008) and expenses were \$508,092 (\$469,969 in 2008). 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 an increase in milk prices charged 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 \$1,570,223, above last year's ending fund balances of \$1,076,091. The District's proprietary funds reported end of year net assets of \$42,352, below last year's ending fund balances of \$64,766.

### **Governmental Fund Highlights**

The General Fund balance increased from a deficit balance of \$405,340 to \$24,675 due to higher local property tax rates and property valuations and an increase in state teacher quality monies. The increase in revenues were offset by a slight increase in expenditures. The increase in General Fund expenditures was primarily attributable to normal cost of living adjustments offset by various cost cutting measures implemented in all areas. The District did not eliminate positions but instead filled those vacated by early retirement at a decreased cost.

The Capital Projects Fund balance increase was due to the District issuing a new bond totaling \$915,000 to fund an Energy Savings Project. Fiscal year 2009 ended with a balance of \$1,163,483 consisting primarily of unspent bond proceeds which will be expended as the project is completed.

Proprietary Fund Highlights

Proprietary fund net assets decreased \$22,414 from \$64,766 in 2008 to \$42,352 in 2009 due to the District keeping the charges for lunch consistent while costs experienced the normal increase expected.

Budgetary Highlights

The District's total revenues were \$241,411 less than budgeted revenues, a variance of 2.5 percent. The most significant variance resulted from the District receiving less from state sources than originally anticipated. The District's total expenditures were \$157,306 greater 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, but spending a great deal more in the other expenditures function due to unexpected technology purchases out of the Capital Projects Fund and under-estimating the costs for the year associated with the District's energy project.

Capital Assets and Debt Administration

Capital Assets - At June 30, 2009, the District had invested \$7,135,950, 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 \$341,690.

The original cost of the District's capital assets was \$13,081,140. Governmental funds account for \$13,022,390, 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
	2009	2008	2009	2008	2009	2008	Change
Land	\$ 25	\$ 25	\$ -	\$ -	\$ 25	\$ 25	0.0%
Construction in progress	887	147	-	-	887	147	503.4%
Buildings	5,938	6,163	-	-	5,938	6,163	-3.7%
Improvements other than buildings	86	101	-	-	86	101	-14.9%
Furniture and equipment	175	214	25	28	200	242	-17.4%
Totals	\$ 7,111	\$ 6,650	\$ 25	\$ 28	\$ 7,136	\$ 6,678	6.9%

The largest change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress totaled \$887,283 at June 30, 2009, compared to \$146,831 reported at June 30, 2008. The significant increase resulted from additional costs incurred associated with the District's energy savings project. This project consists of enhancements relating to water consumption, electricity usage, and heating and cooling of District buildings and is expected to result in significant energy cost savings to the District in future years.

*Long-Term Debt* - At June 30, 2009, the District had \$3,350,000 in general obligation capital loan notes and school infrastructure sales and services tax revenue bonds, and \$302,331 early retirement payable outstanding (total of \$3,652,331). During fiscal year 2009, a \$915,000 general obligation capital loan notes were issued to further fund an energy savings project. Table A-5 summarizes the District's long-term debt as of June 30, 2009, compared to the year ended June 30, 2008. 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>2009</u>	<u>2008</u>	<u>2008-2009</u>
General obligation capital loan notes	\$ 915	\$ -	100.0%
School refunding bonds	1,790	2,055	-12.9%
School infrastructure sales and services tax revenue bonds	645	760	-15.1%
Early retirement	<u>302</u>	<u>272</u>	<u>11.0%</u>
	<u>\$ 3,652</u>	<u>\$ 3,087</u>	<u>18.3%</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:

- The statewide one (1) percent sales and service tax will continue to provide revenue for capital repairs and improvements, and retirement of debt, but at a lesser level than in the past due to statewide economic conditions.
- American Recovery and Reinvestment Act of 2009 (ARRA) funds are being used in the District to help save jobs that would have been affected by the reduction in state aid. The District is aware that these funds will be exhausted in 2011.
- The State of Iowa has seen a reduction in revenue, which has filtered down to school districts. The Governor has proposed a 10 percent across the board cut to funding for the 2009-2010 school year. This cut will be carried over to the following school years. Tough financial times are predicted through fiscal year 2013. The District will further have to cut costs and put on hold discretionary and sometimes necessary purchases.

**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, 2009

		<u>Program Revenues</u>		
	<u>Expenses</u>	<u>Charges for Service</u>	<u>Operating Grants, Contributions and Restricted Interest</u>	<u>Capital Grants, Contributions and Restricted Interest</u>
<b>FUNCTIONS/PROGRAMS:</b>				
Governmental activities:				
Instruction:				
Regular instruction	\$ 3,306,663	\$ 365,268	\$ 552,912	\$ -
Special instruction	1,434,163	27,305	94,358	-
Other instruction	858,060	248,406	117,723	-
	<u>\$ 5,598,886</u>	<u>\$ 640,979</u>	<u>\$ 764,993</u>	<u>\$ -</u>
Support services:				
Student services	\$ 275,897	\$ -	\$ -	\$ -
Instructional staff services	177,495	-	34,984	-
Administration services	856,123	-	-	-
Operation and maintenance of plant services	814,847	10,120	-	-
Transportation services	306,735	-	7,705	-
	<u>\$ 2,431,097</u>	<u>\$ 10,120</u>	<u>\$ 42,689</u>	<u>\$ -</u>
Other expenses:				
Facilities acquisition	\$ 189,331	\$ -	\$ -	\$ -
Long-term debt interest	127,085	-	-	-
AEA flow through	310,801	-	310,801	-
	<u>\$ 627,217</u>	<u>\$ -</u>	<u>\$ 310,801</u>	<u>\$ -</u>
Total governmental activities	\$ 8,657,200	\$ 651,099	\$ 1,118,483	\$ -
Business-type activities:				
Non-instructional programs:				
Food service operations	508,092	332,513	153,103	-
Total	<u>\$ 9,165,292</u>	<u>\$ 983,612</u>	<u>\$ 1,271,586</u>	<u>\$ -</u>
<b>GENERAL REVENUES:</b>				
Property tax levied for:				
General purposes				
Management levy				
Physical plant and equipment levy				
Unrestricted state grants				
Unrestricted investment earnings				
Local surtax				
Statewide sales and services tax				
Sale of equipment				
Total general revenues				
Change in net assets				
Net assets beginning of year				
Net assets end of year				

See notes to financial statements.

Net (Expense) Revenue and Changes in Net Assets

<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Total</u>
\$ (2,388,483)	\$ -	\$ (2,388,483)
(1,312,500)	-	(1,312,500)
<u>(491,931)</u>	<u>-</u>	<u>(491,931)</u>
<u>\$ (4,192,914)</u>	<u>\$ -</u>	<u>\$ (4,192,914)</u>
\$ (275,897)	\$ -	\$ (275,897)
(142,511)	-	(142,511)
(856,123)	-	(856,123)
(804,727)	-	(804,727)
<u>(299,030)</u>	<u>-</u>	<u>(299,030)</u>
<u>\$ (2,378,288)</u>	<u>\$ -</u>	<u>\$ (2,378,288)</u>
\$ (189,331)	\$ -	\$ (189,331)
(127,085)	-	(127,085)
<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ (316,416)</u>	<u>\$ -</u>	<u>\$ (316,416)</u>
\$ (6,887,618)	\$ -	\$ (6,887,618)
<u>-</u>	<u>(22,476)</u>	<u>(22,476)</u>
<u>\$ (6,887,618)</u>	<u>\$ (22,476)</u>	<u>\$ (6,910,094)</u>
\$ 2,577,615	\$ -	\$ 2,577,615
260,192	-	260,192
62,721	-	62,721
3,554,225	-	3,554,225
78,045	62	78,107
221,441	-	221,441
491,941	-	491,941
<u>250</u>	<u>-</u>	<u>250</u>
<u>\$ 7,246,430</u>	<u>\$ 62</u>	<u>\$ 7,246,492</u>
\$ 358,812	\$ (22,414)	\$ 336,398
<u>4,632,436</u>	<u>64,766</u>	<u>4,697,202</u>
<u>\$ 4,991,248</u>	<u>\$ 42,352</u>	<u>\$ 5,033,600</u>

SIBLEY-OCHEYEDAN COMMUNITY SCHOOL DISTRICTBALANCE SHEET - GOVERNMENTAL FUNDSJUNE 30, 2009

<u>ASSETS</u>	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor Special Revenue</u>	<u>Total</u>
Cash and pooled investments:				
ISCAP	\$ 2,192,634	\$ -	\$ -	\$ 2,192,634
Other	703,408	1,421,260	391,040	2,515,708
Receivables:				
Property tax:				
Current year	59,128	-	7,408	66,536
Succeeding year	2,995,516	-	246,045	3,241,561
Accounts	20,442	-	1,487	21,929
Accrued interest:				
ISCAP	13,848	-	-	13,848
Due from other funds	2,207	-	-	2,207
Due from other governments	<u>75,966</u>	<u>102,395</u>	<u>-</u>	<u>178,361</u>
Total assets	<u>\$ 6,063,149</u>	<u>\$ 1,523,655</u>	<u>\$ 645,980</u>	<u>\$ 8,232,784</u>
 <u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:				
Accounts payable	\$ 134,172	\$ 360,172	\$ 15,663	\$ 510,007
Salaries and benefits payable	599,602	-	-	599,602
Due to other funds	-	-	2,207	2,207
Deferred revenue:				
Succeeding year property tax	2,995,516	-	246,045	3,241,561
Other	104,720	-	-	104,720
ISCAP warrants payable	2,160,000	-	-	2,160,000
ISCAP accrued interest payable	7,044	-	-	7,044
ISCAP premium	<u>37,420</u>	<u>-</u>	<u>-</u>	<u>37,420</u>
Total liabilities	<u>\$ 6,038,474</u>	<u>\$ 360,172</u>	<u>\$ 263,915</u>	<u>\$ 6,662,561</u>
Fund balances:				
Reserved for:				
Debt service	\$ -	\$ -	\$ 12,746	\$ 12,746
Categorical funding	23,469	-	-	23,469
Unreserved	<u>1,206</u>	<u>1,163,483</u>	<u>369,319</u>	<u>1,534,008</u>
Total fund balances	<u>\$ 24,675</u>	<u>\$ 1,163,483</u>	<u>\$ 382,065</u>	<u>\$ 1,570,223</u>
Total liabilities and fund balances	<u>\$ 6,063,149</u>	<u>\$ 1,523,655</u>	<u>\$ 645,980</u>	<u>\$ 8,232,784</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, 2009

Total fund balances of governmental funds	\$ 1,570,223
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.	7,111,283
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.	(37,927)
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.	<u>(3,652,331)</u>
Net assets of governmental activities	<u>\$ 4,991,248</u>

## SIBLEY-OCHEYEDAN COMMUNITY SCHOOL DISTRICT

## STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -

## GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2009

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor Special Revenue</u>	<u>Total</u>
<b>Revenues:</b>				
Local sources:				
Local tax	\$ 2,799,056	\$ 491,941	\$ 322,913	\$ 3,613,910
Tuition	273,957	-	-	273,957
Other	172,863	9,763	278,831	461,457
State sources	4,435,413	-	-	4,435,413
Federal sources	231,027	-	-	231,027
Total revenues	<u>\$ 7,912,316</u>	<u>\$ 501,704</u>	<u>\$ 601,744</u>	<u>\$ 9,015,764</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular instruction	\$ 3,027,638	\$ -	\$ 110,388	\$ 3,138,026
Special instruction	1,391,602	-	-	1,391,602
Other instruction	549,914	-	271,971	821,885
	<u>\$ 4,969,154</u>	<u>\$ -</u>	<u>\$ 382,359</u>	<u>\$ 5,351,513</u>
Support services:				
Student services	\$ 253,715	\$ -	\$ 10,550	\$ 264,265
Instructional staff services	170,012	-	-	170,012
Administration services	820,030	-	-	820,030
Operation and maintenance of plant services	677,314	-	103,180	780,494
Transportation services	281,525	-	12,279	293,804
	<u>\$ 2,202,596</u>	<u>\$ -</u>	<u>\$ 126,009</u>	<u>\$ 2,328,605</u>
Other expenditures:				
Facilities and equipment acquisition	\$ -	\$ 913,340	\$ 56,940	\$ 970,280
Long-term debt:				
Principal	-	-	380,000	380,000
Interest and fiscal charges	-	6,405	89,278	95,683
AEA flow through	310,801	-	-	310,801
	<u>\$ 310,801</u>	<u>\$ 919,745</u>	<u>\$ 526,218</u>	<u>\$ 1,756,764</u>
Total expenditures	<u>\$ 7,482,551</u>	<u>\$ 919,745</u>	<u>\$ 1,034,586</u>	<u>\$ 9,436,882</u>
Excess (deficiency) of revenues over (under) expenditures	\$ 429,765	\$ (418,041)	\$ (432,842)	\$ (421,118)
<b>Other financing sources (uses):</b>				
General obligation bonds issued	\$ -	\$ 915,000	\$ -	\$ 915,000
Sale of equipment	250	-	-	250
Transfers (to) from other funds	-	(481,135)	481,135	-
Total other financing sources (uses)	<u>\$ 250</u>	<u>\$ 433,865</u>	<u>\$ 481,135</u>	<u>\$ 915,250</u>
Excess (deficiency) of revenues and other financing sources (uses) over (under) expenditures	\$ 430,015	\$ 15,824	\$ 48,293	\$ 494,132
Fund (deficit) balances beginning of year	<u>(405,340)</u>	<u>1,147,659</u>	<u>333,772</u>	<u>1,076,091</u>
Fund balances end of year	<u>\$ 24,675</u>	<u>\$ 1,163,483</u>	<u>\$ 382,065</u>	<u>\$ 1,570,223</u>

See notes to financial statements.

SIBLEY-OCHEYEDAN COMMUNITY SCHOOL DISTRICTRECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES ANDCHANGES IN FUND BALANCES - GOVERNMENTAL FUNDSTO THE STATEMENT OF ACTIVITIESYEAR ENDED JUNE 30, 2009

Net change in fund balances - total governmental funds	\$	494,132
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Amounts reported for governmental activities in the Statement of Activities are different because:

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

Expenditures for capital assets	\$	799,675	
Depreciation expense		<u>(338,039)</u>	461,636

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.

Bonds issued	\$	(915,000)	
Bond principal retirement		<u>380,000</u>	(535,000)

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

(31,438)
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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.

<u>(30,518)</u>
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Change in net assets of governmental activities	\$	<u>358,812</u>
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SIBLEY-OCHEYEDAN COMMUNITY SCHOOL DISTRICTSTATEMENT OF NET ASSETS - PROPRIETARY FUNDSJUNE 30, 2009

	<u>School Nutrition</u>
<b>ASSETS:</b>	
Cash and cash equivalents	\$ 15,358
Accounts receivable	114
Inventories	7,752
Due from other governments	55
Capital assets, net of accumulated depreciation	<u>24,667</u>
<b>Total assets</b>	<b><u>\$ 47,946</u></b>
<b>LIABILITIES:</b>	
Deferred revenue	<u>\$ 5,594</u>
<b>Total liabilities</b>	<b><u>\$ 5,594</u></b>
<b>NET ASSETS:</b>	
Invested in capital assets, net of related debt	\$ 24,667
Unrestricted	<u>17,685</u>
<b>Total net assets</b>	<b><u>\$ 42,352</u></b>
<b>Total liabilities and net assets</b>	<b><u>\$ 47,946</u></b>

SIBLEY-OCHEYEDAN COMMUNITY SCHOOL DISTRICTSTATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS -PROPRIETARY FUNDSYEAR ENDED JUNE 30, 2009

	<u>School Nutrition</u>
Operating revenues:	
Local sources:	
Charges for service	\$ <u>332,513</u>
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	\$ 148,696
Benefits	55,300
Supplies	300,445
Depreciation	<u>3,651</u>
Total operating expenses	\$ <u>508,092</u>
Operating loss	\$ <u>(175,579)</u>
Non-operating revenues:	
Interest income	\$ 62
State sources	4,437
Federal sources	128,468
Food distribution	<u>20,198</u>
Total non-operating revenues	\$ <u>153,165</u>
Net loss	\$ (22,414)
Net assets beginning of year	<u>64,766</u>
Net assets end of year	<u>\$ 42,352</u>

SIBLEY-OCHEYEDAN COMMUNITY SCHOOL DISTRICTSTATEMENT OF CASH FLOWS - PROPRIETARY FUNDSYEAR ENDED JUNE 30, 2009

	<u>School Nutrition</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 332,369
Cash paid to employees for services	(203,996)
Cash paid to suppliers for goods or services	<u>(276,999)</u>
Net cash used by operating activities	<u>\$ (148,626)</u>
Cash flows from non-capital financing activities:	
State grants received	\$ 4,437
Federal grants received	<u>128,468</u>
Net cash provided by non-capital financing activities	<u>\$ 132,905</u>
Cash flows from investing activities:	
Interest on investments	<u>\$ 62</u>
Net change in cash and cash equivalents	\$ (15,659)
Cash and cash equivalents beginning of year	<u>31,017</u>
Cash and cash equivalents end of year	<u>\$ 15,358</u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (175,579)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Commodities used	21,109
Depreciation	3,651
Decrease in inventories	2,337
Increase in receivables	<u>(144)</u>
Net cash used by operating activities	<u>\$ (148,626)</u>

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

During the year ended June 30, 2009, the District received \$20,198 of federal commodities.

SIBLEY-OCHEYEDAN COMMUNITY SCHOOL DISTRICTSTATEMENTS OF FIDUCIARY NET ASSETS - FIDUCIARY FUNDSJUNE 30, 2009

	<u>Private Purpose Trust</u>	<u>Agency Fund</u>
<b>ASSETS:</b>		
Cash and pooled investments	\$ 14,734	\$ 3,328
Total assets	<u>\$ 14,734</u>	<u>\$ 3,328</u>
<b>LIABILITIES:</b>		
Due to others	\$ -	\$ 3,328
Total liabilities	<u>\$ -</u>	<u>\$ 3,328</u>
<b>NET ASSETS:</b>		
Unrestricted	\$ 14,734	\$ -
Total net assets	<u>\$ 14,734</u>	<u>\$ -</u>
Total liabilities and net assets	<u>\$ 14,734</u>	<u>\$ 3,328</u>

SIBLEY-OCHEYEDAN COMMUNITY SCHOOL DISTRICTSTATEMENT OF CHANGES IN FIDUCIARY NET ASSETS - FIDUCIARY FUNDSYEAR ENDED JUNE 30, 2009

	<u>Private Purpose Trust</u>
Additions:	
Local sources:	
Interest	\$       463
Deductions:	
Support services:	
Scholarships awarded	<u>          1,200</u>
Change in net assets	\$       (737)
Net assets beginning of year	<u>         15,471</u>
Net asset end of year	<u><u>         14,734</u></u>

SIBLEY-OCHEYEDAN COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

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 include the Cities of Sibley and Ocheyedan, Iowa, and the predominate 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, 2009

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, 2009

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

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds 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, 2009

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

SIBLEY-OCHEYEDAN COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

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 financial statements:

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

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

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

Property tax receivable is recognized in these funds on the levy or lien date, which is the date 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.

SIBLEY-OCHEYEDAN COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

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

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, 2007 assessed property valuations; is for the tax accrual period July 1, 2008 through June 30, 2009 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2008.

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

SIBLEY-OCHEYEDAN COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

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

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

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 consists of unspent grant proceeds as well as property tax receivable and other receivables not collected within sixty days after year-end.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied and unspent American Recovery and Reinvestment Act proceeds.

SIBLEY-OCHEYEDAN COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

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

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.

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

Subsequent Events - The District evaluated for subsequent events through February 24, 2010, the date which the District's financial statements were available to be issued.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2009, expenditures in the non-instructional programs and other expenditures functions exceeded the amounts budgeted.

NOTE 2 - CASH AND POOLED INVESTMENTS:

The District's deposits in banks at June 30, 2009 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.

SIBLEY-OCHEYEDAN COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

NOTE 2 - CASH AND POOLED INVESTMENTS (CONTINUED):

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, 2009 is as follows:

<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>
2009-2010A	6/25/2009	6/23/2010	\$ 1,665,967	\$ 562	\$ 1,640,000	\$ 206
2008-2009B	1/21/2009	1/21/2010	526,667	4,871	520,000	6,838
2008-2009A	6/26/2008	6/25/2009	-	8,415	-	-
Total			<u>\$ 2,192,634</u>	<u>\$ 13,848</u>	<u>\$ 2,160,000</u>	<u>\$ 7,044</u>

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts. In addition, the District must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25 percent of the warrant amount. ISCAP advance activity in the General Fund for the year ended June 30, 2009, 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>
2008-09A	\$ -	\$ 650,000	\$ 650,000	\$ -
Total	<u>\$ -</u>	<u>\$ 650,000</u>	<u>\$ 650,000</u>	<u>\$ -</u>

SIBLEY-OCHEYEDAN COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

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

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>
2009-10A	2.500%	0.902%
2008-09B	3.000%	2.110%
2008-09A	3.500%	3.469%

NOTE 4 - CAPITAL ASSETS:

Capital assets activity for the year ended June 30, 2009 was as follows:

	<u>Balance Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance End of Year</u>
Governmental activities:				
Capital assets not being depreciated				
Land	\$ 25,000	\$ -	\$ -	\$ 25,000
Construction in progress	<u>146,831</u>	<u>740,452</u>	<u>-</u>	<u>887,283</u>
Total capital assets not being depreciated	<u>\$ 171,831</u>	<u>\$ 740,452</u>	<u>\$ -</u>	<u>\$ 912,283</u>
Capital assets being depreciated:				
Buildings	\$10,661,288	\$ 22,033	\$ -	\$10,683,321
Improvements other than buildings	270,829	-	-	270,829
Furniture and equipment	<u>1,130,137</u>	<u>37,190</u>	<u>11,370</u>	<u>1,155,957</u>
Total capital assets being depreciated	<u>\$12,062,254</u>	<u>\$ 59,223</u>	<u>\$ 11,370</u>	<u>\$12,110,107</u>
Less accumulated depreciation for:				
Buildings	\$ 4,498,070	\$ 246,886	\$ -	\$ 4,744,956
Improvements other than buildings	170,010	15,234	-	185,244
Furniture and equipment	<u>916,358</u>	<u>75,919</u>	<u>11,370</u>	<u>980,907</u>
Total accumulated depreciation	<u>\$ 5,584,438</u>	<u>\$ 338,039</u>	<u>\$ 11,370</u>	<u>\$ 5,911,107</u>
Total capital assets being depreciated, net	<u>\$ 6,477,816</u>	<u>\$ (278,816)</u>	<u>\$ -</u>	<u>\$ 6,199,000</u>
Governmental activities capital assets, net	<u>\$ 6,649,647</u>	<u>\$ 461,636</u>	<u>\$ -</u>	<u>\$ 7,111,283</u>
Business-type activities:				
Furniture and equipment	\$ 58,750	\$ -	\$ -	\$ 58,750
Less accumulated depreciation	<u>30,432</u>	<u>3,651</u>	<u>-</u>	<u>34,083</u>
Business type activities capital assets, net	<u>\$ 28,318</u>	<u>\$ (3,651)</u>	<u>\$ -</u>	<u>\$ 24,667</u>

SIBLEY-OCHEYEDAN COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

NOTE 4 - CAPITAL ASSETS (CONTINUED):

Depreciation expense was charged to the following functions:

Governmental activities:

Instruction:

Regular	\$ 138,120
Special	61,251
Other	<u>36,175</u>
	\$ <u>235,546</u>

Support services:

Student	\$ 11,632
Instructional staff	7,483
Administration	36,093
Operation and maintenance of plant	34,353
Transportation	<u>12,932</u>
	\$ <u>102,493</u>

Total depreciation expense - governmental activities \$ 338,039

Business type activities:

Food service operations	\$ <u>3,651</u>
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NOTE 5 - LONG-TERM LIABILITIES:

Changes in long-term liabilities for the year ended June 30, 2009 are summarized as follows:

	<u>Balance</u> <u>Beginning</u> <u>of Year</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>End</u> <u>of Year</u>	<u>Due</u> <u>Within</u> <u>One Year</u>
General obligation capital loan notes	\$ -	\$ 915,000	\$ -	\$ 915,000	\$ 30,000
School refunding bonds (2008)	2,055,000	-	265,000	1,790,000	275,000
School infrastructure sales and services tax revenue bonds	760,000	-	115,000	645,000	120,000
Early retirement	<u>271,813</u>	<u>103,445</u>	<u>72,927</u>	<u>302,331</u>	<u>156,777</u>
Total	<u>\$ 3,086,813</u>	<u>\$ 1,018,445</u>	<u>\$ 452,927</u>	<u>\$ 3,652,331</u>	<u>\$ 581,777</u>

SIBLEY-OCHEYEDAN COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

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, 2009 totaled \$72,927. The total liability for early retirement is recorded as long-term liabilities in the government-wide financial statements and includes sixteen participants extending through the year ending June 30, 2015. The total liability for early retirement is recorded in the government-wide financial statements and is calculated assuming an annual 10 percent increase in monthly premiums up to a maximum of \$550 with a 5 percent discount rate.

School Infrastructure Sales and Services Tax Revenue Bonds - Details of the District's June 30, 2009 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>
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
2014	4.00%	135,000	5,400
Total		<u>\$ 645,000</u>	<u>\$ 75,302</u>

SIBLEY-OCHEYEDAN COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

NOTE 5 - LONG-TERM LIABILITIES (CONTINUED):

The District has pledged future local option statewide 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 (statewide) sales and services tax revenues received by the District and are payable through 2014. 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 (statewide) sales and services tax revenues. The total principal and interest remaining to be paid on the notes is \$720,302. For the current year, \$129,449 principal and interest was paid on the bonds and total statewide sales and service tax revenues were \$491,941.

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 statewide 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, 2009.

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.

SIBLEY-OCHEYEDAN COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

NOTE 5 - LONG-TERM LIABILITIES (CONTINUED):

School Refunding Bond Issue of 2008			
Year Ending			
<u>June 30,</u>	<u>Interest Rates</u>	<u>Principal</u>	<u>Interest</u>
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
2014	3.48%	310,000	21,924
2015	3.48%	<u>320,000</u>	<u>11,136</u>
Total		<u>\$ 1,790,000</u>	<u>\$ 223,416</u>

General Obligation Capital Loan Notes - Details of the District's June 30, 2009 general obligation capital loan notes is as follows:

General Obligation Capital Loan Notes			
Year Ending			
<u>June 30,</u>	<u>Interest Rates</u>	<u>Principal</u>	<u>Interest</u>
2010	3.50%	\$ 30,000	\$ 57,984
2011	3.50%	50,000	38,863
2012	3.50%	50,000	37,113
2013	3.50%	50,000	35,362
2014	3.50%	55,000	33,612
Thereafter	4.25 - 5.00%	<u>680,000</u>	<u>190,800</u>
Total		<u>\$ 915,000</u>	<u>\$ 393,734</u>

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.

SIBLEY-OCHEYEDAN COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

NOTE 6 - PENSION AND RETIREMENT BENEFITS (CONTINUED):

Plan members are required to contribute 4.10 percent of their annual covered salary and the District is required to contribute 6.35 percent of annual covered salary. Contribution requirements are established by state statute. The District's contribution to IPERS for the years ended June 30, 2009, 2008 and 2007 were \$302,429, \$271,085, and \$244,946, respectively, equal to the required contributions for each year.

NOTE 7 - INTERFUND TRANSFERS:

During the year ended June 30, 2009 \$481,135 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 - DUE FROM AND DUE TO OTHER FUNDS:

The detail of interfund receivables and payables at June 30, 2009 is as follows:

<u>Fund Due To</u>	<u>Fund Due From</u>	<u>Amount</u>
General Fund	Management Fund	\$ <u>2,207</u>

The Special Revenue, Management Levy Fund is repaying the General Fund for insurance deductibles incorrectly paid by the General Fund. The balance will be repaid by June 30, 2010.

NOTE 9 - 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.

SIBLEY-OCHEYEDAN COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

NOTE 10 - AREA EDUCATION AGENCY:

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$310,801 for the year ended June 30, 2009 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

NOTE 11 - CONSTRUCTION COMMITMENTS:

At June 30, 2009, the District had entered into various construction contracts totaling \$1,345,160 for improvements to land and building. At June 30, 2009, \$514,167 of the contracts were uncompleted.

NOTE 12 - 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>
2010	\$ 25,836
2011	25,836
2012	25,836
2013	25,836
2014	<u>12,918</u>
	<u>\$ 116,262</u>

NOTE 13 - NEW GASB STATEMENT:

The GASB has issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This statement will be implemented by the District during the fiscal year ending June 30, 2010. This statement establishes standards for measuring, recognizing and disclosing other postemployment benefit expenses and the related liabilities.

**REQUIRED SUPPLEMENTARY INFORMATION**

SIBLEY-OCHEYEDAN COMMUNITY SCHOOL DISTRICT

BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENDITURES/EXPENSES AND  
CHANGES IN BALANCES - BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS

AND PROPRIETARY FUNDS

REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2009

	Governmental Funds <u>Actual</u>	Proprietary Funds <u>Actual</u>	Total <u>Actual</u>
Revenues:			
Local sources	\$ 4,349,324	\$ 332,575	\$ 4,681,899
State sources	4,435,413	4,437	4,439,850
Federal sources	<u>231,027</u>	<u>148,666</u>	<u>379,693</u>
Total revenues	<u>\$ 9,015,764</u>	<u>\$ 485,678</u>	<u>\$ 9,501,442</u>
Expenditures/expenses:			
Instruction	\$ 5,351,513	\$ -	\$ 5,351,513
Support services	2,328,605	-	2,328,605
Non-instructional programs	-	508,092	508,092
Other expenditures	<u>1,756,764</u>	<u>-</u>	<u>1,756,764</u>
Total expenditures/expenses	<u>\$ 9,436,882</u>	<u>\$ 508,092</u>	<u>\$ 9,944,974</u>
Deficiency of revenues over expenditures/expenses	<u>\$ (421,118)</u>	<u>\$ (22,414)</u>	<u>\$ (443,532)</u>
Other financing sources, net	<u>\$ 915,250</u>	<u>\$ -</u>	<u>\$ 915,250</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures/expenses	<u>\$ 494,132</u>	<u>\$ (22,414)</u>	<u>\$ 471,718</u>
Balances beginning of year	<u>1,076,091</u>	<u>64,766</u>	<u>1,140,857</u>
Balances end of year	<u>\$ 1,570,223</u>	<u>\$ 42,352</u>	<u>\$ 1,612,575</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>
\$ 4,639,231	\$ 4,639,231	\$ 42,668
4,725,622	4,725,622	(285,772)
<u>378,000</u>	<u>378,000</u>	<u>1,693</u>
<u>\$ 9,742,853</u>	<u>\$ 9,742,853</u>	<u>\$ (241,411)</u>
\$ 5,749,735	\$ 5,749,735	\$ 398,222
2,926,258	2,926,258	597,653
455,000	455,000	(53,092)
<u>656,675</u>	<u>656,675</u>	<u>(1,100,089)</u>
<u>\$ 9,787,668</u>	<u>\$ 9,787,668</u>	<u>\$ (157,306)</u>
\$ (44,815)	\$ (44,815)	\$ (398,717)
\$ -	\$ -	\$ 915,250
<u>\$ (44,815)</u>	<u>\$ (44,815)</u>	<u>\$ 516,533</u>

SIBLEY-OCHEYEDAN COMMUNITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING

YEAR ENDED JUNE 30, 2009

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 a GAAP basis.

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

During the year ended June 30, 2009, expenditures in the non-instructional programs and other expenditures functions exceeded the amounts budgeted.

## **OTHER SUPPLEMENTARY INFORMATION**

SIBLEY-OCHEYEDAN COMMUNITY SCHOOL DISTRICTCOMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDSJUNE 30, 2009

	<u>Management Levy</u>	<u>Student Activity</u>	<u>Physical Plant and Equipment Levy</u>	<u>Debt Service</u>	<u>Total</u>
<u>ASSETS</u>					
Cash and pooled investments	\$ 219,849	\$ 107,694	\$ 50,751	\$ 12,746	\$ 391,040
Receivables:					
Property tax:					
Current year	5,969	-	1,439	-	7,408
Succeeding year	180,000	-	66,045	-	246,045
Accounts	-	374	1,113	-	1,487
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total assets	<u>\$ 405,818</u>	<u>\$ 108,068</u>	<u>\$ 119,348</u>	<u>\$ 12,746</u>	<u>\$ 645,980</u>
<u>LIABILITIES AND FUND EQUITY</u>					
Liabilities:					
Accounts payable	\$ 4,642	\$ 9,930	\$ 1,091	\$ -	\$ 15,663
Due to other funds	2,207	-	-	-	2,207
Deferred revenue:					
Succeeding year property tax	180,000	-	66,045	-	246,045
Total liabilities	<u>\$ 186,849</u>	<u>\$ 9,930</u>	<u>\$ 67,136</u>	<u>\$ -</u>	<u>\$ 263,915</u>
Fund equity:					
Reserved for debt service	-	-	-	12,746	12,746
Unreserved fund balances	218,969	98,138	52,212	-	369,319
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total liabilities and fund equity	<u>\$ 405,818</u>	<u>\$ 108,068</u>	<u>\$ 119,348</u>	<u>\$ 12,746</u>	<u>\$ 645,980</u>

SIBLEY-OCHEYEDAN COMMUNITY SCHOOL DISTRICT  
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - NONMAJOR SPECIAL REVENUE FUNDS

YEAR ENDED JUNE 30, 2009

	<u>Management Levy</u>	<u>Student Activity</u>	<u>Physical Plant and Equipment Levy</u>	<u>Debt Service</u>	<u>Total</u>
Revenues:					
Local sources:					
Local tax	\$ 260,192	\$ -	\$ 62,721	\$ -	\$ 322,913
Other	<u>-</u>	<u>270,017</u>	<u>8,799</u>	<u>15</u>	<u>278,831</u>
Total revenues	<u>\$ 260,192</u>	<u>\$ 270,017</u>	<u>\$ 71,520</u>	<u>\$ 15</u>	<u>\$ 601,744</u>
Expenditures:					
Current:					
Instruction:					
Regular instruction	\$ 110,388	\$ -	\$ -	\$ -	\$ 110,388
Other instruction	<u>-</u>	<u>271,971</u>	<u>-</u>	<u>-</u>	<u>271,971</u>
Total	<u>\$ 110,388</u>	<u>\$ 271,971</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 382,359</u>
Support services:					
Student services	\$ 10,550	\$ -	\$ -	\$ -	\$ 10,550
Operation and maintenance of plant services	103,180	-	-	-	103,180
Transportation	<u>12,279</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,279</u>
Total	<u>\$ 126,009</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 126,009</u>
Other expenditures:					
Facilities acquisition	\$ -	\$ -	\$ 56,940	\$ -	\$ 56,940
Long-term debt:					
Principal	-	-	-	380,000	380,000
Interest and fiscal charges	<u>-</u>	<u>-</u>	<u>-</u>	<u>89,278</u>	<u>89,278</u>
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 56,940</u>	<u>\$ 469,278</u>	<u>\$ 526,218</u>
Total expenditures	<u>\$ 236,397</u>	<u>\$ 271,971</u>	<u>\$ 56,940</u>	<u>\$ 469,278</u>	<u>\$ 1,034,586</u>
Excess (deficiency) of revenues over (under) expenditures	\$ 23,795	\$ (1,954)	\$ 14,580	\$ (469,263)	\$ (432,842)
Other financing sources:					
Transfers from other funds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 481,135</u>	<u>\$ 481,135</u>
Excess (deficiency) of revenues and other financing sources (uses) over (under) expenditures	\$ 23,795	\$ (1,954)	\$ 14,580	\$ 11,872	\$ 48,293
Fund balances beginning of year	<u>195,174</u>	<u>100,092</u>	<u>37,632</u>	<u>874</u>	<u>333,772</u>
Fund balances end of year	<u>\$ 218,969</u>	<u>\$ 98,138</u>	<u>\$ 52,212</u>	<u>\$ 12,746</u>	<u>\$ 382,065</u>

## SIBLEY-OCHEYEDAN COMMUNITY SCHOOL DISTRICT

## SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS

YEAR ENDED JUNE 30, 2009

ACCOUNT:	Balance Beginning of Year	Revenues and Interfund Transfers	Expenditures	Balance End of Year
Boys basketball	\$ 2,304	\$ 8,047	\$ 4,439	\$ 5,912
Athletics	71	2,960	2,902	129
Football	38	14,041	12,675	1,404
Boys track	118	5,565	5,600	83
Girls track	17	-	-	17
Boys golf	189	137	85	241
Girls golf	595	235	311	519
Wrestling	1	4,841	4,812	30
Baseball	31	3,121	3,052	100
Girls basketball	3,479	5,535	5,227	3,787
Volleyball	166	2,972	2,980	158
Softball	81	3,065	3,046	100
Girls BB special account	415	4,270	4,225	460
Boys BB special account	761	2,083	2,563	281
Weight lifting	13	-	-	13
Football special account	3,872	7,160	8,023	3,009
Girls golf special	358	513	227	644
Special cross country	382	1,388	998	772
Special girls track	497	709	557	649
Baseball special	32	9,044	8,829	247
Softball special account	165	460	208	417
Boys golf special account	574	510	174	910
Volleyball special	3,829	1,513	1,451	3,891
Boys track special account	1,348	1,378	1,176	1,550
Wrestling special account	400	1,267	1,666	1
Class of 2008	290	-	-	290
Class of 2009	3,236	-	2,428	808
Class of 2010	3,037	3,548	5,328	1,257
Class of 2011	2,729	928	-	3,657
Student assistance	1,328	1,064	1,386	1,006
Music - band	55	7,062	7,017	100
Music - chorus	55	7,697	7,396	356
H.S. band resale	24	7,742	7,635	131
M.S. band resale	1,241	1,924	2,086	1,079
Smoothie Café	46	-	-	46
H.S. activity	6,817	3,310	5,394	4,733
M.S. activity	290	-	232	58
Elementary activity	1,194	4,031	2,829	2,396
Art club	1,891	321	-	2,212
Dance team	5,255	1,781	2,644	4,392
FFA	14,969	107,573	112,313	10,229
Cheerleading	3,047	3,739	4,441	2,345
International club	2,951	2,465	2,307	3,109
National Honor Society	1,803	912	1,429	1,286
Pep Club	2,166	544	727	1,983
S-O Club	9	-	-	9
H.S. student leadership	12,226	3,328	4,833	10,721
M.S. student council	7,629	9,112	4,293	12,448
Speech club	41	2,261	2,202	100
Annual club	4,655	8,217	9,061	3,811
Quill club	64	-	-	64
Drama club	2,099	-	52	2,047
Concessions	1,209	11,644	10,712	2,141
Total	\$ 100,092	\$ 270,017	\$ 271,971	\$ 98,138

See accompanying independent auditor's report.

SIBLEY-OCHEYEDAN COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES

AGENCY FUND

FOR THE YEAR ENDED JUNE 30, 2009

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance End of Year</u>
<u>ASSETS</u>				
Cash and pooled investments	\$ -	\$ 67,322	\$ 63,994	\$ 3,328
Accounts receivable	<u>1,477</u>	<u>-</u>	<u>1,477</u>	<u>-</u>
Total assets	<u>\$ 1,477</u>	<u>\$ 67,322</u>	<u>\$ 65,471</u>	<u>\$ 3,328</u>
<u>LIABILITIES</u>				
Due to others	\$ -	\$ 67,322	\$ 63,994	\$ 3,328
Outstanding checks in excess of cash	<u>1,477</u>	<u>-</u>	<u>1,477</u>	<u>-</u>
Total liabilities	<u>\$ 1,477</u>	<u>\$ 67,322</u>	<u>\$ 65,471</u>	<u>\$ 3,328</u>

## SIBLEY-OCHEYEDAN COMMUNITY SCHOOL DISTRICT

## SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION

## ALL GOVERNMENTAL FUNDS

## FOR THE LAST SIX YEARS

	Modified Accrual Basis					
	2009	2008	2007	2006	2005	2004
Revenues:						
Local sources:						
Local tax	\$ 3,613,910	\$ 3,222,773	\$ 3,146,175	\$ 3,057,682	\$ 3,166,335	\$ 2,909,796
Tuition	273,957	251,630	184,206	252,136	226,228	168,361
Other	461,457	524,755	462,940	441,271	402,033	535,133
State sources	4,435,413	4,420,383	2,876,109	3,892,147	3,672,039	3,445,911
Federal sources	231,027	239,551	230,034	309,049	254,119	244,550
Other financing sources:						
Proceeds from bond issuance, net	915,000	775,000	-	-	-	-
Sale of equipment	250	26,555	-	-	-	-
Total	\$ 9,931,014	\$ 9,460,647	\$ 6,899,464	\$ 7,952,285	\$ 7,720,754	\$ 7,303,751
Expenditures:						
Instruction:						
Regular instruction	\$ 3,138,026	\$ 3,238,813	\$ 2,972,147	\$ 2,965,110	\$ 2,848,585	\$ 3,088,736
Special instruction	1,391,602	1,259,281	1,091,078	954,725	690,073	799,427
Other instruction	821,885	785,195	924,693	862,477	891,442	677,601
Support services:						
Student services	264,265	287,663	199,600	172,466	220,483	198,888
Instructional staff services	170,012	174,299	319,025	210,667	222,105	174,239
Administration services	820,030	836,214	805,178	725,969	604,896	317,775
Operation and maintenance of plant services	780,494	699,473	834,642	892,056	748,234	933,046
Transportation services	293,804	297,702	390,150	377,711	434,252	284,364
Other expenditures:						
Facilities acquisition	970,280	873,761	302,002	50,379	202,571	332,131
Long-term debt:						
Principal	380,000	245,000	235,000	225,000	210,000	200,000
Interest and other charges	95,683	113,209	111,865	121,428	130,351	138,044
AEA flow through	310,801	294,935	282,816	275,616	270,801	271,598
Total	\$ 9,436,882	\$ 9,105,545	\$ 8,468,196	\$ 7,833,604	\$ 7,473,793	\$ 7,415,849



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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, 2009, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated February 24, 2010. 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, including deficiencies that we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects 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-09 and I-B-09 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, 2009 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.

February 24, 2010  
Sioux City, Iowa

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

SIBLEY-OCHEYEDAN COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

YEAR ENDED JUNE 30, 2009

Part I: Findings Related to the Financial Statements

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

MATERIAL WEAKNESSES:

I-A-09 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-09 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, 2009

(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.

Part II: Other Findings Related to Statutory Reporting

II-A-09 Certified Budget - Expenditures for the year ended June 30, 2009, exceeded the amounts budgeted in the non-instructional programs and other expenditures functions.

Recommendation - The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget. 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-09 Questionable Expenditures - No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

II-C-09 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.

SIBLEY-OCHEYEDAN COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

YEAR ENDED JUNE 30, 2009

(CONTINUED)

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

II-D-09 Business Transactions - Business transactions between the District and District officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Kyle Grimes, Board Member, Employee of Mericks Printing Co.	Printing/Shirts	\$13,044
LaDonn Hartzell, Board Secretary, Spouse is part owner of Hartzell & Rosenberg	Snow Removal	\$ 3,430

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.

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-09 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-09 Board Minutes - No transactions requiring Board approval which had not been approved by the Board were noted.

II-G-09 Certified Enrollment - No variances in the basic enrollment data certified to the Department of Education were noted.

II-H-09 Deposits and Investments - No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.

SIBLEY-OCHEYEDAN COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

YEAR ENDED JUNE 30, 2009

(CONTINUED)

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

- II-I-09     Certified Annual Report - The Certified Annual Report was certified timely to the Department of Education.
  
- II-J-09     Categorical Funding - No instances of categorical funding being used to supplant rather than supplement other funds were noted.
  
- II-K-09     Statewide Sales and Services Tax - No instances of non-compliance with the use of the statewide sales and services tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.3 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales and services tax. For the year ended June 30, 2009, the District's financial activity and other required information for the statewide sales and services tax are as follows:

Beginning balance	\$	-
Statewide sales and services tax revenue		491,941
Expenditures/transfers out:		
School infrastructure:		
Equipment	\$	10,806
Debt service for school infrastructure:		
School refunding bonds		351,686
School infrastructure sales and service tax revenue bonds	<u>129,449</u>	<u>491,941</u>
Ending balance	\$	<u><u>-</u></u>