

SIDNEY COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2009

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Sidney Community School District  
Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education (Before September 2008 Election)</b>		
Jeff Jorgensen	President	2010
Randy Bishop	Vice President	2009
Mike Daly	Board Member	2010
Janet Teten	Board Member	2008
Heidi Lowthorp	Board Member	2009
<b>Board of Education (After September 2008 Election)</b>		
Jeff Jorgensen	President	2011*
Randy Bishop	Vice President	2009
Mike Daly	Board Member	2011*
Janet Teten	Board Member	2011
Heidi Lowthorp	Board Member	2009
<b>School Officials</b>		
Gregg Cruickshank	Superintendent	2009
Joyce Morgan	District Secretary/ Treasurer (Resigned)	2009
Janet Lemrick	Board Secretary (Appointed)	2009
Jennifer Maher	Board Treasurer/ Business Manager (Appointed)	2009
Mundt, Franck, & Schumacher	Attorney	2009

\* Board term extended per the District's transition plan for changing Board terms from 3 to 4 years in accordance with Chapter 39.24 of the Code of Iowa.

**NOLTE, CORNMAN & JOHNSON P.C.**  
**Certified Public Accountants**  
(a professional corporation)  
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Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the  
Sidney 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 the Sidney Community School District, Sidney, 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, business type activities, each major fund, and the aggregate remaining fund information of the Sidney Community School 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 January 29, 2010 on our consideration of the Sidney Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 12 and 33 through 34 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 Sidney Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the five years ended June 30, 2008 (which are not presented herein) and expressed an unqualified opinion on those financial statements. Other supplementary information included in Schedules 1 through 9, 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.

  
NOLTE, CORNMAN & JOHNSON, P.C.

January 29, 2010

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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Sidney Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 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 \$3,805,295 in fiscal year 2008 to \$3,869,524 in fiscal year 2009, while General Fund expenditures increased from \$3,594,826 in fiscal 2008 to \$3,813,934 in fiscal 2009. This resulted in an increase in the District's General Fund balance from \$800,698 in fiscal 2008 to a balance of \$856,288 in fiscal 2009.
- The increase in General Fund revenues was attributable to increases from state and federal sources and lease proceeds in fiscal 2009. The increase in expenditures was due primarily to an increase in instruction expenditures.
- Overall, the District's net assets increased in the governmental activities and in business type activities, \$323,710 and \$31,465, respectively.

### 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 Sidney Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Sidney Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Sidney Community School District acts solely as an agent or custodian for the benefit of those outside of the School 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 governmental funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various programs benefiting the District.

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

**Figure A-1**  
**Sidney Community School District Annual Financial Report**

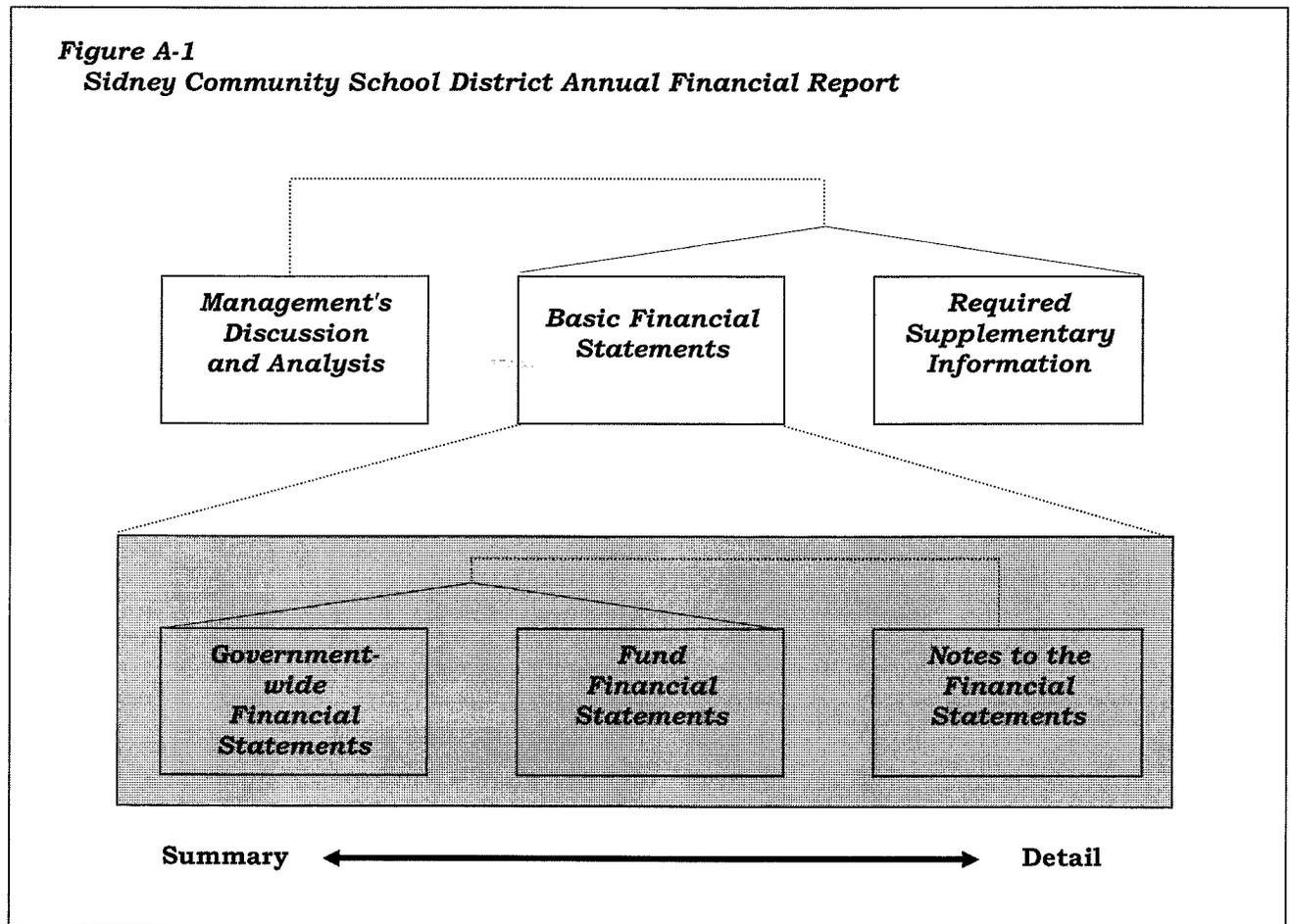


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

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

## **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 statements 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 two 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 the 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 District's Internal Service Funds, one type of proprietary fund, are the same as the governmental activities, but provide more detail and additional information, such as cash flows. The District currently has two Internal Service Funds for the handling of Flex benefits and a Health Reimbursement Account (HRA).

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

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2009 compared to June 30, 2008.

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2009	2008	2009	2008	2009	2008	2008-09
Current and other assets	\$ 3,846,619	4,045,484	49,382	14,374	3,896,001	4,059,858	-4.04%
Capital assets	3,520,205	3,672,874	31,046	36,226	3,551,251	3,709,100	-4.26%
Total assets	<u>7,366,824</u>	<u>7,718,358</u>	<u>80,428</u>	<u>50,600</u>	<u>7,447,252</u>	<u>7,768,958</u>	<u>-4.14%</u>
Long-term obligations	2,561,272	2,793,584	-	-	2,561,272	2,793,584	-8.32%
Other liabilities	1,840,776	2,283,708	5,145	6,782	1,845,921	2,290,490	-19.41%
Total liabilities	<u>4,402,048</u>	<u>5,077,292</u>	<u>5,145</u>	<u>6,782</u>	<u>4,407,193</u>	<u>5,084,074</u>	<u>-13.31%</u>
Net assets:							
Invested in capital assets, net of related debt	958,933	892,286	31,046	36,226	989,979	928,512	6.62%
Restricted	1,009,623	831,648	-	-	1,009,623	831,648	21.40%
Unrestricted	996,220	917,132	44,237	7,592	1,040,457	924,724	12.52%
Total net assets	<u>\$ 2,964,776</u>	<u>2,641,066</u>	<u>75,283</u>	<u>43,818</u>	<u>3,040,059</u>	<u>2,684,884</u>	<u>13.23%</u>

The District's combined net assets increased by 13.23%, or \$355,175, over the prior year. The District's net assets were somewhat evenly disbursed between restricted net assets, unrestricted net assets, and invested in capital assets, net of related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased \$177,975, or 21.40% over the prior year.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased \$115,733, or 12.52%. This increase in unrestricted net assets was a result of the District's increase in the General Fund balance which occurred due to increased state foundation aid and tuition.

Figure A-4 shows the changes in net assets for the year ended June 30, 2009 compared to June 30, 2008.

	Figure A-4 Changes of Net Assets						
	Governmental Activities		Business Type Activities		Total District		Total Change
	2009	2008	2009	2008	2009	2008	2008-09
Revenues:							
Program revenues:							
Charges for services	\$ 290,217	255,710	81,698	78,816	371,915	334,526	11.18%
Operating grants and contributions and restricted interest	720,439	607,530	94,186	79,279	814,625	686,809	18.61%
General revenues:							
Property tax	1,537,314	1,524,347	-	-	1,537,314	1,524,347	0.85%
Statewide sales and services tax	218,829	220,729	-	-	218,829	220,729	-0.86%
Unrestricted state grants	1,659,491	1,701,967	-	-	1,659,491	1,701,967	-2.50%
Unrestricted investment earnings	56,552	98,289	20	30	56,572	98,319	-42.46%
Other	70,592	45,825	-	-	70,592	45,825	54.05%
Transfers	(9,981)	-	9,981	-	-	-	0.00%
Total revenues	<u>4,543,453</u>	<u>4,454,397</u>	<u>185,885</u>	<u>158,125</u>	<u>4,729,338</u>	<u>4,612,522</u>	<u>2.53%</u>
Program expenses:							
Governmental activities:							
Instructional	2,617,811	2,506,783	-	-	2,617,811	2,506,783	4.43%
Support services	1,259,806	1,182,575	-	-	1,259,806	1,182,575	6.53%
Non-instructional programs	-	-	154,420	168,611	154,420	168,611	-8.42%
Other expenses	342,126	323,689	-	-	342,126	323,689	5.70%
Total expenses	<u>4,219,743</u>	<u>4,013,047</u>	<u>154,420</u>	<u>168,611</u>	<u>4,374,163</u>	<u>4,181,658</u>	<u>4.60%</u>
Changes in net assets	323,710	441,350	31,465	(10,486)	355,175	430,864	-17.57%
Beginning net assets	<u>2,641,066</u>	<u>2,199,716</u>	<u>43,818</u>	<u>54,304</u>	<u>2,684,884</u>	<u>2,254,020</u>	<u>19.12%</u>
Ending net assets	<u>\$ 2,964,776</u>	<u>2,641,066</u>	<u>75,283</u>	<u>43,818</u>	<u>3,040,059</u>	<u>2,684,884</u>	<u>13.23%</u>

In fiscal 2009, property tax and unrestricted state grants account for 70.36% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 94.62% of the revenue from business type activities.

The District's total revenues were approximately \$4.73 million, of which \$4.54 million was for governmental activities and less than \$0.19 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 2.53% increase in revenues and a 4.60% increase in expenses.

### Governmental Activities

Revenues for governmental activities were \$4,543,453 and expenses were \$4,219,743 for the year ended June 30, 2009.

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-5  
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2009	2008	Change 2008-09	2009	2008	Change 2008-09
Instruction	\$ 2,617,811	2,506,783	4.43%	1,745,962	1,778,261	-1.82%
Support services	1,259,806	1,182,575	6.53%	1,259,324	1,182,056	6.54%
Other expenses	342,126	323,689	5.70%	203,801	189,490	7.55%
Totals	<u>\$ 4,219,743</u>	<u>4,013,047</u>	<u>5.15%</u>	<u>3,209,087</u>	<u>3,149,807</u>	<u>1.88%</u>

For the year ended June 30, 2009:

- The cost of all governmental activities this year was \$4,219,743.
- A portion of the cost financed by users of the District's programs was \$290,217.
- The federal and state government subsidized certain programs with operating grants and contributions totaling \$720,439.
- The net cost portion of governmental activities was financed with \$1,537,314 in property tax, \$218,829 in statewide sales and services tax, \$1,659,491 in unrestricted state grants \$56,552 in interest income, and \$70,592 in other general revenue.

### Business Type Activities

Revenues of the Districts business type activities were \$185,885 and expenses were \$154,420. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for services, federal and state reimbursements, investment income, and a transfer from the General Fund.

### INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported combined fund balances of \$1,835,299, compared to last years ending fund balance in governmental funds of \$1,631,635.

### Governmental Fund Highlights

- The District's General Fund increased \$55,590. The increase is due in part to lease proceeds received into the General Fund.
- The District's Physical Plant and Equipment Levy Fund decreased by \$20,984 due to an increase in expenditures.
- The District's Capital Projects Fund increased by \$59,668. The increase is due primarily to statewide sales and services tax revenues being greater than expenditures.
- The District's Management Fund increased by \$26,246 due to the revenues exceeding the expenditures.

- The District's Debt Service Fund increased by \$75,015 due primarily to a transfer from capital projects used for lease obligations.

### Proprietary Fund Highlights

School Nutrition Fund net assets increased from \$43,818 to \$75,283. The increase in net assets is mainly due to a decrease in operating expenses combined with increased revenues from federal sources.

### BUDGETARY HIGHLIGHTS

The District's revenues were \$285 more than budgeted receipts, a variance of less than 1%. The most significant variance resulted from the District receiving more than twice the originally anticipated amount of revenue from federal sources.

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

### CAPITAL ASSET AND DEBT ADMINISTRATION

#### Capital Assets

At June 30, 2009, the District had invested governmental funds of \$3,551,251, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers and audio-visual equipment, and transportation equipment. (See Figure A-6) More detailed information about the District's capital assets is presented in Note 5 to the financial statements. Depreciation expense for the year was \$232,849.

The original cost of the District's capital assets was \$ 6.6 million. Governmental funds accounted for \$6.5 million, with the remainder of \$.1 million accounted for in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the machinery and equipment category. The District's machinery and equipment totaled \$245,704 at June 30, 2009 compared to \$326,844 reported at June 30, 2008. This decrease resulted primarily from the disposal of equipment and depreciation expense for the year.

Figure A-6							
Capital Assets, Net of Depreciation							
	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2009	2008	2009	2008	2009	2008	2008-09
Land	\$ 7,500	7,500	-	-	7,500	7,500	0.00%
Buildings	3,285,532	3,364,788	-	-	3,285,532	3,364,788	-2.36%
Land improvements	12,515	9,968	-	-	12,515	9,968	25.55%
Machinery and equipment	214,658	290,618	31,046	36,226	245,704	326,844	-24.83%
Total	\$ 3,520,205	3,672,874	31,046	36,226	3,551,251	3,709,100	-4.26%

## Long-Term Debt

At June 30, 2009, the District had \$2,561,272 in general obligation and other long-term debt outstanding. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 6 to the financial statements.

The District had total outstanding General Obligation Bonds payable of \$1,840,000 at June 30, 2009.

The District had total outstanding Qualified Zone Academy Bonds payable of \$700,000 at June 30, 2009.

As of June 30, 2009, the District had two computer leases, one for teacher laptops and the other for the Elementary computer lab totaling \$21,272.

	Figure A-7		
	Outstanding Long-Term Obligations		
	Total District		Total Change
	June 30,		June 30,
	2009	2008	2008-09
General obligation bonds	\$ 1,840,000	2,045,000	-10.02%
Qualified Zone Academy Bonds	700,000	700,000	0.00%
Termination benefits	-	12,996	-100.00%
Bus lease	-	31,510	-100.00%
Computer lease	11,212	4,078	174.94%
Elementary lab lease	10,060	-	100.00%
Totals	<u>\$ 2,561,272</u>	<u>2,793,584</u>	<u>-8.32%</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 significantly affect its financial health in the future:

- Low allowable growth over several years and enrollment decreases is negatively impacting the District's spending authority. Contractual increases and program changes cannot be made without thorough consideration of our unspent authorized budget.
- With the September 25, 2009 ten percent across-the-board reduction, the District will continue to implement cost-saving measures and develop a plan for the remainder of the 2009/2010 year. The Board of Education will determine what cost-saving measures we will implement and how much we can spend from our reserves.

## 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 Jennifer Maher, Business Manager, Sidney Community School District, 2754 Knox Road, PO Box 609, Sidney, Iowa, 51652.

BASIC FINANCIAL STATEMENTS

SIDNEY COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
JUNE 30, 2009

	Governmental Activities	Business Type Activities	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 2,268,050	46,998	2,315,048
Receivables:			
Property tax:			
Delinquent	26,678	-	26,678
Succeeding year	1,231,772	-	1,231,772
Income surtax	121,564	-	121,564
Accounts	33,796	-	33,796
Due from other governments	164,759	-	164,759
Inventories	-	2,384	2,384
Capital assets, net of accumulated depreciation	3,520,205	31,046	3,551,251
<b>Total assets</b>	<b>7,366,824</b>	<b>80,428</b>	<b>7,447,252</b>
<b>Liabilities</b>			
Accounts payable	236,258	-	236,258
Salaries and benefits payable	317,085	4,386	321,471
Accrued interest payable	5,100	-	5,100
Deferred revenue:			
Succeeding year property tax	1,231,772	-	1,231,772
Other	50,561	-	50,561
Unearned revenue	-	759	759
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	210,000	-	210,000
Elementary lab lease	10,060	-	10,060
Computer lease	5,451	-	5,451
Portion due after one year:			
General obligation bonds payable	1,630,000	-	1,630,000
Qualified Zone Academy Bonds payable	700,000	-	700,000
Computer lease	5,761	-	5,761
<b>Total liabilities</b>	<b>4,402,048</b>	<b>5,145</b>	<b>4,407,193</b>
<b>Net assets</b>			
Invested in capital assets, net of related debt	958,933	31,046	989,979
Restricted for:			
Categorical funding	29,730	-	29,730
Capital projects	261,161	-	261,161
Management levy	128,425	-	128,425
Debt service levy	550,339	-	550,339
Other special revenue purposes	39,968	-	39,968
Unrestricted	996,220	44,237	1,040,457
<b>Total net assets</b>	<b>\$ 2,964,776</b>	<b>75,283</b>	<b>3,040,059</b>

SEE NOTES TO FINANCIAL STATEMENTS.

SIDNEY COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2009

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		Total
	Expenses	Charges for Services	Contributions and Restricted Interest	Govern- mental Activities	Business Type Activities	
<b>Functions/Programs:</b>						
Governmental activities:						
Instruction:						
Regular	\$ 1,629,184	205,035	554,682	(869,467)	-	(869,467)
Special	666,773	-	21,469	(645,304)	-	(645,304)
Other	321,854	84,700	5,963	(231,191)	-	(231,191)
	<u>2,617,811</u>	<u>289,735</u>	<u>582,114</u>	<u>(1,745,962)</u>	<u>-</u>	<u>(1,745,962)</u>
Support services:						
Student	159,861	-	-	(159,861)	-	(159,861)
Instructional staff	171,791	-	-	(171,791)	-	(171,791)
Administration	400,112	-	-	(400,112)	-	(400,112)
Operation and maintenance of plant	293,943	-	-	(293,943)	-	(293,943)
Transportation	234,099	482	-	(233,617)	-	(233,617)
	<u>1,259,806</u>	<u>482</u>	<u>-</u>	<u>(1,259,324)</u>	<u>-</u>	<u>(1,259,324)</u>
Other expenditures:						
Facilities acquisitions	29,433	-	-	(29,433)	-	(29,433)
Long-term debt interest	67,714	-	-	(67,714)	-	(67,714)
AEA flowthrough	138,325	-	138,325	-	-	-
Depreciation(unallocated)*	106,654	-	-	(106,654)	-	(106,654)
	<u>342,126</u>	<u>-</u>	<u>138,325</u>	<u>(203,801)</u>	<u>-</u>	<u>(203,801)</u>
Total governmental activities	4,219,743	290,217	720,439	(3,209,087)	-	(3,209,087)
Business Type activities:						
Non-instructional programs:						
Nutrition services	154,420	81,698	94,186	-	21,464	21,464
Total	\$ 4,374,163	371,915	814,625	(3,209,087)	21,464	(3,187,623)
<b>General Revenues and Transfers:</b>						
General Revenues:						
Local tax for:						
General purposes				\$ 1,238,134	-	1,238,134
Debt service				270,481	-	270,481
Capital outlay				28,699	-	28,699
Statewide sales and services				218,829	-	218,829
Unrestricted state grants				1,659,491	-	1,659,491
Unrestricted investment earnings				56,552	20	56,572
Other				70,592	-	70,592
Transfers				(9,981)	9,981	-
Total general revenues and transfers				<u>3,532,797</u>	<u>10,001</u>	<u>3,542,798</u>
Changes in net assets				323,710	31,465	355,175
Net assets beginning of year				<u>2,641,066</u>	<u>43,818</u>	<u>2,684,884</u>
Net assets end of year				<u>\$ 2,964,776</u>	<u>75,283</u>	<u>3,040,059</u>

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

SEE NOTES TO FINANCIAL STATEMENTS.

SIDNEY COMMUNITY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2009

	General	Debt Service	Nonmajor	Total
			Governmental Funds	
<b>Assets</b>				
Cash and pooled investments	\$ 1,237,280	545,078	431,612	2,213,970
Receivables:				
Property tax:				
Delinquent	19,328	5,261	2,089	26,678
Succeeding year	869,011	272,975	89,786	1,231,772
Income surtax	121,564	-	-	121,564
Accounts	33,796	-	-	33,796
Due from other funds	4,399	-	10,251	14,650
Due from other governments	134,709	-	30,050	164,759
<b>Total assets</b>	<b>\$ 2,420,087</b>	<b>823,314</b>	<b>563,788</b>	<b>3,807,189</b>
<b>Liabilities and fund balances</b>				
Liabilities:				
Accounts payable	\$ 195,327	-	40,931	236,258
Salaries and benefits payable	317,085	-	-	317,085
Due to other funds	10,251	-	4,399	14,650
Deferred revenue:				
Succeeding year property tax	869,011	272,975	89,786	1,231,772
Income surtax	121,564	-	-	121,564
Other	50,561	-	-	50,561
<b>Total liabilities</b>	<b>1,563,799</b>	<b>272,975</b>	<b>135,116</b>	<b>1,971,890</b>
Fund balances:				
Reserved for:				
Categorical funding	29,730	-	-	29,730
Debt service	-	550,339	-	550,339
Unreserved:				
Designated for special purposes	6,219	-	-	6,219
Undesignated	820,339	-	428,672	1,278,741
<b>Total fund balances</b>	<b>856,288</b>	<b>550,339</b>	<b>428,672</b>	<b>1,835,299</b>
<b>Total liabilities and fund balances</b>	<b>\$ 2,420,087</b>	<b>823,314</b>	<b>563,788</b>	<b>3,807,189</b>

SEE NOTES TO FINANCIAL STATEMENTS.

SIDNEY 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 (page 15)	\$ 1,835,299
<i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	3,520,205
Blending of the Internal Service Funds to be reflected on an entity-wide basis.	54,080
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.	(5,100)
Accounts receivable income surtax, is not yet available to finance expenditures of the current fiscal period.	121,564
Long-term liabilities, including bonds payable, qualified zone academy bonds payable and computer lease payable are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(2,561,272)</u>
Net assets of governmental activities (page 13)	<u><u>\$ 2,964,776</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

SIDNEY COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2009

	General	Debt Service	Nonmajor Governmental Funds	Total
<b>REVENUES:</b>				
Local sources:				
Local tax	\$ 1,136,782	270,481	327,386	1,734,649
Tuition	205,035	-	-	205,035
Other	112,626	7,379	89,688	209,693
State sources	2,117,573	-	-	2,117,573
Federal sources	256,394	-	-	256,394
Total revenues	<u>3,828,410</u>	<u>277,860</u>	<u>417,074</u>	<u>4,523,344</u>
<b>EXPENDITURES:</b>				
Current:				
Instruction:				
Regular	1,627,338	-	2,776	1,630,114
Special	666,773	-	-	666,773
Other	248,868	-	69,876	318,744
	<u>2,542,979</u>	<u>-</u>	<u>72,652</u>	<u>2,615,631</u>
Support services:				
Student	159,861	-	-	159,861
Instructional staff	144,117	-	27,674	171,791
Administration	383,381	-	13,744	397,125
Operation and maintenance of plant	242,446	-	55,496	297,942
Transportation	180,666	-	9,402	190,068
	<u>1,110,471</u>	<u>-</u>	<u>106,316</u>	<u>1,216,787</u>
Other expenditures:				
Facilities acquisitions	-	-	59,378	59,378
Long-term debt:				
Principal	-	251,835	-	251,835
Interest and fiscal charges	-	68,857	-	68,857
AEA flowthrough	138,325	-	-	138,325
	<u>138,325</u>	<u>320,692</u>	<u>59,378</u>	<u>518,395</u>
Total expenditures	<u>3,791,775</u>	<u>320,692</u>	<u>238,346</u>	<u>4,350,813</u>
Excess(deficiency) of revenues over(under) expenditures	36,635	(42,832)	178,728	172,531
Other financing sources(uses):				
Sale of equipment	8,595	-	-	8,595
Transfers in	-	117,847	4,399	122,246
Transfers out	(22,159)	-	(110,068)	(132,227)
Lease proceeds	32,519	-	-	32,519
Total other financing sources(uses)	<u>18,955</u>	<u>117,847</u>	<u>(105,669)</u>	<u>31,133</u>
Net change in fund balances	55,590	75,015	73,059	203,664
Fund balances beginning of year	800,698	475,324	355,613	1,631,635
Fund balances end of year	<u>\$ 856,288</u>	<u>550,339</u>	<u>428,672</u>	<u>1,835,299</u>

SEE NOTES TO FINANCIAL STATEMENTS.

SIDNEY COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF ACTIVITIES  
 JUNE 30, 2009

Net change in fund balances - total governmental funds (page 17) \$ 203,664

*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 reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	\$ 75,000	
Depreciation expense	(227,669)	(152,669)

Proceeds from issuing long-term liabilities provide current financial resources to governmental fund, 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.

Issued	(32,519)	
Repaid	251,835	219,316

Net change in the Internal Service Funds charged back against expenditures made for self-funded insurance at an entity-wide basis. 17,766

Income surtax accounts receivable is not available to finance expenditures of the current year period in the governmental funds. 21,494

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. 1,143

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.  
 Severance 12,996

Changes in net assets of governmental activities (page 14) \$ 323,710

SEE NOTES TO FINANCIAL STATEMENTS.

SIDNEY COMMUNITY SCHOOL DISTRICT  
 STATEMENT OF NET ASSETS  
 PROPRIETARY FUND  
 JUNE 30, 2009

	Business Type	
	Activities: Enterprise Fund School Nutrition	Governmental Activities: Internal Service Fund
<b>Assets</b>		
Cash and pooled investments	\$ 46,998	54,080
Inventories	2,384	-
Capital assets, net of accumulated depreciation	31,046	-
<b>Total assets</b>	<b>80,428</b>	<b>54,080</b>
<b>Liabilities</b>		
Salaries and benefits payable	4,386	-
Unearned revenue	759	-
<b>Total liabilities</b>	<b>5,145</b>	<b>-</b>
<b>Net Assets</b>		
Invested in capital assets	31,046	-
Unrestricted	44,237	54,080
<b>Total net assets</b>	<b>\$ 75,283</b>	<b>54,080</b>

SEE NOTES TO FINANCIAL STATEMENTS.

SIDNEY COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2009

	Business Type	
	Activities: Enterprise Fund School Nutrition	Governmental Activities: Internal Service Fund
OPERATING REVENUE:		
Local sources:		
Charges for services	\$ 81,399	89,000
Miscellaneous revenues	299	
TOTAL OPERATING REVENUES	<u>81,698</u>	<u>89,000</u>
OPERATING EXPENSES:		
Non-instructional programs:		
Salaries	56,212	-
Benefits	7,903	71,234
Services	917	-
Supplies	83,968	-
Depreciation	5,180	-
Other	240	-
TOTAL OPERATING EXPENSES	<u>154,420</u>	<u>71,234</u>
OPERATING INCOME (LOSS)	<u>(72,722)</u>	<u>17,766</u>
NON-OPERATING REVENUES:		
State sources	2,127	-
Federal sources	92,059	-
Interest on investments	20	-
TOTAL NON-OPERATING REVENUES	<u>94,206</u>	<u>-</u>
Change in net assets before other financing sources	21,484	17,766
Other financing sources:		
Transfer in	9,981	-
Changes in net assets	31,465	17,766
Net assets beginning of year	<u>43,818</u>	<u>36,314</u>
Net assets end of year	<u>\$ 75,283</u>	<u>54,080</u>

SEE NOTES TO FINANCIAL STATEMENTS.

SIDNEY COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2009

	Business Type	
	Activities: Enterprise Fund School Nutrition	Governmental Activities: Internal Service Fund
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 81,162	-
Cash received from miscellaneous operating activities	299	89,000
Cash payments to employees for services	(69,645)	(71,234)
Cash payments to suppliers for goods or services	(74,011)	-
Net cash provided by (used in) operating activities	(62,195)	17,766
Cash flows from non-capital financing activities:		
Transfer from General Fund	9,981	
State grants received	2,127	-
Federal grants received	83,526	-
Net cash provided by non-capital financing activities	95,634	-
Cash flows from investing activities:		
Interest on investments	20	-
Net increase in cash and cash equivalents	33,459	17,766
Cash and cash equivalents at beginning of year	13,539	36,314
Cash and cash equivalents at end of year	\$ 46,998	54,080
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:		
Operating income (loss)	\$ (72,722)	17,766
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Commodities consumed	8,538	-
Depreciation	5,180	-
Increase in inventories	(1,554)	-
Increase in accounts payable	4,130	-
Decrease in salaries and benefits payable	(5,530)	-
Decrease in unearned revenue	(237)	-
Net cash provided by (used in) operating activities	\$ (62,195)	17,766
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:		
Current assets:		
Cash and pooled investments	\$ 46,998	54,080

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2009, the District received Federal commodities valued at \$8,538.

SEE NOTES TO FINANCIAL STATEMENTS.

SIDNEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

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

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

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

A. Reporting Entity

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

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but do 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 Fremont County Assessors' Conference Board.

B. Basis of Presentation

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

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

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

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

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

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

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

The District reports the following major governmental funds:

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

The Debt Service Fund is utilized to account for the payment of interest and principal on the District's general long-term debt.

The District reports the following proprietary funds:

The District's proprietary funds are the Enterprise, School Nutrition Fund and the Internal Service Fund. The School Nutrition Fund is used to account for the food service operations of the District. The Internal Service Fund is used to account for the self-funded insurance plan of the District. The Internal Service Fund is charged back to the Governmental Funds and shown combined in the Statement of Net Assets and the Statement of Activities.

C. Measurement Focus and Basis of Accounting

The government-wide and proprietary 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. 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, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to

customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

D. Assets, Liabilities and Fund Balances

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, they have a maturity date no longer than three months.

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% 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, machinery, and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 2,500
Buildings	2,500
Land improvements	2,500
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	2,000

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

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Land improvements	20 years
Machinery and equipment	5-20 years

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

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

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

Unearned Revenue - Unearned revenues in the School Nutrition Fund are monies collected for lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The revenue will be considered earned when services are provided. The lunch account balances are reflected on the Statement of Net Assets in the Proprietary Funds.

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 Balances - 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.

Designated Fund Balances - In the governmental fund financial statements, designated funds are not available for appropriation, but are set aside for a specific purpose.

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

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2009 expenditures did not exceed budgeted amounts.

(2) **Cash and Pooled Investments**

The District's deposits at June 30, 2009 were entirely covered by federal depository insurance, collateralized with securities or letters of credit held by the District or the District's agent in the District's name, or by multiple financial institution collateral pool in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

At June 30, 2009, the District had investments in the Iowa Schools Joint Investment Trust, as follows:

	Amortized Cost
Diversified Portfolio	\$ 205,626

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit risk. The investments in the Iowa Schools Joint Investment Trust were rated Aaa by Moody's Investors Service.

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

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

Receivable Fund	Payable Fund	Amount
General	Special Revenue: Physical Plant and Equipment Levy	\$ 4,399
Capital Projects	General	10,251
Total		<u>\$ 14,650</u>

**(4) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2009 is as follows:

Transfer to	Transfer from	Amount
Capital Projects	Special Revenue: Physical Plant and Equipment Levy	\$ 4,399
Debt Service	General	12,178
	Special Revenue: Physical Plant and Equipment Levy	4,399
	Capital Projects	33,000
Debt Sinking	Capital Projects	68,270
Enterprise: School Nutrition	General	<u>9,981</u>
Total		<u>\$ 132,227</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

**(5) Capital Assets**

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 7,500	-	-	7,500
Total capital assets not being depreciated	7,500	-	-	7,500
Capital assets being depreciated:				
Buildings	5,266,518	24,387	-	5,290,905
Land improvements	188,376	5,558	-	193,934
Machinery and equipment	971,867	45,055	-	1,016,922
Total capital assets being depreciated	6,426,761	75,000	-	6,501,761
Less accumulated depreciation for:				
Buildings	1,901,730	103,643	-	2,005,373
Land improvements	178,408	3,011	-	181,419
Machinery and equipment	681,249	121,015	-	802,264
Total accumulated depreciation	2,761,387	227,669	-	2,989,056
Total capital assets being depreciated, net	3,665,374	(152,669)	-	3,512,705
Governmental activities capital assets, net	\$ 3,672,874	(152,669)	-	3,520,205

<b>Business type activities:</b>				
Machinery and equipment	\$ 104,389	-	-	104,389
Less accumulated depreciation	68,163	5,180	-	73,343
Business type activities capital assets, net	\$ 36,226	(5,180)	-	31,046

Depreciation expense was charged to the following functions:

Governmental activities:

Instruction:

Regular	\$ 33,826
Other	3,110

Support services:

Administration	2,987
Operation and maintenance of plant	1,310
Transportation	79,782
	<u>121,015</u>

Unallocated depreciation 106,654

Total depreciation expense - governmental activities \$ 227,669

Business type activities:

Food services operations \$ 5,180

(6) Long-Term Liabilities

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

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
General obligation bonds	\$ 2,045,000	-	205,000	1,840,000	210,000
Qualified zone academy bonds	700,000	-	-	700,000	-
Termination benefits	12,996	12,750	25,746	-	-
Bus lease	31,510	-	31,510	-	-
Computer lease - teacher laptops	4,078	22,459	15,325	11,212	5,451
Elementary lab lease	-	10,060	-	10,060	10,060
Total	\$ 2,793,584	45,269	277,581	2,561,272	225,511

Details of the District's June 30, 2009 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of April 1, 2004			
	Interest Rates	Principal	Interest	Total
2010	2.65 %	\$ 210,000	61,195	271,195
2011	2.85	215,000	55,630	270,630
2012	3.15	220,000	49,502	269,502
2013	3.35	235,000	42,572	277,572
2014	3.45	240,000	34,700	274,700
2015-17	3.55-3.80	720,000	57,766	777,766
Total		\$ 1,840,000	301,365	2,141,365

Qualified Zone Academy Bonds

During the year ended June 30, 2003, the District issued zero interest Qualified Zone Academy Bonds (QZAB). Annual transfers from the Capital Projects - Statewide Sales and Services Tax fund to a debt sinking fund will be made to pay the indebtedness due December 15, 2010, of \$700,000.

Computer Leases

Details of the District's June 30, 2009 computer lease indebtedness is as follows:

Year Ending June 30,	Teacher Laptops			
	Interest Rates	Principal	Interest	Total
2010	1.90%	\$ 5,451	638	6,089
2011	1.90%	5,761	328	6,089
Total		\$ 11,212	966	12,178

Year Ending June 30,	Elementary Lab Lease			
	Interest Rates	Principal	Interest	Total
2010	1.90%	\$ 10,060	191	10,251

**(7) Pension and Retirement Benefits**

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

Plan members are required to contribute 4.10% of their annual salary and the District is required to contribute 6.35% 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 \$134,702, \$122,380, and \$110,322 respectively, equal to the required contributions for each year.

**(8) Other Postemployment Benefits (OPEB)**

GASB Statement No.45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, issued June 2004, will be effective for the District beginning with its year ending June 30, 2010. This Statement establishes standards for the measurement, recognition and display of other postemployment benefits expenses and related liabilities or assets, note disclosures and, if applicable, required supplementary information in the financial reports. The District is in the process of obtaining an actuarial opinion to be in compliance with GASB Statement No.45.

**(9) Risk Management**

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

**(10) Categorical Funding**

The District's ending balances for categorical funding by project as of June 30, 2009 are as follows:

<u>Project</u>	<u>Amount</u>
Dropouts and dropout prevention program	\$ 21,281
Beginning teacher mentoring and induction program	84
Professional development for model core curriculum	3,265
Teacher development academies	<u>5,100</u>
Total reserved for categorical funding	<u><u>\$ 29,730</u></u>

**(11) 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 \$138,325 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.

REQUIRED SUPPLEMENTARY INFORMATION

SIDNEY 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	Proprietary	Total	Budgeted Amounts		Final to Actual Variance
	Fund Types	Fund Type		Original	Final	
	Actual	Actual				
<b>Revenues:</b>						
Local sources	\$ 2,149,377	91,699	2,241,076	2,373,531	2,373,531	(132,455)
State sources	2,117,573	2,127	2,119,700	2,178,413	2,178,413	(58,713)
Federal sources	256,394	92,059	348,453	157,000	157,000	191,453
Total revenues	<u>4,523,344</u>	<u>185,885</u>	<u>4,709,229</u>	<u>4,708,944</u>	<u>4,708,944</u>	<u>285</u>
<b>Expenditures/Expenses:</b>						
Instruction	2,615,631	-	2,615,631	3,062,093	3,062,093	446,462
Support services	1,216,787	-	1,216,787	1,714,107	1,714,107	497,320
Non-instructional programs	-	154,420	154,420	252,443	252,443	98,023
Other expenditures	518,395	-	518,395	756,746	756,746	238,351
Total expenditures/expenses	<u>4,350,813</u>	<u>154,420</u>	<u>4,505,233</u>	<u>5,785,389</u>	<u>5,785,389</u>	<u>1,280,156</u>
Excess(deficiency) of revenues over(under) expenditures/expenses	172,531	31,465	203,996	(1,076,445)	(1,076,445)	1,280,441
Other financing sources, net	31,133	-	31,133	3,000	3,000	28,133
Excess(Deficiency) of revenues and other financing sources over(under) expenditures/expenses	203,664	31,465	235,129	(1,073,445)	(1,073,445)	1,308,574
Balance beginning of year	1,631,635	43,818	1,675,453	1,591,107	1,591,107	84,346
Balance end of year	<u>\$ 1,835,299</u>	<u>75,283</u>	<u>1,910,582</u>	<u>517,662</u>	<u>517,662</u>	<u>1,392,920</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SIDNEY 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 Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparison 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 or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

OTHER SUPPLEMENTARY INFORMATION

SIDNEY COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2009

	Special Revenue				Capital Projects	Total Other Nonmajor Governmental Funds
	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Total		
<b>Assets</b>						
Cash and pooled investments	\$ 126,894	43,206	13,409	183,509	248,103	431,612
Receivables:						
Property tax:						
Delinquent	1,531	-	558	2,089	-	2,089
Succeeding year	60,000	-	29,786	89,786	-	89,786
Due from other funds	-	-	-	-	10,251	10,251
Due from other governments	-	519	-	519	29,531	30,050
<b>Total assets</b>	<b>\$ 188,425</b>	<b>43,725</b>	<b>43,753</b>	<b>275,903</b>	<b>287,885</b>	<b>563,788</b>
<b>Liabilities and Fund Balances</b>						
Liabilities:						
Accounts payable	\$ -	3,757	10,450	14,207	26,724	40,931
Due to other funds	-	-	4,399	4,399	-	4,399
Deferred revenue:						
Succeeding year property tax	60,000	-	29,786	89,786	-	89,786
Total liabilities	60,000	3,757	44,635	108,392	26,724	135,116
Unreserved fund balances	128,425	39,968	(882)	167,511	261,161	428,672
<b>Total liabilities and fund balances</b>	<b>\$ 188,425</b>	<b>43,725</b>	<b>43,753</b>	<b>275,903</b>	<b>287,885</b>	<b>563,788</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SIDNEY COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 YEAR ENDED JUNE 30, 2009

	Special Revenue					Total
	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Total	Capital Projects	Other Nonmajor Governmental Funds
Revenues:						
Local sources:						
Local tax	\$ 79,858	-	28,699	108,557	218,829	327,386
Other	8,798	78,005	243	87,046	2,642	89,688
Total revenues	88,656	78,005	28,942	195,603	221,471	417,074
Expenditures:						
Current:						
Instruction:						
Regular	-	-	-	-	2,776	2,776
Other	-	69,876	-	69,876	-	69,876
Support services:						
Instructional staff	-	-	5,837	5,837	21,837	27,674
Administration	-	-	13,744	13,744	-	13,744
Operation and maintenance of plant	53,225	-	1,071	54,296	1,200	55,496
Student transportation	9,185	-	217	9,402	-	9,402
Other expenditures:						
Facilities acquisitions	-	-	20,259	20,259	39,119	59,378
Total expenditures	62,410	69,876	41,128	173,414	64,932	238,346
Excess(deficiency) of revenues over(under) expenditures	26,246	8,129	(12,186)	22,189	156,539	178,728
Other financing sources(uses):						
Transfers in	-	-	-	-	4,399	4,399
Transfers out	-	-	(8,798)	(8,798)	(101,270)	(110,068)
Total other financing sources(uses)	-	-	(8,798)	(8,798)	(96,871)	(105,669)
Excess(deficiency) of revenues and other financing sources over(under) expenditures and other financing uses	26,246	8,129	(20,984)	13,391	59,668	73,059
Fund balances beginning of year	102,179	31,839	20,102	154,120	201,493	355,613
Fund balances end of year	\$ 128,425	39,968	(882)	167,511	261,161	428,672

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SIDNEY COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
 YEAR ENDED JUNE 30, 2009

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Daisy Hummel Memorial	\$ 330	-	-	330
Drama Club	-	20	1,100	(1,080)
Musical	-	425	-	425
Vocal Music	943	274	654	563
Swing Choir/Jazz Band	137	160	179	118
JH Athletics	1,659	4,844	3,412	3,091
JH Girls Basketball	183	-	167	16
Golf	497	482	490	489
Boys Basketball	-	6,271	3,487	2,784
Football	3,110	7,182	6,208	4,084
FB Fundraiser	881	-	-	881
Baseball	64	2,547	2,952	(341)
Boys Track	-	1,580	1,883	(303)
Wrestling	-	1,680	1,454	226
Wrestling fundraiser	-	-	202	(202)
Girls Basketball	2,575	5,356	4,541	3,390
Volleyball	846	3,084	3,845	85
Softball	33	1,689	1,650	72
Girls Track	40	82	1,679	(1,557)
Art Club	1,046	141	435	752
FFA	2,018	-	-	2,018
FCCLA	678	1,630	1,816	492
Honor Society	507	629	529	607
Letterman Club	1,354	273	203	1,424
Student Council HS	1,258	2,102	1,489	1,871
Student Council JH	1,462	176	204	1,434
Trophy Case	170	-	-	170
Business Club	1,389	2,579	1,556	2,412
Band Projects	685	146	-	831
BB Cheerleaders	132	-	243	(111)
Class of 2008	1,656	-	52	1,604
Class of 2009	3,043	-	2,907	136
Class of 2010	50	7,302	5,057	2,295
FB Cheerleaders	148	688	225	611
WR Cheerleaders	319	1,256	593	982
Athletics Pop Machine	614	9,445	9,143	916
Elementary Activities	1,674	12,083	8,378	5,379
Industrial Arts	151	-	-	151
Interest	-	133	-	133
Elementary Pop Machine	406	1,184	1,304	286
P.E. Fundraiser	304	62	-	366
Plays	1,477	1,640	1,839	1,278
Athletic Season	-	860	-	860
<b>Total</b>	<b>\$ 31,839</b>	<b>78,005</b>	<b>69,876</b>	<b>39,968</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SIDNEY COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 DEBT SERVICE FUNDS  
 JUNE 30, 2009

	Debt Service Funds		
	Debt Service	Debt Sinking	Total
<b>Assets</b>			
Cash and pooled investments	\$ 17,857	527,221	545,078
Receivables:			
Property tax:			
Delinquent	5,261	-	5,261
Succeeding year	272,975	-	272,975
<b>Total assets</b>	<b>\$ 296,093</b>	<b>527,221</b>	<b>823,314</b>
<b>Liabilities and Fund Balances</b>			
Liabilities:			
Deferred revenue:			
Succeeding year property tax	\$ 272,975	-	272,975
Fund balances:			
Reserved for debt service	23,118	527,221	550,339
<b>Total liabilities and fund balances</b>	<b>\$ 296,093</b>	<b>527,221</b>	<b>823,314</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SIDNEY COMMUNITY SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 DEBT SERVICE FUNDS  
 YEAR ENDED JUNE 30, 2009

	Debt Service Funds		
	Debt Service	Debt Sinking	Total
Revenues:			
Local sources:			
Local tax	\$ 270,481	-	270,481
Other	-	7,379	7,379
Total revenues	270,481	7,379	277,860
Expenditures:			
Other expenditures:			
Long-term debt:			
Principal	251,835	-	251,835
Interest and fiscal charges	68,857	-	68,857
Total expenditures	320,692	-	320,692
Excess(deficiency) of revenues over(under) expenditures	(50,211)	7,379	(42,832)
Other financing sources:			
Transfers in	49,577	68,270	117,847
Excess(deficiency) of revenues and other financing sources over(under) expenditures and other uses	(634)	75,649	75,015
Fund balance beginning of year	23,752	451,572	475,324
Fund balance end of year	\$ 23,118	527,221	550,339

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SIDNEY COMMUNITY SCHOOL DISTRICT  
 COMBINING STATEMENT OF NET ASSETS  
 INTERNAL SERVICE FUNDS  
 JUNE 30, 2009

	Internal Service Funds		
	Employee	Employee	Total
	Flex	HRA	
<b>Assets</b>			
Cash and pooled investments	\$ 1,689	52,391	54,080
<b>Total assets</b>	<b>1,689</b>	<b>52,391</b>	<b>54,080</b>
<b>Liabilities</b>			
Total liabilities	-	-	-
<b>Net Assets</b>			
Unrestricted net assets	1,689	52,391	54,080
<b>Total net assets</b>	<b>\$ 1,689</b>	<b>52,391</b>	<b>54,080</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SIDNEY COMMUNITY SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUES, EXPENSES AND  
 CHANGES IN NET ASSETS  
 INTERNAL SERVICE FUNDS  
 YEAR ENDED, JUNE 30, 2009

	Internal Service Funds		
	Employee	Employee	Total
	Flex	HRA	
Operating revenues:			
Local sources:			
Charges for services	\$ 26,000	63,000	89,000
Total operating revenues	26,000	63,000	89,000
Expenses:			
Non-instructional programs			
Benefits	30,229	41,005	71,234
Total expenses	30,229	41,005	71,234
Change in net assets	(4,229)	21,995	17,766
Net assets beginning of year	5,918	30,396	36,314
Net assets end of year	\$ 1,689	52,391	54,080

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SIDNEY COMMUNITY SCHOOL DISTRICT  
 COMBINING CASH FLOW STATEMENT  
 INTERNAL SERVICE FUNDS  
 YEAR ENDED JUNE 30, 2009

	Internal Service Funds		
	Employee Flex	Employee HRA	Total
Cash flows from operating activities:			
Cash received from miscellaneous operating activities	\$ 26,000	63,000	89,000
Cash payments to employees for services	(30,229)	(41,005)	(71,234)
Net cash provided by (used in) operating activities	(4,229)	21,995	17,766
Net increase(decrease)in cash and cash equivalents	(4,229)	21,995	17,766
Cash and cash equivalents at beginning of year	5,918	30,396	36,314
Cash and cash equivalents at end of year	\$ 1,689	52,391	54,080
Reconciliation of operating income (loss) to net cash provided by(used in)operating activities:			
Operating income (loss)	\$ (4,229)	21,995	17,766
Net cash provided by (used in) operating activities	\$ (4,229)	21,995	17,766
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:			
Current assets:			
Cash and pooled investments	\$ 1,689	52,391	54,080

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SIDNEY COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION  
 ALL GOVERNMENTAL FUND TYPES  
 FOR THE LAST SIX YEARS

	Modified Accrual Basis					
	Years Ended June 30,					
	2009	2008	2007	2006	2005	2004
Revenues:						
Local sources:						
Local tax	\$ 1,734,649	1,743,519	1,773,618	1,758,105	1,633,214	1,675,765
Tuition	205,035	185,330	203,497	146,025	124,819	104,926
Other	209,693	224,151	281,439	260,332	285,964	151,977
Intermediate sources	-	2,368	-	-	-	-
State sources	2,117,573	2,086,935	1,862,149	1,801,552	1,649,337	1,579,256
Federal sources	256,394	207,350	183,410	170,584	196,792	149,207
<b>Total</b>	<b>\$ 4,523,344</b>	<b>4,449,653</b>	<b>4,304,113</b>	<b>4,136,598</b>	<b>3,890,126</b>	<b>3,661,131</b>
Expenditures:						
Current:						
Instruction:						
Regular	\$ 1,630,114	1,548,722	1,549,988	1,451,545	1,383,753	1,378,326
Special	666,773	647,232	612,881	488,056	442,290	432,934
Other	318,744	303,080	222,333	311,437	298,717	279,155
Support services:						
Student	159,861	139,589	129,148	134,148	113,912	108,455
Instructional staff	171,791	99,592	108,393	133,909	78,533	72,056
Administration	397,125	396,570	379,710	370,155	455,720	400,681
Operation and maintenance of plant	297,942	309,554	305,048	288,372	278,940	245,471
Transportation	190,068	180,541	185,875	257,805	149,636	162,110
Other expenditures:						
Facilities acquisitions	59,378	35,959	57,008	39,740	240,802	646,678
Long-term debt:						
Principal	251,835	206,020	2,250,395	158,207	135,000	130,000
Interest and other charges	68,857	73,336	191,631	196,603	205,650	220,241
AEA flow-through	138,325	131,204	115,493	109,205	108,712	110,293
<b>Total</b>	<b>\$ 4,350,813</b>	<b>4,071,399</b>	<b>6,107,903</b>	<b>3,939,182</b>	<b>3,891,665</b>	<b>4,186,400</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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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 the  
Sidney 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 Sidney Community School District 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 January 29, 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 Sidney Community School District 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 Sidney Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Sidney Community School District's internal control over financial reporting.

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 Sidney Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Sidney Community School District's financial statements that is more than inconsequential will not be prevented or detected by Sidney Community School 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.

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 Sidney Community School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe item I-A-09 is a material weakness.

Compliance and Other Matters

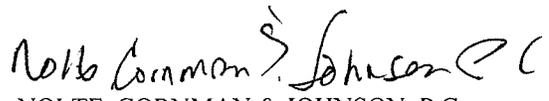
As part of obtaining reasonable assurance about whether Sidney Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a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

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.

Sidney Community School 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 Sidney Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Sidney Community School District and other parties to whom Sidney Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

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

  
NOLTE, CORNMAN & JOHNSON, P.C.

January 29, 2010

SIDNEY COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2009

Part I: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

SIGNIFICANT DEFICIENCIES:

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. Cash receipts are issued and bank deposits are prepared by the same person. An independent person does not open the mail and prepare an initial listing of the checks received and later compare the listing to the receipts issued. Also, vouchers are processed, disbursements are recorded, and checks are prepared by the same person.

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

Response - The District has reorganized office personnel to provide for more segregation of duties.

Conclusion - Response accepted.

I-B-09 Gate Admissions - During our audit we noted that the District doesn't utilize pre-numbered tickets for all events that require admission.

Recommendation - The District should have internal control procedures established for handling cash for all activity events, including athletic events and communicate the policies and procedures to individuals involved. The Board would of course, approve any policies and the District's business office should be involved in developing the detailed procedures. At a minimum these procedures should include:

- a. Cash or change boxes should be established with a specified amount.
- b. The District should use pre-numbered tickets.
- c. Two or more individuals should be involved in the cash collection/ticket sales process. In addition to cash collection/ticket sales procedures, the individuals should be instructed to not leave the cash/change boxes unattended under any circumstances.
- d. At the end of the event, cash should be counted and reconciled (by two or more individuals) to sales/pre-numbered tickets sold including the amount of the beginning cash.
- e. To reconcile, the next unsold ticket number less the beginning ticket number determines the number of tickets sold. This number times the price per ticket equals total sales. Total sales compared to total collected should reconcile. Variances, if any should be minimal.
- f. A reconciliation form should be completed and signed off by the individuals responsible for counting and reconciling cash.

- g. The cash and change box should be turned into the Athletic Director (AD) or designee responsible for the “accounting” of the event.
- h. The AD or designee should be required to take the cash collections to the night depository at the bank or at a minimum, lock the cash collections in the District’s vault or other secure location at the District’s office for deposit on the next working day. District procedures should prohibit individuals from taking cash collections home.
- i. A pre-numbered receipt should be issued by the Business Office the next working day in the amount of the confirmed deposit.
- j. Administrative personnel should periodically review/test the process to ensure procedures are working as prescribed.

Response - The District will continue to review procedures and affect as much internal control as possible.

Conclusion - Response accepted.

- I-C-09 Supporting Documents for Payments to Officials - Payments made to officials from the Student Activity fund do not have supporting documentation.

Recommendation - The copy of the contract made for each official should be used as the support for payment.

Response - The District will use a copy of the official’s contract as support for payment.

Conclusion - Response accepted.

- I-D-09 Student Activity Fund - We noted during our audit a Scholarship paid from the Student Activity fund.

Recommendation - An Expendable Trust fund should be set up to handle scholarship monies.

Response - The scholarship will be paid by a non-profit alumni association.

Conclusion - Response accepted.

- I-E-09 Payroll Procedures - We noted during our audit that the District is not keeping track of hours worked for coaches who are non-certified staff.

Recommendation - In an effort to comply with the Department of Labor requirements on wage per hour contracts, the District should keep track of the hours worked for non-certified staff coaches.

Response - The District will take this recommendation under advisement and consider using time cards for non-certified coaches.

Conclusion - Response acknowledged. Department of Labor requires employers to maintain records to support payments to employees.

SIDNEY COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF FINDINGS  
 YEAR ENDED JUNE 30, 2008

Part II: Other Findings Related to Statutory Reporting

- II-A-09 Certified Budget - District disbursements for the year ended June 30, 2009, did not exceed the amounts budgeted.
- II-B-09 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- 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.
- II-D-09 Business Transactions - Business transactions between the District and District officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Randy Bishop, Board Member Owns Bishop Plumbing & Heating	Repairs	\$409

In accordance with Chapter 279.7A of the Code of Iowa, the above transaction with the Board Member does not appear to represent a conflict of interest.

- 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 - We noted no transactions requiring Board approval which have not been approved by the Board.
- II-G-09 Certified Enrollment - We noted that the number of basic resident students reported to the Iowa Department of Education on line 1 of the Certified Enrollment Certification Form for October 2008 was overstated by 1 student.  
  
Recommendation - The District should contact the Iowa Department of Education and the Department of Management to resolve this matter.  
  
Response - The District contacted the Department of Education and the Department of Management to resolve the matter.  
  
Conclusion - Response accepted.
- II-H-09 Deposits and Investments - We noted 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.
- II-I-09 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely, and we noted no significant deficiencies in the amounts reported.

II-J-09 Categorical Funding - No instances were noted of categorical funding being used to supplant rather than supplement other funds.

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.5 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			218,829
Ependitures/Transfers Out:			
School infrastructure:			
Buildings	\$	22,717	
Equipment		36,782	
Other improvements		5,433	
Debt service for school infrastructure:			
Quality zone academy bonds		68,270	
Lease obligation		33,000	166,202
Ending Balance		\$	<u>52,627</u>

II-L-09 Financial Condition - As of June 30, 2009, the Special Revenue, Physical Plant and Equipment Levy Fund had a deficit balance of \$882. We also noted six Student Activity Fund accounts with negative balances totaling \$3,594 as of June 30, 2009.

Recommendation - The District should continue to investigate alternatives to eliminate these deficits in order to return these accounts to a sound financial condition.

Response - Intrafund transfers were made to eliminate Student Activity Fund deficit account balances. Although the PPEL Fund had a deficit balance at year end, it now has a positive cash balance due to a transfer from the General Fund.

Conclusion - Response accepted.

II-M-09 Electronic Check Retention - We noted during our audit that the District retains cancelled checks through electronic image, but does not obtain an image of the back of each cancelled check.

Recommendation - Chapter 554D.114 of the Code of Iowa does allow for the retention of records in electronic form. Chapter 291.6 of the Code of Iowa requires as a duty of the Board Secretary preservation of records. The District should receive the photo images showing both the front and back of the checks or the original issued check. Although the banks may have made records available to them, the District has not formally or informally identified that the banks are serving as custodians of the public record. We believe based on an informal advice document from an assistant attorney general that a bank maintaining the electronic check front and back may comply with the requirement of record retention. However, availability and cost of retrieval of those records should be agreed upon. As the District has not preserved the records, they should have in place a formal agreement with their respective banks identifying the banks as custodians of public

records. In addition, the District should consider what effect the lack of availability of the backs of checks may have on the District's internal control procedures and processes.

Response - The District will discuss available options with the banks that do business with the District in an effort to comply with the audit recommendation.

Conclusion - Response accepted.

II-N-09 PPEL and Capital Projects Expenditures - We noted during our audit that the District had purchases from the Special Revenue, Physical Plant and Equipment Levy (PPEL) Fund and Capital Projects Fund which do not appear to be in compliance with Chapter 298.3 of the Code of Iowa.

Recommendation - We are requesting corrective transfers on the financial statements. The District needs to transfer from the General Fund, \$7,586.29 to PPEL and \$16,311.37 to Capital Projects. The District should review Chapter 298.3 of the Code of Iowa for allowability of expenditures from the PPEL and Capital Projects Funds.

Response - The superintendent has reviewed Chapter 298.3.

Conclusion - Response accepted.

II-O-09 Officiating Contracts - We noted during our audit that the Athletic Director was signing Activity Fund officiating contracts. According to 291.1 of the Code of Iowa, the Board President shall sign all contracts entered into by the District.

Recommendation - The District should have the Board President sign all contracts entered into by the District.

Response - The District will make every effort to have officials' contracts signed by the Board President.

Conclusion - Response accepted.

II-P-09 District and Regional Rents - We noted during our audit that the district receives money for use of facilities when hosting district and regional events.

Recommendation - Chapter 297.9 of the code of Iowa requires rent to be receipted into the general fund. The district should receipt rent collected for facility usage into the general fund.

Response - The District will receipt facility use money for district and regional events in the General Fund.

Conclusion - Response accepted.

II-Q-09 Checks Outstanding - We noted during our audit that the District had checks included in the bank reconciliation which have been outstanding for over a year.

Recommendation - The District should determine if the outstanding checks should be reissued, voided, or submitted to the State as unclaimed property. If the checks are submitted as unclaimed property, the District must do so annually before November 1<sup>st</sup> as required by Chapter 556.1(10) and 556.11 of the Code of Iowa.

Response - The District Business Manager is reviewing outstanding checks to determine if they should be reissued, voided, or submitted to the state as unclaimed property.

Conclusion - Response accepted.