

SIOUX CENTER COMMUNITY SCHOOL DISTRICT
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

June 30, 2009

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Independent Auditor's Report

To the Board of Education of
Sioux Center Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Sioux Center Community School District, Sioux Center, Iowa, as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Sioux Center Community School District as of June 30, 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 reports dated March 19, 2010, on our consideration of Sioux Center Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, 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 13 and 41 through 42 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 Sioux Center 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 two years ended June 30, 2008, (which are not presented herein) and expressed unqualified opinions on those financial statements. The financial statements for the three years ended June 30, 2006 (which are not presented herein) were audited by other auditors who expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 8, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

March 19, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Sioux Center Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 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 \$8,789,218 in fiscal 2008 to \$9,712,728 in fiscal 2009, while General Fund expenditures increased from \$8,961,240 in fiscal 2008 to \$9,124,586 in fiscal 2009. The District's General Fund balance increased from \$240,980 in fiscal 2008 to \$829,122 in fiscal 2009.
- The increase in General Fund revenues was attributable to an increase in property tax and state and federal grant revenue in fiscal 2009. The increase in expenditures was due primarily to an increase in the normal operating expenses of the district. The reason the General Fund balance increased is because the district took steps to reduce recurring costs by offering early retirement and increasing the cash reserve.

USING THIS ANNUAL REPORT

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

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

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

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

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

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

Other Supplementary Information provides detailed information about the nonmajor funds.

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

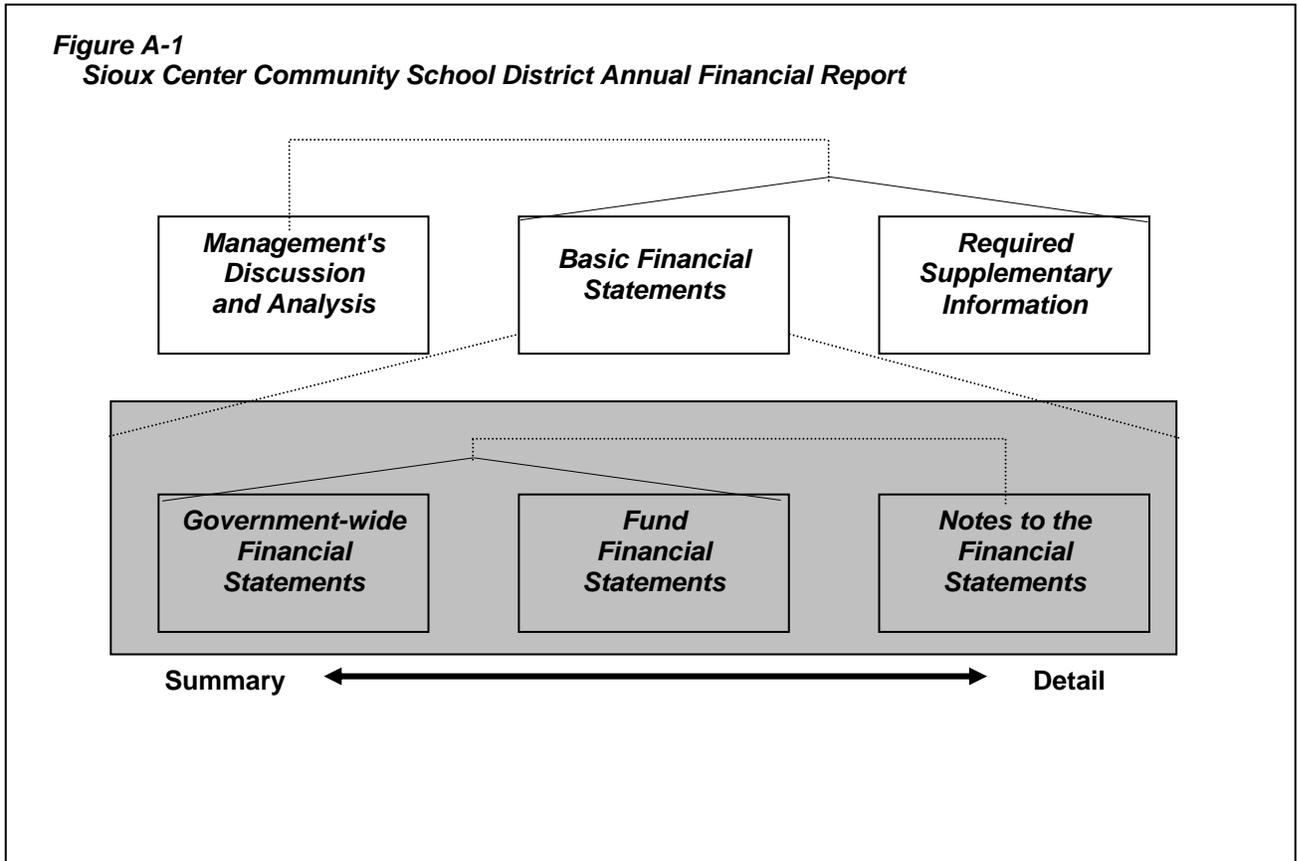


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

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

The District's governmental funds include the General Fund, Management Fund, Physical Plant and Equipment Fund, Debt Service Fund and Capital Projects Fund.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

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

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

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

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Figure A-3

	Condensed Statement of Net Assets						Percentage Change 2008-2009
	Governmental Activities		Business-type Activities		Total School District		
	2009	2008	2009	2008	2009	2008	
	\$	\$	\$	\$	\$	\$	
Current and other assets	16,922,835	7,810,629	86,326	82,143	17,009,161	7,892,772	115.5
Capital assets	10,151,284	9,134,183	87,877	83,627	10,239,161	9,217,810	11.1
Total assets	27,074,119	16,944,812	174,203	165,770	27,248,322	17,110,582	59.2
Long-term liabilities	13,511,799	5,920,900	0	0	13,511,799	5,920,987	128.2
Other liabilities	7,846,008	6,434,175	7,246	6,522	7,853,254	6,440,697	21.9
Total liabilities	21,357,807	12,355,162	7,246	6,522	21,365,053	12,361,684	72.8
Net Assets:							
Invested in capital assets, net of related debt	3,775,377	3,378,727	87,877	83,627	3,863,254	3,462,354	11.6
Restricted	874,991	740,788	0	0	874,991	740,788	18.1
Unrestricted	1,065,944	470,135	79,080	75,621	1,145,024	545,756	109.8
TOTAL NET ASSETS	5,716,312	4,589,650	166,957	159,248	5,883,269	4,748,898	23.9

The District's combined total net assets increased by nearly 24%, or approximately \$1,134,000 over the prior year. The largest portion of the District's net assets is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets

increased approximately \$134,000 or 18% over the prior year. The increase was primarily a result of decreased expenditures in the Physical Plant and Equipment Levy Fund.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased approximately \$600,000 or 110%. This increase in unrestricted net assets was a result of the District's effort to reduce expenditures and increase the cash reserve levy.

Figure A-4 shows the change in net assets for the years ended June 30, 2009 and 2008.

Figure A-4

	Change in Net Assets						Percentage Change 2008-2009
	Governmental Activities		Business-type Activities		Total School District		
	2009 \$	2008 \$	2009 \$	2008 \$	2009 \$	2008 \$	
Revenues							
Program Revenues:							
Charges for services	660,430	654,482	245,616	211,108	906,046	865,590	4.7
Operating grants & contributions	1,682,618	1,345,531	191,602	185,015	1,874,220	1,530,546	22.5
Capital grants & contributions	26,482	0	0	0	26,482	0	0
General Revenues:							
Property taxes	3,972,314	3,579,397	0	0	3,972,314	3,579,397	11.0
Income Surtax	424,111	421,852	0	0	424,111	421,852	.5
Statewide sales tax	756,029	510,884	0	0	756,029	510,884	48.0
Unrestricted state grants	3,925,951	3,807,807	0	0	3,925,951	3,807,807	3.1
ARRA Stabilization	83,691	0	0	0	83,691	0	0
Unrestricted investment earnings	72,362	107,509	3,219	3,333	75,581	110,842	-31.8
Other revenue	11,206	11,556	0	0	11,206	11,556	-3.0
Total Revenues	11,615,194	10,439,018	440,437	399,456	12,055,631	10,838,474	11.2
Expenses:							
Instruction	6,644,289	6,509,239	0	0	6,644,289	6,509,239	2.1
Support services	2,536,605	2,566,665	0	0	2,536,605	2,566,665	-1.2
Non-instructional programs	0	0	432,728	396,146	432,728	396,146	9.2
Other expenditures	1,307,638	943,755	0	0	1,307,638	943,755	38.6
Total expenses	10,488,532	10,019,659	432,728	396,146	10,921,260	10,415,805	4.9
CHANGE IN NET ASSETS	1,126,662	419,359	7,709	3,310	1,134,371	422,669	168.4
Net assets beginning of year	4,589,650	4,170,291	159,248	155,938	4,748,898	4,326,229	9.8
Net assets end of year	5,716,312	4,589,650	166,957	159,248	5,883,269	4,748,898	23.9

In fiscal year 2009 property tax and unrestricted state grants account for 65.5% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 84.1% of the total expenses.

As shown in figure A-4, the District as a whole experienced an 11.2% increase in revenues and a 4.9% increase in expenses. Property tax increased \$392,917 to fund increases in expenses. The increases in expenses related to increases in normal operating expenses.

Governmental Activities

Revenues for governmental activities were \$11,615,194 and expenses were \$10,488,532. In a difficult budget year, the District was able to improve its financial position.

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

Figure A-5

	Total Cost of Services			Net Cost of Services		
	2009	2008	Change 2008-2009	2009	2008	Change 2008-2009
	\$	\$		\$	\$	
Instruction	6,644,289	6,509,239	135,050	4,862,693	5,034,778	-172,085
Support Services	2,536,605	2,566,665	-30,060	2,395,295	2,423,113	-27,818
Other Expenses	1,307,638	943,755	363,883	861,014	561,755	299,259
TOTAL	10,488,532	10,019,659	468,873	8,119,002	8,019,646	99,356

For the year ended June 30, 2009

- The cost financed by users of the District's programs was \$660,430. Most of these revenues are derived from tuition charged to other school districts and from student activities.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,682,618.
- The net cost of governmental activities was financed with \$5,152,454 in property and local other taxes and \$3,925,951 in unrestricted state grants.

Business Type Activities

Revenues for business type activities were \$440,437 and expenses were \$432,728. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$8,756,084, well above last year's ending fund balances of \$1,049,295. However, the primary reason for the increase in combined fund balances in fiscal 2009 is due to unexpended general obligation bond proceeds received in May of 2009.

Governmental Fund Highlights

- The District's improved General Fund financial position is the result of many factors. Growth during the year in tax and grants resulted in an increase in revenues. The district has taken measures to reduce expenditures through staff reductions and early retirement. The district has attempted to increase the cash in the General Fund by increasing the cash reserve levy.
- The General Fund balance increased from \$240,980 to \$829,122, due in part to measures taken by the district to reduce expenditures through staff reductions and early retirement.
- The Physical Plant and Equipment Levy (PPEL) Fund balance increased from \$60,007 in fiscal 2008 to \$123,168 in fiscal 2009. While revenues remained approximately the same, the District substantially reduced spending from the PPEL Fund in order to improve the financial condition of the fund.
- The Capital Projects Fund balance increased from \$451,736 to \$7,500,884 due to unexpended bond proceeds for capital improvements at the elementary and high schools.

Proprietary Fund Highlights

School Nutrition Fund net assets increased from \$143,377 at June 30, 2008 to \$157,771 at June 30, 2009, representing an increase of approximately 10%.

BUDGETARY HIGHLIGHTS

The District's receipts were \$373,989 more than budgeted receipts. The most significant variance resulted from the District receiving more revenue from local sources than anticipated.

Total expenditures were \$218,674 more than budgeted, due primarily to the District's capital improvements project. 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.

In spite of the District's budgetary practice, the certified budget was exceeded in the other expenditure area due to the timing of disbursements paid at year-end for the building project without sufficient time to amend the certified budget.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2009, the District had invested \$10.2 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net increase of 11.1% from last year. More detailed information about the District's capital assets is presented in Note 5 to the financial statements. Depreciation expense for the year was \$280,041.

The largest change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress totaled \$1,243,194 at June 30, 2009 compared to \$13,100 reported at June 30, 2008. This significant increase resulted from construction activity

financed by the issuance of voter approved general obligation bonds for capital improvements at the elementary and high schools.

Figure A-6

Capital Assets (net of depreciation)

	Governmental		Business type		Total		Percentage Change 2008-2009
	Activities		Activities		School District		
	2009	2008	2009	2008	2009	2008	
	\$	\$	\$	\$	\$	\$	
Land	150,978	150,978	0	0	150,978	150,978	0.0%
Construction in progress	1,243,194	13,100	0	0	1,243,194	13,100	9390.0%
Buildings	8,130,930	8,322,098	0	0	8,130,930	8,322,098	-2.3%
Improvements	161,659	168,395	0	0	161,659	168,395	-4.0%
Equipment & furniture	464,523	479,612	87,877	83,627	552,400	563,239	-1.9%
TOTAL	10,151,284	9,134,183	87,877	83,627	10,239,161	9,217,810	11.1%

Long-Term Debt

At June 30, 2009 the District had \$13,511,799 in general obligation, revenue and other long-term debt outstanding. This represents an increase of approximately 128% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 6 to the financial statements.

In May 2009 the District's voters authorized the issuance of \$8,485,000 in general obligation bonds to pay for capital improvements at the elementary and high school buildings. Planning for the project started in fiscal 2009 and the bonds were sold during fiscal 2009. The District had total outstanding bonded indebtedness at June 30, 2009 of \$13,331,420.

Figure A-7

Outstanding Long-Term Obligations

	Total School District		Percentage Change 2008-2009
	2008	2009	
	\$	\$	
General obligation bonds	2,910,000	11,110,000	281.8%
Revenue bonds	2,615,956	2,221,420	-15.1%
Capital loan notes	229,500	0	-100%
Early retirement	152,602	169,351	11.0%
Compensated absences	12,929	11,028	-14.7%
	5,920,987	13,511,799	128.2%

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:

- School financing is highly dependent upon student enrollment. The District's October 2009 enrollment decreased by four students. This drop in enrollment will decrease the District's funding for fiscal year 2011.
- Although the District has experienced declining enrollment for the past two years, the District expects an increase in future enrollment due to preliminary kindergarten projections and a smaller graduating senior class. The Iowa Department of Education projects significant increases in enrollment for the next two to three years.
- The City of Sioux Center continues to increase in population due to an aggressive economic development philosophy. Housing starts continue to increase due to several housing developments.

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 JoAnn Gotto, Treasurer and Business Manager, Sioux Center Community School District, 550 9th Street NE, Sioux Center, IA 51250

BASIC FINANCIAL STATEMENTS

SIOUX CENTER COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2009

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
Assets			
Cash and cash equivalents:			
ISCAP	1,224,080	-	1,224,080
Other	10,153,585	79,277	10,232,862
Receivables:			
Property tax:			
Delinquent	25,871	-	25,871
Succeeding year	4,792,528	-	4,792,528
Accounts	53,446	-	53,446
Accrued interest:			
Accrued interest - ISCAP	70	-	70
Due from other governments	638,493	-	638,493
Inventories	-	7,049	7,049
Bond issue costs	34,762	-	34,762
Capital assets, net of accumulated depreciation	10,151,284	87,877	10,239,161
Total assets	27,074,119	174,203	27,248,322
Liabilities			
Accounts payable	840,178	847	841,025
Salaries and benefits payable	837,732	386	838,118
Accrued interest payable	94,462	-	94,462
Deferred revenue:			
Succeeding year property tax	4,792,528	-	4,792,528
Other	52,436	6,013	58,449
ISCAP unamortized premium	23,326	-	23,326
ISCAP warrants payable	1,205,000	-	1,205,000
ISCAP accrued interest payable	346	-	346
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	390,000	-	390,000
Revenue bonds payable	394,000	-	394,000
Termination benefits	46,200	-	46,200
Compensated absences	11,028	-	11,028
Portion due after one year:			
General obligation bonds payable	10,720,000	-	10,720,000
Revenue bonds payable	1,827,420	-	1,827,420
Termination benefits	123,151	-	123,151
Total liabilities	21,357,807	7,246	21,365,053

See notes to financial statements.

SIOUX CENTER COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2009

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
Net assets			
Invested in capital assets, net of related debt	3,775,377	87,877	3,863,254
Restricted for:			
Categorical funding	42,516	-	42,516
Physical plant and equipment levy	123,168	-	123,168
Other special revenue purposes	178,881	-	178,881
Sales tax capital projects	455,706	-	455,706
Debt service	74,720	-	74,720
Unrestricted	<u>1,065,944</u>	<u>79,080</u>	<u>1,145,024</u>
Total net assets	<u><u>5,716,312</u></u>	<u><u>166,957</u></u>	<u><u>5,883,269</u></u>

Sioux Center Community School District

Statement of Activities

Year ended June 30, 2009

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
	\$	\$	\$	\$
Governmental activities:				
Instruction:				
Regular	4,084,319	349,603	833,586	-
Special	1,173,613	84,215	140,109	-
Other	1,386,357	212,675	161,408	-
	<u>6,644,289</u>	<u>646,493</u>	<u>1,135,103</u>	<u>-</u>
Support services:				
Student	295,795	-	-	-
Instructional staff	318,085	-	-	-
Administration	854,370	-	-	-
Operation and maintenance of plant	685,711	13,937	-	-
Transportation	382,644	-	127,373	-
	<u>2,536,605</u>	<u>13,937</u>	<u>127,373</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	395,565	-	-	26,482
Long-term debt interest	299,852	-	8,825	-
AEA flowthrough	414,317	-	411,317	-
Depreciation (unallocated)*	197,904	-	-	-
	<u>1,307,638</u>	<u>-</u>	<u>420,142</u>	<u>26,482</u>
Total governmental activities	<u>10,488,532</u>	<u>660,430</u>	<u>1,682,618</u>	<u>26,482</u>
Business type activities:				
Non-instructional programs:				
Food service operations	415,931	240,890	186,602	-
Community education	16,797	4,726	5,000	-
Total business-type activities	<u>432,728</u>	<u>245,616</u>	<u>191,602</u>	<u>-</u>
Total	<u>10,921,260</u>	<u>906,046</u>	<u>1,874,220</u>	<u>26,482</u>
General Revenues:				
Property taxes levied for:				
General purposes				
Debt service				
Capital outlay				
Income surtax				
Statewide sales and services tax				
Unrestricted state grants				
Federal ARRA stabilization				
Unrestricted investment earnings				
Other				
Total general revenues				

Change in net assets

Net assets beginning of year

Net assets end of year

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

Net (Expense) Revenue and Changes in Net Assets

Governmental Activities	Business Type Activities	Total
\$	\$	\$
(2,901,130)	-	(2,901,130)
(949,289)	-	(949,289)
(1,012,274)	-	(1,012,274)
(4,862,693)	-	(4,862,693)
(295,795)	-	(295,795)
(318,085)	-	(318,085)
(854,370)	-	(854,370)
(671,774)	-	(671,774)
(255,271)	-	(255,271)
(2,395,295)	-	(2,395,295)
(369,083)	-	(369,083)
(291,027)	-	(291,027)
(3,000)	-	(3,000)
(197,904)	-	(197,904)
(861,014)	-	(861,014)
(8,119,002)	-	(8,119,002)
-	11,561	11,561
-	(7,071)	(7,071)
-	4,490	4,490
(8,119,002)	4,490	(8,114,512)
3,235,716	-	3,235,716
409,434	-	409,434
327,164	-	327,164
424,111	-	424,111
756,029	-	756,029
3,925,951	-	3,925,951
83,691	3,219	86,910
72,362	-	72,362
11,206	-	11,206
9,245,664	3,219	9,248,883
1,126,662	7,709	1,134,371
4,589,650	159,248	4,748,898
5,716,312	166,957	5,883,269

SIOUX CENTER COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2009

	General Fund	Debt Service	Capital Projects	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$	\$
Assets					
Cash and pooled investments:					
ISCAP	1,224,080	-	-	-	1,224,080
Other	1,640,441	77,166	8,092,194	343,784	10,153,585
Receivables:					
Property tax:					
Delinquent	20,743	2,351	-	2,777	25,871
Succeeding year	3,434,966	854,859	-	502,703	4,792,528
Accounts	53,446	-	-	-	53,446
Accrued interest - ISCAP	70	-	-	-	70
Due from other governments	524,115	-	114,378	-	638,493
Total assets	6,897,861	934,376	8,206,572	849,264	16,888,073
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	134,490	-	705,688	-	840,178
Salaries and benefits payable	837,732	-	-	-	837,732
ISCAP unamortized premium	23,326	-	-	-	23,326
ISCAP warrants payable	1,205,000	-	-	-	1,205,000
ISCAP accrued interest payable	346	-	-	-	346
Deferred revenue:					
Succeeding year property tax	3,434,966	854,859	-	502,703	4,792,528
Income surtax	380,443	-	-	-	380,443
Other	52,436	-	-	-	52,436
Total liabilities	6,068,739	854,859	705,688	502,703	8,131,989
Fund balances:					
Reserved for:					
Categorical funding	42,516	-	-	-	42,516
Debt service	-	79,517	89,665	-	169,182
Unreserved reported in:					
General fund	786,606	-	-	-	786,606
Special revenue funds	-	-	-	346,561	346,561
Capital projects funds	-	-	7,411,219	-	7,411,219
Total fund balances	829,122	79,517	7,500,884	346,561	8,756,084
Total liabilities and fund balances	6,897,861	934,376	8,206,572	849,264	16,888,073

See notes to financial statements.

SIOUX CENTER 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 (Exhibit C)	8,756,084
<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.	10,151,284
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	380,443
Bond issue costs are reported as an asset in the statement of net assets and are amortized over the life of the bonds.	34,762
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.	(94,462)
Long-term liabilities, including bonds payable, termination benefits and compensated absences, are not due and payable in the current period and therefore, are not reported as liabilities in the governmental funds.	<u>(13,511,799)</u>
Net assets of governmental activities (Exhibit A)	<u><u>5,716,312</u></u>

SIOUX CENTER COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2009

	General Fund	Debt Service	Capital Projects	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$	\$
Revenues:					
Local sources:					
Local tax	3,515,500	409,434	756,029	461,047	5,142,010
Tuition	374,112	-	-	-	374,112
Other	213,079	8,825	26,482	230,862	479,248
State sources	5,178,642	158	-	185	5,178,985
Federal sources	431,395	-	-	-	431,395
Total revenues	<u>9,712,728</u>	<u>418,417</u>	<u>782,511</u>	<u>692,094</u>	<u>11,605,750</u>
Expenditures:					
Current:					
Instruction:					
Regular	4,027,459	-	2,885	37,789	4,068,133
Special	1,173,420	-	-	-	1,173,420
Other	1,167,634	-	-	220,479	1,388,113
	<u>6,368,513</u>	<u>-</u>	<u>2,885</u>	<u>258,268</u>	<u>6,629,666</u>
Support services:					
Student	292,593	-	2,806	-	295,399
Instructional staff	313,888	-	5,677	1,362	320,927
Administration	794,874	500	24,264	71,205	890,843
Operation and maintenance of plant	609,255	-	44,719	24,837	678,811
Transportation	331,146	-	68	35,105	366,319
	<u>2,341,756</u>	<u>500</u>	<u>77,534</u>	<u>132,509</u>	<u>2,552,299</u>
Other expenditures:					
Facilities acquisition	-	-	1,630,413	-	1,630,413
Long-term debt:					
Principal	-	909,036	-	-	909,036
Interest and fiscal charges	-	248,230	-	-	248,230
AEA flowthrough	414,317	-	-	-	414,317
	<u>414,317</u>	<u>1,157,266</u>	<u>1,630,413</u>	<u>-</u>	<u>3,201,996</u>
Total expenditures	<u>9,124,586</u>	<u>1,157,766</u>	<u>1,710,832</u>	<u>390,777</u>	<u>12,383,961</u>
Excess (deficiency) of revenues over (under) expenditures	<u>588,142</u>	<u>(739,349)</u>	<u>(928,321)</u>	<u>301,317</u>	<u>(778,211)</u>

SIOUX CENTER COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2009

	General Fund	Debt Service	Capital Projects	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$	\$
Other financing sources (uses):					
Bonds issued	-	-	8,485,000	-	8,485,000
Operating transfers in	-	747,539	-	-	747,539
Operating transfers out (uses)	-	-	(507,531)	(240,008)	(747,539)
	<u>-</u>	<u>747,539</u>	<u>7,977,469</u>	<u>(240,008)</u>	<u>8,485,000</u>
Net change in fund balances	588,142	8,190	7,049,148	61,309	7,706,789
Fund balances beginning of year	<u>240,980</u>	<u>71,327</u>	<u>451,736</u>	<u>285,252</u>	<u>1,049,295</u>
Fund balances end of year	<u><u>829,122</u></u>	<u><u>79,517</u></u>	<u><u>7,500,884</u></u>	<u><u>346,561</u></u>	<u><u>8,756,084</u></u>

SIOUX CENTER COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2009

	\$	\$
Net change in fund balances - total governmental funds (Exhibit E)		7,706,789
<i>Amounts reported for governmental activities in the Statement of Activities are different because:</i>		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures exceeded depreciation expense in the current year, as follows:		
Expenditures for capital assets	1,282,573	
Loss on disposal of capital assets	(1,000)	
Depreciation expense	<u>(264,472)</u>	1,017,101
Income surtaxes not collected for several months after the District's fiscal year ends are not considered "available" revenues in the governmental funds and are included as deferred revenues. They are, however, recorded as revenues in the Statement of Activities.		10,444
Proceeds from issuing long-term liabilities are included in the governmental funds but increase long-term liabilities in the Statement of Net Assets.		(8,485,000)
Bond issue costs are reported as an expense in the governmental fund financial statements, but are capitalized and amortized over the life of the bonds in the government-wide financial statements.		34,762
Repayment of long-term liability principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.		909,036
Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.		(51,622)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:		
Termination benefits	(16,749)	
Compensated absences	<u>1,901</u>	<u>(14,848)</u>
Changes in net assets of governmental activities (Exhibit B)		<u><u>1,126,662</u></u>

SIOUX CENTER COMMUNITY SCHOOL DISTRICT

Statement of Net Assets
Proprietary Funds

June 30, 2009

	Nonmajor Enterprise Funds
	<u>\$</u>
Assets	
Cash and cash equivalents	79,277
Inventories	7,049
Capital assets, net of accumulated depreciation	<u>87,877</u>
Total assets	<u>174,203</u>
Liabilities	
Accounts payable	847
Salaries and benefits payable	386
Deferred revenue	<u>6,013</u>
Total liabilities	<u>7,246</u>
Net assets	
Invested in capital assets	87,877
Unrestricted	<u>79,080</u>
Total net assets	<u><u>166,957</u></u>

SIOUX CENTER COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2009

	Nonmajor Enterprise Funds \$
Operating revenues:	
Local sources:	
Charges for service	<u>245,616</u>
Operating expenses:	
Salaries	159,899
Benefits	33,565
Purchased services	6,193
Supplies	217,502
Depreciation	15,569
Total operating expenses	<u>432,728</u>
Operating gain (loss)	<u>(187,112)</u>
Non-operating revenues:	
Local sources - donations	5,000
State sources	5,344
Federal sources	181,258
Interest income	3,219
Total non-operating revenues	<u>194,821</u>
Change in net assets	7,709
Net assets beginning of year	<u>159,248</u>
Net assets end of year	<u><u>166,957</u></u>

SIOUX CENTER COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows
Proprietary Funds

Year ended June 30, 2009

	Nonmajor Enterprise Funds
	<u>\$</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	240,493
Cash received from sales of services	4,857
Cash payments to employees for services	(193,078)
Cash payments to suppliers for goods or services	<u>(184,207)</u>
Net cash used by operating activities	<u>(131,935)</u>
Cash flows from non-capital financing activities:	
State grants received	5,344
Federal grants received	141,171
Donations	<u>5,000</u>
Net cash provided by non-capital financing activities	<u>151,515</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	<u>(19,819)</u>
Cash flows from investing activities:	
Interest on investments	<u>3,219</u>
Net increase (decrease) in cash and cash equivalents	2,980
Cash and cash equivalents at beginning of year	<u>76,297</u>
Cash and cash equivalents at end of year	<u><u>79,277</u></u>
Reconciliation of operating gain (loss) to net cash used by operating activities:	
Operating gain (loss)	(187,112)
Adjustments to reconcile operating gain (loss) to net cash used by operating activities:	
Commodities used	40,087
Depreciation	15,569
Decrease (increase) in inventories	(1,360)
Decrease (increase) in accounts receivable	157
(Decrease) increase in accounts payable	761
(Decrease) increase in salaries and benefits payable	386
(Decrease) increase in deferred revenue	<u>(423)</u>
Net cash used by operating activities	<u><u>(131,935)</u></u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2009, the District received \$40,087 of federal commodities.

SIOUX CENTER COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Assets
Fiduciary Funds

June 30, 2009

	Private Purpose Trust Scholarship
	<u>\$</u>
Assets	
Cash and pooled investments	13,939
Liabilities	
	<u>-</u>
Net Assets	
Reserved for scholarships	<u><u>13,939</u></u>

SIOUX CENTER COMMUNITY SCHOOL DISTRICT

Statement of Changes in Fiduciary Net Assets
Fiduciary Funds

Year ended June 30, 2009

	Private Purpose Trust Scholarship
	<u>\$</u>
Additions:	
Local sources:	
Gifts and contributions	1,000
Interest	547
Total additions	<u>1,547</u>
Deductions	
Support services:	
Scholarships awarded	<u>1,500</u>
Change in net assets	47
Net assets beginning of year	<u>13,892</u>
Net assets end of year	<u><u>13,939</u></u>

SIOUX CENTER COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2009

1. Summary of Significant Accounting Policies

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

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

A. Reporting Entity

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

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

B. Basis of Presentation

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

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

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

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

Unrestricted net assets consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

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

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

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including 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 Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

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

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

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

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and 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 judgements, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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

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

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

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

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

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

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

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

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

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

Property tax revenue recognized in these funds became due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2007 assessed property valuations; is for the tax accrual period July 1, 2008 through June 30, 2009 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2008.

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

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

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

<u>Asset Class</u>	<u>Amount</u>
	\$
Land	2,500
Buildings	2,500
Improvements other than buildings	2,500
Furniture and equipment:	
School Nutrition Fund equipment	1,000
Other furniture and equipment	2,500

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	40-65 years
Improvements other than buildings	15-40 years
Furniture and equipment	5-15 years

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

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

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

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

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation hours for subsequent use. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2009. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

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

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

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

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2009 expenditures in the other expenditures function exceeded the amount budgeted.

2. **Cash and Pooled Investments**

The District's deposits in banks at June 30, 2009 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

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

3. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2008 is as follows:

Transfer To	Transfer From	Amount
		\$
Debt Service Fund	Nonmajor Governmental: Physical Plant and Equipment Levy Fund	240,008
Debt Service Fund	Capital Projects	507,531

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

4. Iowa School Cash Anticipation Program (ISCAP)

The District participates in the Iowa School Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings and amounts available for withdrawal for each outstanding series of warrants. Bankers Trust Co. N.A. is the trustee for the program. A summary of the District's participation in ISCAP as of June 30, 2009 is as follows:

Series	Warrant Date	Final Warrant Maturity	Investments \$	Accrued Interest Receivable \$	Warrants Payable \$	Accrued Interest Payable \$
2009-10A	6-25-09	6-23-10	1,224,080	70	1,205,000	346

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

Balance Beginning of Year \$	Advances Received \$	Advances Repaid \$	Balance End of Year \$
-	650,000	650,000	-

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

Series	Interest Rates on Warrants %	Interest Rates on Investments %
2008-09A	3.500	3.469
2009-10-A	2.500	0.902

5. Capital Assets

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
Governmental activities:				
Capital assets not being depreciated:				
Construction in progress	13,100	1,230,094	-	1,243,194
Land	150,978	-	-	150,978
Total capital assets not being depr.	<u>164,078</u>	<u>1,230,094</u>	<u>-</u>	<u>1,394,172</u>
Capital assets being depreciated:				
Buildings	10,698,587	-	-	10,698,587
Improvements other than buildings	255,946	-	-	255,946
Equipment	1,137,126	52,479	14,995	1,174,610
Total capital assets being deprec.	<u>12,091,659</u>	<u>52,479</u>	<u>14,995</u>	<u>12,129,143</u>
Less accumulated depreciation for:				
Buildings	2,376,489	191,168	-	2,567,657
Improvements other than buildings	87,551	6,736	-	94,287
Equipment	657,514	66,568	13,995	710,087
Total accumulated depreciation	<u>3,121,554</u>	<u>264,472</u>	<u>13,995</u>	<u>3,372,031</u>
Total capital assets being depreciated, net	<u>8,970,105</u>	<u>(211,993)</u>	<u>1,000</u>	<u>8,757,112</u>
Governmental activities capital assets, net	<u>9,134,183</u>	<u>1,018,101</u>	<u>1,000</u>	<u>10,151,284</u>
	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
Business type activities:				
Furniture and equipment	219,591	19,819	-	239,410
Less accumulated depreciation	135,964	15,569	-	151,533
Business type activities capital assets, net	<u>83,627</u>	<u>4,250</u>	<u>-</u>	<u>87,877</u>

Depreciation expense was charged to the following functions:

	<u>Amount</u>
	\$
Governmental activities:	
Instruction:	
Regular	6,762
Special	193
Other	5,939
Support services:	
Student services	396
Instructional staff services	2,829
Administration services	1,938
Operation and maintenance of plant services	4,716
Transportation	<u>43,795</u>
	66,568
Unallocated depreciation	<u>197,904</u>
Total depreciation expense – governmental activities	<u>264,472</u>
Business type activities:	
Food services	<u>15,569</u>

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	2,910,000	8,485,000	285,000	11,110,000	390,000
Sales tax revenue bonds	2,615,956	-	394,536	2,221,420	394,000
Capital loan notes	229,500	-	229,500	-	-
Compensated absences	12,929	11,028	12,929	11,028	11,028
Termination benefits	<u>152,602</u>	<u>60,000</u>	<u>43,251</u>	<u>169,351</u>	<u>46,200</u>
Total	<u>5,920,987</u>	<u>8,556,028</u>	<u>965,216</u>	<u>13,511,799</u>	<u>841,228</u>

Termination Benefits

The District periodically offers an early retirement benefit to employees of the School District. The Superintendent is responsible for determining the need for an early retirement plan that is beneficial to the School District and individual employees. The District did offer an early retirement benefit for the years ended June 30, 2009 and 2008, but did not offer a plan for the year ended June 30, 2007.

Eligible employees must have completed at least twenty years of full-time service to the District and must have reached the age of fifty-five on or before June 30, 2009. The application for early retirement is subject to approval by the Board of Education.

Early retirement participants will be provided with a cash benefit totaling \$30,000 to be paid at \$500 per month.

At June 30, 2009, the District has obligations to nine participants with a total liability of \$169,351. Actual early retirement expenditures for the year ended June 30, 2009 totaled \$43,251.

General Obligation Bonds

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

Year Ending June 30,	Bond Issue of May 2009			
	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
2010	3.500	100,000	350,183	450,183
2011	3.500	100,000	346,682	446,682
2012	3.500	100,000	343,183	443,183
2013	3.500	100,000	339,682	439,682
2014	3.500	100,000	336,183	436,183
2015-2019	3.625-4.000	1,595,000	1,548,612	3,143,612
2020-2024	4.000-4.170	2,615,000	1,175,580	3,790,580
2025-2028	4.250-4.450	3,775,000	512,845	4,287,845
Total		8,485,000	4,952,950	13,437,950

Year Ending June 30,	Bond Issue of April, 2003			
	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
2010	3.100	180,000	33,100	213,100
2011	3.250	185,000	27,520	212,520
2012	3.400	190,000	21,508	211,508
2013	3.550	205,000	15,047	220,047
2014	3.700	210,000	7,770	217,770
Total		970,000	104,945	1,074,945

Year Ending June 30,	Bond Issue of January, 2002			
	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
2010	4.600	110,000	81,578	191,578
2011	4.625	115,000	76,518	191,518
2012	4.625	120,000	71,199	191,199
2013	4.750	120,000	65,649	185,649
2014	4.875	125,000	59,949	184,949
2015-2019	4.900-5.100	725,000	200,645	925,645
2020-2021	5.125	340,000	26,394	366,394
Total		1,655,000	581,932	2,236,932

Revenue Bonds

Details of the District's June 30, 2009, statewide sales and services tax revenue bonded indebtedness are as follows:

April, 2005 Issue				
Year Ending June 30,	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
2010	4.10	210,536	35,607	246,143
2011	4.10	210,536	26,975	237,511
2012	4.10	210,536	18,343	228,879
2013	4.10	210,536	9,712	220,248
2014	4.10	105,276	1,620	106,896
Total		947,420	92,257	1,039,677

October, 2006 Issue				
Year Ending June 30,	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
2010	4.95	196,000	59,424	255,424
2011	4.95	216,000	49,352	265,352
2012	4.95	236,000	38,288	274,288
2013	4.95	264,000	26,086	290,086
2014	4.95	362,000	6,720	368,720
Total		1,274,000	179,870	1,453,870

The District has pledged future local option (statewide) sales and services tax revenues to repay the \$1,789,565 bonds issued in April, 2005 and \$1,800,000 issued in October, 2006. The bonds were issued for the purpose of financing a portion of the costs of school renovations. The bonds are payable solely from the proceeds of the local option (statewide) sales and services tax revenues received by the District and are payable through 2014. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require nearly 70 percent of the local option (statewide) sales and services tax revenues. The total principal and interest remaining to be paid on the notes is \$2,493,547. For the current year total statewide sales and services tax revenues were \$756,029.

The resolution providing for the issuance of the statewide sales and services revenue bonds include the following provision:

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

7. Pension and Retirement Benefits

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

Plan members are required to contribute 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 contributions to IPERS for the years ended June 30, 2009, 2008, and 2007 were \$384,109, \$353,025, and \$311,152 respectively, equal to the required contributions for each year.

8. Risk Management

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

9. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$414,317 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.

10. Operating Leases

The District has entered into two operating leases. The first is for copiers. Monthly payments for the lease are \$1,036 per month for three years ending in April 2010. The second lease is for one copy machine. Monthly payments for this lease are \$35 per month for five years ending in September 2009. Future minimum lease payments under these operating leases for years ending June 30 are as follows:

	<u>Copiers</u>	<u>Copy Machine</u>
	\$	\$
2010	10,360	105

11. Construction Commitment

The District has entered into contracts totaling \$8,299,836 for building construction and renovations. As of June 30, 2009 costs of \$938,483 had been incurred against the contracts. The balances remaining at June 30, 2009 will be paid as work on the projects progresses.

REQUIRED SUPPLEMENTARY INFORMATION

SIOUX CENTER COMMUNITY SCHOOL DISTRICT

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

Required Supplementary Information

Year ended June 30, 2009

	Governmental Fund Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
				Original	Final	
	\$	\$	\$	\$	\$	\$
Revenues:						
Local sources	5,995,370	253,835	6,249,205	5,745,378	5,745,378	503,827
State sources	5,178,985	5,344	5,184,329	5,631,820	5,631,820	(447,491)
Federal sources	431,395	181,258	612,653	295,000	295,000	317,653
Total revenues	<u>11,605,750</u>	<u>440,437</u>	<u>12,046,187</u>	<u>11,672,198</u>	<u>11,672,198</u>	<u>373,989</u>
Expenditures/Expenses:						
Instruction	6,629,666	-	6,629,666	7,079,056	7,079,056	449,390
Support services	2,552,299	27,314	2,579,613	2,987,007	2,987,007	407,394
Non-instructional programs	-	405,414	405,414	424,502	424,502	19,088
Other expenditures	3,201,996	-	3,201,996	2,107,450	2,107,450	(1,094,546)
Total expenditures/expenses	<u>12,383,961</u>	<u>432,728</u>	<u>12,816,689</u>	<u>12,598,015</u>	<u>12,598,015</u>	<u>(218,674)</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	(778,211)	7,709	(770,502)	(925,817)	(925,817)	155,315
Other financing sources (uses) net	<u>8,485,000</u>	<u>-</u>	<u>8,485,000</u>	<u>-</u>	<u>-</u>	<u>8,485,000</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures/expense:	7,706,789	7,709	7,714,498	(925,817)	(925,817)	8,640,315
Balance beginning of year	<u>1,049,295</u>	<u>159,248</u>	<u>1,208,543</u>	<u>925,817</u>	<u>925,817</u>	<u>282,726</u>
Balance end of year	<u><u>8,756,084</u></u>	<u><u>166,957</u></u>	<u><u>8,923,041</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>8,923,041</u></u>

SIOUX CENTER 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 Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

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

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

During the year ended June 30, 2009, expenditures in the other expenditures function exceeded the amount budgeted.

OTHER SUPPLEMENTARY INFORMATION

SIOUX CENTER COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2009

	Special Revenue Funds			Total
	Management	Student	Physical	
	Levy	Activity	Plant and	
		Fund	Equipment	
	\$	\$	Levy	\$
Assets				
Cash and pooled investments	43,613	178,881	121,290	343,784
Receivables:				
Property tax:				
Delinquent	899	-	1,878	2,777
Succeeding year	144,999	-	357,704	502,703
Total assets	<u>189,511</u>	<u>178,881</u>	<u>480,872</u>	<u>849,264</u>
Liabilities & Fund Balances				
Liabilities:				
Deferred revenue:				
Succeeding year property tax	144,999	-	357,704	502,703
Fund balances:				
Unreserved reported in:				
Special revenue funds	44,512	178,881	123,168	346,561
Total liabilities and fund balances	<u>189,511</u>	<u>178,881</u>	<u>480,872</u>	<u>849,264</u>

SIOUX CENTER COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2009

	Special Revenue Funds			Total
	Management	Student	Physical	
	Levy	Activity	Plant and	
		Fund	Equipment	
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	133,883	-	327,164	461,047
Other	12,564	215,769	2,529	230,862
State sources	59	-	126	185
Total revenues	<u>146,506</u>	<u>215,769</u>	<u>329,819</u>	<u>692,094</u>
Expenditures:				
Current:				
Instruction:				
Regular	36,987	-	802	37,789
Other	-	220,479	-	220,479
Support services:				
Instructional staff	-	-	1,362	1,362
Administration	71,205	-	-	71,205
Operation and maintenance of plant	24,837	-	-	24,837
Transportation	10,619	-	24,486	35,105
Total expenditures	<u>143,648</u>	<u>220,479</u>	<u>26,650</u>	<u>390,777</u>
Excess (deficiency) of revenues over (under) expenditures	2,858	(4,710)	303,169	301,317
Other financing sources (uses):				
Operating transfers out	-	-	(240,008)	(240,008)
Net change in fund balances	2,858	(4,710)	63,161	61,309
Fund balances beginning of year	<u>41,654</u>	<u>183,591</u>	<u>60,007</u>	<u>285,252</u>
Fund balances end of year	<u><u>44,512</u></u>	<u><u>178,881</u></u>	<u><u>123,168</u></u>	<u><u>346,561</u></u>

SIOUX CENTER COMMUNITY SCHOOL DISTRICT

Combining Schedule of Net Assets
Nonmajor Enterprise Funds

June 30, 2009

	Nonmajor Enterprise Funds		
	School Nutrition	Community Education	Total
	\$	\$	\$
Assets			
Cash and cash equivalents	69,842	9,435	79,277
Inventories	7,049	-	7,049
Capital assets, net of accumulated depreciation	87,877	-	87,877
Total assets	<u>164,768</u>	<u>9,435</u>	<u>174,203</u>
Liabilities			
Accounts payable	598	249	847
Salaries and benefits payable	386	-	386
Deferred revenue	6,013	-	6,013
Total liabilities	<u>6,997</u>	<u>249</u>	<u>7,246</u>
Net assets			
Invested in capital assets	87,877	-	87,877
Unrestricted	69,894	9,186	79,080
Total net assets	<u>157,771</u>	<u>9,186</u>	<u>166,957</u>

SIOUX CENTER COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2009

	Nonmajor Enterprise Funds		
	School Nutrition	Community Education	Total
	\$	\$	\$
Operating revenues:			
Local sources:			
Charges for service	240,890	4,726	245,616
Operating expenses:			
Salaries	150,728	9,171	159,899
Benefits	29,150	4,415	33,565
Purchased services	3,081	3,112	6,193
Supplies	217,403	99	217,502
Depreciation	15,569	-	15,569
Total operating expenses	415,931	16,797	432,728
Operating gain (loss)	(175,041)	(12,071)	(187,112)
Non-operating revenues:			
Local sources - donations	-	5,000	5,000
State sources	5,344	-	5,344
Federal sources	181,258	-	181,258
Interest income	2,833	386	3,219
Total non-operating revenues	189,435	5,386	194,821
Change in net assets	14,394	(6,685)	7,709
Net assets beginning of year	143,377	15,871	159,248
Net assets end of year	157,771	9,186	166,957

SIOUX CENTER COMMUNITY SCHOOL DISTRICT

Combining Schedule of Cash Flows
Nonmajor Enterprise Funds

Year ended June 30, 2009

	Nonmajor Enterprise Funds		
	School Nutrition	Community Education	Total
	\$	\$	\$
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	240,493	-	240,493
Cash received from sales of services	-	4,857	4,857
Cash payments to employees for services	(179,492)	(13,586)	(193,078)
Cash payments to suppliers for goods or services	(181,202)	(3,005)	(184,207)
Net cash used by operating activities	<u>(120,201)</u>	<u>(11,734)</u>	<u>(131,935)</u>
Cash flows from non-capital financing activities:			
State grants received	5,344	-	5,344
Federal grants received	141,171	-	141,171
Donations	-	5,000	5,000
Net cash provided by non-capital financing activities	<u>146,515</u>	<u>5,000</u>	<u>151,515</u>
Cash flows from capital and related financing activities:			
Acquisition of capital assets	<u>(19,819)</u>	<u>-</u>	<u>(19,819)</u>
Cash flows from investing activities:			
Interest on investments	<u>2,833</u>	<u>386</u>	<u>3,219</u>
Net increase (decrease) in cash and cash equivalents	9,328	(6,348)	2,980
Cash and cash equivalents at beginning of year	<u>60,514</u>	<u>15,783</u>	<u>76,297</u>
Cash and cash equivalents at end of year	<u><u>69,842</u></u>	<u><u>9,435</u></u>	<u><u>79,277</u></u>
Reconciliation of operating gain (loss) to net cash used by operating activities:			
Operating gain (loss)	(175,041)	(12,071)	(187,112)
Adjustments to reconcile operating gain (loss) to net cash used by operating activities:			
Commodities used	40,087	-	40,087
Depreciation	15,569	-	15,569
Decrease (increase) in inventories	(1,360)	-	(1,360)
Decrease (increase) in accounts receivable	26	131	157
(Decrease) increase in accounts payable	555	206	761
(Decrease) increase in salaries and benefits payable	386	-	386
(Decrease) increase in deferred revenue	(423)	-	(423)
Net cash used by operating activities	<u>(120,201)</u>	<u>(11,734)</u>	<u>(131,935)</u>

SIOUX CENTER COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2009

Account	Balance	Revenues	Expenditures	Intra-fund Transfers	Balance End of Year
	Beginning of Year				
	\$	\$	\$	\$	\$
Drama-musical	9,583	5,208	6,069	-	8,722
Speech	1,063	51	1,114	-	-
Vocal music	2,795	1,466	545	-	3,716
Instrumental music	4,083	32,929	32,473	-	4,539
Middle School music	10,457	19,923	22,334	-	8,046
Athletics	89,645	79,423	76,418	(246)	92,404
Training room	6,320	2,631	4,472	246	4,725
Special education olympics	455	868	282	-	1,041
Middle School annual	1,974	2,995	3,243	-	1,726
8th grade	1,047	1,229	321	-	1,955
Music trailer account	351	6	-	-	357
Class of 2007	253	4	-	-	257
Class of 2009	6,528	5	6,218	-	315
Class of 2010	-	11,999	8,390	-	3,609
Future Farmers of America	4,086	32,876	33,450	-	3,512
Donations	21,121	215	8,796	-	12,540
Letter club	186	3	-	-	189
National Honor Society	-	206	49	200	357
Birthday book club	670	2,015	1,897	-	788
Student council	3,079	2,322	626	(200)	4,575
Spanish club	684	7	265	-	426
Court liaison	2,307	608	-	-	2,915
Annual	1,217	6,794	2,364	-	5,647
Dance team	12,271	10,018	10,060	-	12,229
Math club	945	895	348	-	1,492
Mock trial	1,617	28	-	-	1,645
Jets	549	1,019	483	-	1,085
Students Opposed to Drugs and Alcohol	305	1	237	-	69
General activity	-	25	25	-	-
Total	183,591	215,769	220,479	-	178,881

SIOUX CENTER COMMUNITY SCHOOL DISTRICT

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

For the Last Six Years

	Modified Accrual Basis					
	2009	2008	2007	2006	2005	2004
	\$	\$	\$	\$	\$	\$
Revenues:						
Local sources:						
Local tax	5,142,010	4,471,376	4,441,159	4,125,737	4,032,901	3,993,412
Tuition	374,112	329,720	334,630	271,109	325,860	316,551
Other	479,248	446,410	466,366	538,024	452,524	421,343
Intermediate sources	-	-	-	-	300	178
State sources	5,178,985	4,832,906	4,477,436	4,161,053	3,801,699	3,421,797
Federal sources	431,395	317,849	249,547	334,251	317,436	296,966
Total revenues	<u>11,605,750</u>	<u>10,398,261</u>	<u>9,969,138</u>	<u>9,430,174</u>	<u>8,930,720</u>	<u>8,450,247</u>
Expenditures:						
Instruction:						
Regular	4,068,133	3,875,852	3,721,225	3,414,494	3,200,301	3,092,609
Special	1,173,420	1,267,177	1,321,988	1,593,770	1,458,155	1,349,439
Other	1,388,113	1,285,838	1,243,699	787,333	678,930	647,088
Support services:						
Student	295,399	253,656	255,493	407,640	274,578	297,250
Instructional staff	320,927	360,410	340,069	193,131	260,001	301,914
Administration	890,843	910,301	876,365	887,405	805,532	765,526
Operation and maintenance	678,811	653,808	649,268	559,984	506,281	476,504
Transportation	366,319	336,965	428,413	332,840	339,995	349,719
Central support	-	-	-	-	14,744	1,631
Non-instructional programs	-	-	-	265	160	179
Other expenditures:						
Facilities acquisition	1,630,413	372,851	1,974,601	980,254	1,402,516	212,732
Long-term debt:						
Principal	909,036	878,036	834,036	459,037	303,589	245,863
Interest and other charges	248,230	285,064	266,166	227,678	164,096	223,243
AEA flowthrough	414,317	379,417	358,613	337,438	314,331	307,902
Total expenditures	<u>12,383,961</u>	<u>10,859,375</u>	<u>12,269,936</u>	<u>10,181,269</u>	<u>9,723,209</u>	<u>8,271,599</u>

SIOUX CENTER COMMUNITY SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards

Year ended June 30, 2009

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Grant Number</u>	<u>Expenditures</u> \$
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Education:			
Child Nutrition Cluster Programs:			
Special Milk Program for Children	10.556	FY09	1,953
National School Lunch Program (noncash)	10.555	FY09	40,087
National School Lunch Program	10.555	FY09	124,107
School Breakfast Program	10.553	FY09	15,111
			<u>181,258</u>
U.S. Department of Education:			
Iowa Department of Education:			
Title I Grants to Local Education Agencies	84.010	FY09	104,165
Title I Migrant Education - Basic State Grant Program	84.011	FY09	33,320
Improving Teacher Quality State Grants	84.367	FY09	44,197
Grants for State Assessments and Related Activities	84.369	FY09	6,702
Safe & Drug Free Schools and Communities - State Grants	84.186	FY09	2,707
ARRA - State Fiscal Stabilization Fund (SFSF) -			
Education State Grants, Recovery Act	84.394	FY09	83,691
Special Education Grants to States	84.027	FY09	13,661
Northwest Area Education Agency:			
Career and Technical Education - Basic Grants to States	84.048	FY09	8,103
Title I Migrant Education - Basic State Grant Program	84.011	FY09	1,915
Special Education Grants to States	84.027	FY09	74,260
Title III English Language Acquisition State Grant	84.365	FY09	6,487
			<u>560,466</u>
Total			<u><u>560,466</u></u>

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of Sioux Center Community School District and is presented on the accrual or modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Nonprofit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

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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
Sioux Center Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Sioux Center Community School District as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 19, 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 Sioux Center Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Sioux Center Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Sioux Center Community School District's internal control over financial reporting.

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

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

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

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

Compliance and Other Matters

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

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.

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

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Sioux Center Community School District and other parties to whom Sioux Center Community School District may report, 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 Sioux Center Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

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

March 19, 2010

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Independent Auditor's Report on Compliance with Requirements Applicable
to Each Major Program and on Internal Control over Compliance
in Accordance with OMB Circular A-133

To the Board of Education of
Sioux Center Community School District:

Compliance

We have audited the compliance of Sioux Center Community School District with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2009. Sioux Center Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Sioux Center Community School District's management. Our responsibility is to express an opinion on Sioux Center Community School District's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Sioux Center Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Sioux Center Community School District's compliance with those requirements.

In our opinion, Sioux Center Community School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

Internal Control Over Compliance

The management of Sioux Center Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Sioux Center Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Sioux Center Community School District's internal control over compliance.

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

A control deficiency in the District's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a federal program such that there is more than a remote likelihood noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the District's internal control. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 09-III-A, 09-III-B and 09-III-C to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the District's internal control. We consider the significant deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 09-III-A, 09-III-B and 09-III-C to be material weaknesses.

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

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Sioux Center Community School District and other parties to whom Sioux Center Community School District may report, 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.

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

March 19, 2010

SIoux CENTER COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

Part I: Summary of the Independent Auditor's Results:

- (a) Unqualified opinions were issued on the financial statements.
- (b) Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements, including material weaknesses.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) Significant deficiencies in internal control over major programs were disclosed by the audit of the financial statements, including material weaknesses.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs are as follows:
 - CFDA Number 84.010 Title I Grants to Local Education Agencies
 - Child Nutrition Cluster
 - CFDA Number 10.553 School Breakfast Program
 - CFDA Number 10.555 National School Lunch Program
 - CFDA Number 10 556 Special Milk Program
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Sioux Center Community School District did not qualify as a low-risk auditee.

SIoux CENTER COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

Part II: Findings Related to the Financial Statements:

Significant deficiencies:

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

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

Response: We will continue to review our procedures and implement additional controls where possible.

Conclusion: Response accepted.

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

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

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

Conclusion: Response accepted.

09-II-C Fund Raising Activities: During the course of a year many fund raising activities were held. The Board approves all fund raisers and the sponsor of the fund raiser is responsible for turning in the proceeds to the accounting office. The District does not have a system in place to track all of the fund raisers that have been approved to ensure that proceeds for all fund raisers are turned into the office. Also, the District does not have a system to compare the number and cost of items purchased to sell for fund raisers to the number of items sold and proceeds collected from the sales.

SIoux CENTER COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

Part II: Findings Related to the Financial Statements:

Recommendation: The District should designate a person responsible for determining if proceeds from all board approved fund raisers have been submitted to the accounting office. The board should also designate a person independent of the fund raiser sponsor to monitor the number of units and price of items purchased for resale as compared to the number units and price of items sold.

District Response: We will review our current procedures for monitoring fund raising activities and implement the recommended procedures as practical.

Conclusion: Response accepted.

Instances of Noncompliance:

No matters were reported.

SIoux CENTER COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

Part III: Findings and Questioned Costs for Federal Awards:

Instances of Noncompliance:

No matters were reported.

Significant deficiencies:

CFDA Number 84.010: Title I Grants to Local Education Agencies

Federal Award Year: 2009

U.S. Department of Education

Passed through the Iowa Department of Education

CFDA Number 10.553: School Breakfast Program

CFDA Number 10.555: National School Lunch Program

CFDA Number 10.556: Special Milk Program

Federal Award Year: 2009

U.S. Department of Agriculture

Passed through the Iowa Department of Education

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

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

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

Conclusion: Response accepted.

CDA Number 84.010: Title I Grants to Local Education Agencies

Federal Award Year: 2009

U.S. Department of Education

Passed through the Iowa Department of Education

09-III-B Title I Salary Expenditures: Office of Management and Budget Circular A-87 requires that employees working on a single Federal award semi-annually certify that 100% of their time is spent on that federal program. The District did not have controls in place to obtain the required certifications.

SIoux CENTER COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

Part III: Findings and Questioned Costs for Federal Awards:

Recommendation: The District should adopt a standard time certification form and a timeline for completing the form twice a year.

District Response: We have created a form and will have it completed twice a year.

Conclusion: Response accepted.

09-III-C

Federal Grant Reporting: The District receives various federal grants each year. Some of the grants are received annually and others are for only a year or two. However, all of these grants require that the District's accounting records track how each grant was spent and require that any grant expenditure reporting to state or federal officials match the District's accounting records. We noted that the line items for salaries, benefits, services and supplies on the fiscal year 2009 Title I financial report to the Iowa Department of Education did not match the related line items in the District's general ledger accounting records. Total Title I expenditures reported for fiscal year 2009 did match on the accounting records.

Recommendation: Administrators and other employees responsible for grant administration and reporting and the accounting department must work together to ensure that all grant expenses are properly reported in the District's accounting records and amounts included in required reports are correct.

District Response: We will improve our financial reporting for grant expenditures.

Conclusion: Response accepted.

SIoux CENTER COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2009

Part II: Other Findings Related to Statutory Reporting:

09-IV-A Certified Budget: Expenditures for the year ended June 30, 2009 exceeded the amount budgeted in the other expenditures function.

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

District Response: Year end construction costs were more than anticipated. Future budgets will be amended in sufficient amounts to ensure the certified budget is not exceeded.

Conclusion: Response accepted.

09-IV-B Questionable Expenditures: No expenditures that may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.

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

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

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>
Tim Gesink, Board Member, Officer at local bank	School banking

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

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

Conclusion: Response accepted.

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

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

SIoux CENTER COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2009

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

09-IV-G Certified Enrollment: Line 3 of the 2008 Certified Enrollment Form was overstated by one student. The calculations for line 12, supplemental weighting on the October 2008 Certified Enrollment form used an incorrect weighting for ICN classes.

Recommendation: The District should review its procedures for compiling the lists of students for enrollment and the class weightings for supplemental weighting.

District Response: We will do this.

Conclusion: Response accepted.

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

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

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

According to proposed administrative rules, "Categorical funding shall not be commingled with other funding. School districts shall use a project code and program code as defined by Uniform Financial Accounting." We noted that during the year some categorical funding expenditures were commingled with other General Fund expenditures, then were reclassified as categorical spending at the end of the year.

Recommendation: All categorical funding expenditures should be posted to the correct expenditure accounts as the expenditures are incurred.

Response: We have revised our procedures for identifying categorical expenditures so that they will be coded to the correct expenditure accounts as incurred.

Conclusion: Response accepted.

09-IV-K 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:

SIOUX CENTER COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2009

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

	\$	\$
Beginning balance		-
Statewide sales and services tax revenue		756,029
Expenditures/transfers out:		
School infrastructure:		
Buildings and building improvements	68,065	
Equipment	14,252	
Grounds rental	44,719	
Debt service for school infrastructure:		
Revenue debt	507,531	634,567
Ending balance		121,462