SIBLEY-OCHEYEDAN COMMUNITY SCHOOL DISTRICT

Sibley, Iowa

Independent Auditor's Reports
Basic Financial Statements and Supplementary Information
Schedule of Findings and Questioned Costs

June 30, 2010

SIBLEY-OCHEYEDAN COMMUNITY SCHOOL DISTRICT

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SIBLEY-OCHEYEDAN COMMUNITY SCHOOL DISTRICT

OFFICIALS

JUNE 30, 2010

Name	Title	Term Expires
	BOARD OF EDUCATION (Before September 2009 Election)	
Kyle Grimes	President	2011
Keith Newman	Vice President	2009
Jeff Knoblock	Board Member	2009
Paul Feldkamp	Board Member	2011
Todd Ackerman	Board Member	2009
	BOARD OF EDUCATION (After September 2009 Election)	
Kyle Grimes	President	2011
Keith Newman	Vice President	2013
Jose Alvarado	Board Member	2013
Paul Feldkamp	Board Member	2011
Tracy Van Diepen	Board Member	2013
	SCHOOL OFFICIALS	
Jeff Herzberg	Superintendent	2010
LaDonn K. Hartzell	Board Secretary and Business Manager	2010
Elizabeth Grob	Attorney	Indefinite

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

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Sibley-Ocheyedan Community School District (the District), Sibley, Iowa, as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the District at June 30, 2010, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 11, 2011 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants 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.

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

Management's Discussion and Analysis, Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 10 and 39 through 41 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. Other supplementary information included in Schedules 1 through 6, 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.

March 11, 2011
Sioux City, Iowa

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

Sibley-Ocheyedan Community School District (the District) provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2010. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2010 Financial Highlights

- General Fund revenues decreased from $7,912,316 in fiscal year 2009 to $7,736,810 in fiscal year 2010, while General Fund expenditures decreased from $7,482,551 in fiscal year 2009 to $7,106,824 in fiscal year 2010. The District's General Fund balance increased from a balance of $24,675 in fiscal year 2009 to $608,843 in fiscal year 2010.

- The decrease in General Fund revenues was primarily attributable to a reduction in state funding unable to be offset by additional federal and local source revenues.

- The decrease in General Fund expenditures was primarily attributable to the District no longer participating in a special education servicing pool and instead providing the services within the District.

Using This Annual Report

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

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

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

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

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

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Other Supplementary Information provides detailed information about the nonmajor governmental funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the District.

Reporting the District's Financial Activities

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

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

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

- Governmental Activities: Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.

- Business-Type Activities: The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

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

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

The District has three kinds of funds.

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

   The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Fund.

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

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

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

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

   - 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 includes a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

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

Government-Wide Financial Analysis

Figure A-1 below provides a summary of the District's net assets at June 30, 2010 compared to June 30, 2009.

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

	Governmental Activities		Business-Type Activities		Total District		Total Percentage Change
	2010	2009	2010	2009	2010	2009	2009-2010
Current and other assets	$ 5,583	$ 8,231	$ 56	$ 23	$ 5,639	$ 8,254	-31.7%
Capital assets, net	7,579	7,111	26	25	7,605	7,136	6.6%
Total assets	$ 13,162	$ 15,342	$ 82	$ 48	$ 13,244	$ 15,390	-13.9%
Long-term liabilities	$ 3,180	$ 3,652	$ -	$ -	$ 3,180	$ 3,652	-12.9%
Other liabilities	4,468	6,699	7	6	4,475	6,705	-33.3%
Total liabilities	$ 7,648	$ 10,351	$ 7	$ 6	$ 7,655	$ 10,357	-26.1%
Net assets:							
Invested in capital assets, net of related debt	$ 4,794	$ 4,554	$ 26	$ 25	$ 4,820	$ 4,579	5.3%
Restricted	353	436	-	-	353	436	-19.0%
Unrestricted	367	1	49	17	416	18	2,211.1%
Total net assets	$ 5,514	$ 4,991	$ 75	$ 42	$ 5,589	$ 5,033	11.1%

The District's combined net assets increased approximately 11 percent, or approximately $556,000, over the prior year. The largest portion of the District's net assets is the invested in capital assets (e.g., land, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets decreased approximately $83,000, or 19 percent over the prior year. The decrease was primarily a result of the use of previously unspent bond proceeds.

The unrestricted net assets can be used to finance day to day operations without constraints established by debt covenants, enabling legislation or other legal requirements - increased approximately $398,000 over the prior year, primarily due to more favorable results in the District's General Fund.

Figure A-2 shows the changes in net assets for the years ended June 30, 2010 compared to June 30, 2009.

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

	Governmental Activities		Business-Type Activities		Total District		Total Percentage Change
	2010	2009	2010	2009	2010	2009	2009-2010
Revenues:							
Program revenues:							
Charges for services	$ 715	$ 651	$ 267	$ 333	$ 982	$ 984	-0.2%
Operating grants, contributions and restricted interest	1,677	1,118	170	153	1,847	1,271	45.3%
General revenues:							
Property tax	3,017	2,900	-	-	3,017	2,900	4.0%
Unrestricted state grants	2,613	3,554	-	-	2,613	3,554	-26.5%
Unrestricted investment earnings	21	78	-	-	21	78	-73.1%
Local surtax	241	222	-	-	241	222	8.6%
Statewide sales, services and use tax	494	492	-	-	494	492	0.4%
Other	11	-	-	-	11	-	100.0%
Total revenues	$ 8,789	$ 9,015	$ 437	$ 486	$ 9,226	$ 9,501	-2.9%
Program expenses:							
Instruction	$ 5,340	$ 5,599	$ -	$ -	$ 5,340	$ 5,599	-4.6%
Support services	2,300	2,431	-	-	2,300	2,431	-5.4%
Non-instructional programs	-	-	405	508	405	508	-20.3%
Other expenses	626	627	-	-	626	627	-0.2%
Total expenses	$ 8,266	$ 8,657	$ 405	$ 508	$ 8,671	$ 9,165	-5.4%
Change in net assets	$ 523	$ 358	$ 32	$ (22)	$ 555	$ 336	65.2%

Property tax and unrestricted state grants account for 61.0 percent of the total revenue (67.9 percent in 2009). The District's expenses primarily relate to instruction and support services, which account for 88.1 percent of the total expenses (87.6 percent in 2009).

Governmental Activities - Revenues for governmental activities were $8,788,736 and expenses were $8,266,148. Governmental activities revenue decreased from 2009 primarily as a result of a reduction in state funding.

The following table presents the total and net cost of the District's major governmental activities, instruction, support services and other expenses, for the year ended June 30, 2010 compared to the year ended June 30, 2009.

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

	Total Cost of Services		Percent Change	Net Cost of Services		Percent Change
	2010	2009	2009-2010	2010	2009	2009-2010
Instruction	$ 5,340	$ 5,599	-4.6%	$ 3,334	$ 4,193	-20.5%
Support services	2,300	2,431	-5.4%	2,247	2,378	-5.5%
Other expenses	626	627	-0.2%	293	316	-7.3%
Totals	$ 8,266	$ 8,657	-4.5%	$ 5,874	$ 6,887	-14.7%

- The cost financed by users of the District's programs was $714,495 ($651,099 in 2009).
- Federal and state governments subsidized certain programs with grants and contributions totaling $1,676,951 ($1,118,483 in 2009).
- The net cost of governmental activities was financed with $3,751,485 in property and other taxes ($3,613,910 in 2009) and $2,613,201 in unrestricted state grants ($3,554,225 in 2009).

Business-Type Activities - Revenues for business-type activities were $437,003 ($485,678 in 2009) and expenses were $405,150 ($508,092 in 2009). The District's business-type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income. Revenue and expense decreases were attributable to the elimination of a Minnesota school district buying their meals from our district. This decrease in production allowed for a decrease in purchases along with less staff needed.

Governmental Fund Analysis

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of $1,132,623, below last year's ending fund balances of $1,570,223. However, the primary reason for the decrease in combined fund balance at the end of fiscal year 2010 is due to the use of previously unspent bond proceeds in the capital projects fund on the energy savings project. The District's proprietary funds reported end of year net assets of $74,205, above last year's ending fund balances of $42,352.

Governmental Fund Highlights

The General Fund balance increased from a balance of $24,675 to $608,843 due to cost cutting measures implemented to offset decreases in state funding. The decrease in General Fund expenditures was primarily attributable to various cost cutting measures implemented in all areas and the District no longer participating in a special education servicing pool. The District did not eliminate positions but instead tried to fill those vacated at a decreased cost.

The Capital Projects Fund balance decrease was due primarily to the money spent on the energy savings project.

The Special Revenue, Management Fund balance decrease was due to the District choosing to use cash reserves rather than levy more taxes in 2010.

Proprietary Fund Highlights

Proprietary fund net assets increased $31,853 from $42,352 in 2009 to $74,205 in 2010 due to a decrease in supplies necessary to be purchased and the need for less staff.

Budgetary Highlights

The District's total revenues were $610,855 less than budgeted revenues, a variance of 6.2 percent due primarily to the District receiving less from state sources than originally anticipated. The District's total expenditures were $1,572,716 less than budgeted, a variance of 14.0 percent. The most significant variances resulted from the District spending less in the instruction and support services functions than anticipated due to over budgeting of capital purchases and salary increases.

Capital Assets and Debt Administration

Capital Assets - At June 30, 2010, the District had invested $7,604,454, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-4) More detailed information about the District's capital assets is presented in Note 4 to the financial statements. Depreciation expense for the year was $363,748.

The original cost of the District's capital assets was $13,803,985. Governmental funds account for $13,739,042, with the remainder of $64,943 accounted for in the Proprietary, School Nutrition Fund.

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

	Governmental Activities		Business-Type Activities		Total District		Percent Change
	2010	2009	2010	2009	2010	2009	2009-2010
Land	$ 25	$ 25	$ -	$ -	$ 25	$ 25	0.0%
Construction in progress	1,539	887	-	-	1,539	887	73.5%
Buildings	5,692	5,938	-	-	5,692	5,938	-4.1%
Improvements other than buildings	70	86	-	-	70	86	-18.6%
Furniture and equipment	253	175	26	25	279	200	39.5%
Totals	$ 7,579	$ 7,111	$ 26	$ 25	$ 7,605	$ 7,136	6.6%

The largest change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress totaled $1,539,398 at June 30, 2010, compared to $887,283 reported at June 30, 2009. The significant increase resulted from additional costs incurred associated with the District's energy savings project. This project consists of enhancements relating to water consumption, electricity usage, and heating and cooling of District buildings and is expected to result in significant energy cost savings to the District in future years.

Long-Term Liabilities - At June 30, 2010, the District had $2,925,000 in total long term debt outstanding, $226,251 early retirement payable outstanding, and $28,741 of net OPEB liabilities (total of $3,179,992). Table A-5 summarizes the District's long-term liabilities as of June 30, 2010, compared to the year ended June 30, 2009. Additional information about the District's long-term liabilities is presented in Note 5 to the financial statements.

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

	Total District June 30,		Total Change June 30,
	2010	2009	2009-2010
General obligation capital loan notes	$ 885	$ 915	-3.3%
School refunding bonds	1,515	1,790	-15.4%
School infrastructure sales, services and use tax revenue bonds	525	645	-18.6%
Early retirement	226	302	-25.2%
Net OPEB liability	29	-	100.0%
	$ 3,180	$ 3,652	-12.9%

Economic Factors Bearing on the District's Future

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

- Limited state revenues and uncertain allocations, coupled with a change in gubernatorial leadership and the composition of the Iowa House of Representatives.

- An increase in local taxes this past year argues for constraining further reliance on new taxes in the budget of succeeding fiscal years.

- The statewide one (1) percent sales, services and use tax will continue to provide reserve for capital repairs and improvements, but at a lesser level than in the past due to statewide economic conditions.

- American Recovery and Reinvestment Act of 2009 (ARRA) funds are being used in the District to help save jobs that would have been affected by the reduction in state aid and the District is aware that these funds will be exhausted after 2011.

Contacting the District's Financial Management

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

BASIC FINANCIAL STATEMENTS

SIBLEY-OCHEYEDAN COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS

JUNE 30, 2010

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	$ 1,429,125	$ 49,561	$ 1,478,686
Receivables:			
Property tax:			
Delinquent	68,647	-	68,647
Succeeding year	3,640,725	-	3,640,725
Accounts	20,417	197	20,614
Due from other governments	424,527	-	424,527
Inventories	-	6,127	6,127
Capital assets, net of accumulated depreciation	7,578,792	25,662	7,604,454
Total assets	$ 13,162,233	$ 81,547	$ 13,243,780
LIABILITIES			
Accounts payable	$ 104,320	$ 2,351	$ 106,671
Salaries and benefits payable	604,020	280	604,300
Accrued interest payable	17,587	-	17,587
Deferred revenue - succeeding year property tax	3,640,725	-	3,640,725
Deferred revenue - other	101,753	4,711	106,464
Long-term liabilities:			
Portion due within one year:			
Early retirement	104,311	-	104,311
General obligation capital loan notes	50,000	-	50,000
School infrastructure sales, services and use tax revenue bonds payable	125,000	-	125,000
School refunding bonds payable (2008)	285,000	-	285,000
Portion due after one year:			
Early retirement	121,940	-	121,940
General obligation capital loan notes	835,000	-	835,000
School infrastructure sales, services and use tax revenue bonds payable	400,000	-	400,000
School refunding bonds payable (2008)	1,230,000	-	1,230,000
Net OPEB liability	28,741	-	28,741
Total liabilities	$ 7,648,397	$ 7,342	$ 7,655,739
NET ASSETS			
Invested in capital assets, net of related debt	$ 4,794,394	$ 25,662	$ 4,820,056
Restricted for:			
Categorical funding	39,005	-	39,005
Capital projects	161,577	-	161,577
Other special revenue purposes	151,791	-	151,791
Unrestricted	367,069	48,543	415,612
Total net assets	$ 5,513,836	$ 74,205	$ 5,588,041
Total liabilities and net assets	$ 13,162,233	$ 81,547	$ 13,243,780

See notes to financial statements.

SIBLEY-OCHEYEDAN COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2010

FUNCTIONS/PROGRAMS:	Expenses	Program Revenues: Charges for Service	Program Revenues: Operating Grants, Contributions and Restricted Interest	Program Revenues: Capital Grants, Contributions and Restricted Interest
Governmental activities:				
Instruction:				
Regular instruction	$ 3,246,666	$ 367,691	$ 1,006,059	$ -
Special instruction	1,141,232	78,640	195,687	-
Other instruction	952,787	257,345	100,877	-
	$ 5,340,685	$ 703,676	$ 1,302,623	$ -
Support services:				
Student services	$ 283,790	$ -	$ -	$ -
Instructional staff services	160,649	-	38,887	-
Administration services	786,357	-	-	-
Operation and maintenance of plant services	770,062	10,819	-	-
Transportation services	299,055	-	2,662	-
	$ 2,299,913	$ 10,819	$ 41,549	$ -
Other expenses:				
Facilities acquisition	$ 168,797	$ -	$ -	$ -
Long-term debt interest	123,974	-	-	-
AEA flow through	332,779	-	332,779	-
	$ 625,550	$ -	$ 332,779	$ -
Total governmental activities	$ 8,266,148	$ 714,495	$ 1,676,951	$ -
Business-type activities:				
Non-instructional programs:				
Food service operations	405,150	266,975	170,001	-
Total	$ 8,671,298	$ 981,470	$ 1,846,952	$ -
GENERAL REVENUES:				
Property tax levied for:				
General purposes				
Management levy				
Physical plant and equipment levy				
Unrestricted state grants				
Unrestricted investment earnings				
Local surtax				
Statewide sales, services and use tax				
Sale of equipment				
Total general revenues				
Change in net assets				
Net assets beginning of year				
Net assets end of year				

See notes to financial statements.

Net (Expense) Revenue and Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
$ (1,872,916)	$ -	$ (1,872,916)
(866,905)	-	(866,905)
(594,565)	-	(594,565)
$ (3,334,386)	$ -	$ (3,334,386)
$ (283,790)	$ -	$ (283,790)
(121,762)	-	(121,762)
(786,357)	-	(786,357)
(759,243)	-	(759,243)
(296,393)	-	(296,393)
$ (2,247,545)	$ -	$ (2,247,545)
$ (168,797)	$ -	$ (168,797)
(123,974)	-	(123,974)
-	-	-
$ (292,771)	$ -	$ (292,771)
$ (5,874,702)	$ -	$ (5,874,702)
-	31,826	31,826
$ (5,874,702)	$ 31,826	$ (5,842,876)
$ 2,772,485	$ -	$ 2,772,485
178,952	-	178,952
65,660	-	65,660
2,613,201	-	2,613,201
21,399	27	21,426
240,683	-	240,683
493,705	-	493,705
11,205	-	11,205
$ 6,397,290	$ 27	$ 6,397,317
$ 522,588	$ 31,853	$ 554,441
4,991,248	42,352	5,033,600
$ 5,513,836	$ 74,205	$ 5,588,041

EXHIBIT C

SIBLEY-OCHEYEDAN COMMUNITY SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2010

	General	Capital Projects	Nonmajor	Total
ASSETS				
Cash and pooled investments	$ 1,130,641	$ 75,556	$ 222,928	$ 1,429,125
Receivables:				
Property tax:				
Delinquent	63,081	-	5,566	68,647
Succeeding year	3,264,083	-	376,642	3,640,725
Accounts	20,373	-	44	20,417
Due from other governments	196,851	227,676	-	424,527
Total assets	$ 4,675,029	$ 303,232	$ 605,180	$ 5,583,441
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	$ 96,330	$ 1,053	$ 6,937	$ 104,320
Salaries and benefits payable	604,020	-	-	604,020
Deferred revenue:				
Succeeding year property tax	3,264,083	-	376,642	3,640,725
Other	101,753	-	-	101,753
Total liabilities	$ 4,066,186	$ 1,053	$ 383,579	$ 4,450,818
Fund balances:				
Reserved for:				
Debt service	$ -	$ -	$ 622	$ 622
Categorical funding	39,005	-	-	39,005
Unreserved	569,838	302,179	220,979	1,092,996
Total fund balances	$ 608,843	$ 302,179	$ 221,601	$ 1,132,623
Total liabilities and fund balances	$ 4,675,029	$ 303,232	$ 605,180	$ 5,583,441

See notes to financial statements.

EXHIBIT D

SIBLEY-OCHEYEDAN COMMUNITY SCHOOL DISTRICT

RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS

TO THE STATEMENT OF NET ASSETS

JUNE 30, 2010

Total fund balances of governmental funds	$ 1,132,623
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	7,578,792
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.	(17,587)
Long-term liabilities, including bonds payable, early retirement, and other post employment benefits payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.	(3,179,992)
Net assets of governmental activities	$ 5,513,836

See notes to financial statements.

EXHIBIT E

SIBLEY-OCHEYEDAN COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -

GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2010

	General	Capital Projects	Nonmajor	Total
Revenues:				
Local sources:				
Local tax	$ 3,013,168	$ 493,705	$ 244,612	$ 3,751,485
Tuition	328,210	-	-	328,210
Other	144,472	922	301,483	446,877
State sources	3,507,678	-	-	3,507,678
Federal sources	743,282	-	-	743,282
Total revenues	$ 7,736,810	$ 494,627	$ 546,095	$ 8,777,532
Expenditures:				
Current:				
Instruction:				
Regular instruction	$ 2,960,228	$ -	$ 182,920	$ 3,143,148
Special instruction	1,106,025	-	-	1,106,025
Other instruction	660,561	-	254,925	915,486
	$ 4,726,814	$ -	$ 437,845	$ 5,164,659
Support services:				
Student services	$ 263,521	$ -	$ 7,082	$ 270,603
Instructional staff services	153,184	-	-	153,184
Administration services	740,449	-	9,368	749,817
Operation and maintenance of plant services	627,963	-	106,318	734,281
Transportation services	262,114	-	23,045	285,159
	$ 2,047,231	$ -	$ 145,813	$ 2,193,044
Other expenditures:				
Facilities and equipment acquisition	$ -	$ 848,972	$ 120,227	$ 969,199
Long-term debt:				
Principal	-	-	425,000	425,000
Interest and fiscal charges	-	-	144,314	144,314
AEA flow through	332,779	-	-	332,779
	$ 332,779	$ 848,972	$ 689,541	$ 1,871,292
Total expenditures	$ 7,106,824	$ 848,972	$ 1,273,199	$ 9,228,995
Excess (deficiency) of revenues over (under) expenditures	$ 629,986	$ (354,345)	$ (727,104)	$ (451,463)
Other financing sources (uses):				
Sale of equipment	$ 4,413	$ -	$ 9,450	$ 13,863
Transfers (to) from other funds	(50,231)	(506,959)	557,190	-
Total other financing sources (uses)	$ (45,818)	$ (506,959)	$ 566,640	$ 13,863
Excess (deficiency) of revenues and other financing sources (uses) over (under) expenditures	$ 584,168	$ (861,304)	$ (160,464)	$ (437,600)
Fund balances beginning of year	24,675	1,163,483	382,065	1,570,223
Fund balances end of year	$ 608,843	$ 302,179	$ 221,601	$ 1,132,623

See notes to financial statements.

SIBLEY-OCHEYEDAN 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, 2010

Net change in fund balances - total governmental funds		$ (437,600)
Amounts reported for governmental activities in the Statement of Activities are different because:		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures exceeded depreciation expense in the current year, as follows:		
Expenditures for capital assets	$ 828,717	
Depreciation expense	(358,550)	470,167
Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.		425,000
Cash received on the sale of capital assets is recognized as revenue in the governmental funds. In the Statement of Activities, a gain (loss) on disposal of capital assets is recognized based on the difference between the cash received and the net book value of the capital assets disposed.		(2,658)
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 governmental funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.		20,340
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:		
Early retirement	$ 76,080	
Other postemployment benefits	(28,741)	47,339
Change in net assets of governmental activities		$ 522,588

See notes to financial statements.

EXHIBIT G

SIBLEY-OCHEYEDAN COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS - PROPRIETARY FUND

JUNE 30, 2010

	School Nutrition
ASSETS:	
Cash and cash equivalents	$ 49,561
Accounts receivable	197
Inventories	6,127
Capital assets, net of accumulated depreciation	25,662
Total assets	$ 81,547
LIABILITIES:	
Accounts payable	$ 2,351
Salaries and benefits payable	280
Deferred revenue	4,711
Total liabilities	$ 7,342
NET ASSETS:	
Invested in capital assets	$ 25,662
Unrestricted	48,543
Total net assets	$ 74,205
Total liabilities and net assets	$ 81,547

See notes to financial statements.

EXHIBIT H

SIBLEY-OCHEYEDAN COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS -

PROPRIETARY FUND

YEAR ENDED JUNE 30, 2010

	School Nutrition
Operating revenues:	
Local sources:	
Charges for service	$ 266,975
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	$ 121,916
Benefits	47,951
Supplies	230,085
Depreciation	5,198
Total operating expenses	$ 405,150
Operating loss	$ (138,175)
Non-operating revenues:	
Interest income	$ 27
State sources	3,885
Federal sources	137,840
Food distribution	28,276
Total non-operating revenues	$ 170,028
Net income	$ 31,853
Net assets beginning of year	42,352
Net assets end of year	$ 74,205

See notes to financial statements.

EXHIBIT I

SIBLEY-OCHEYEDAN COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS - PROPRIETARY FUND

YEAR ENDED JUNE 30, 2010

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	$ 266,947
Cash paid to employees for services	(169,587)
Cash paid to suppliers for goods or services	(198,716)
Net cash used by operating activities	$ (101,356)
Cash flows from non-capital financing activities:	
State grants received	$ 3,885
Federal grants received	137,840
Net cash provided by non-capital financing activities	$ 141,725
Cash flows from capital and related financing activities:	
Acquisition of capital assets	$ (6,193)
Cash flows from investing activities:	
Interest on investments	$ 27
Net change in cash and cash equivalents	$ 34,203
Cash and cash equivalents beginning of year	15,358
Cash and cash equivalents end of year	$ 49,561
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	$ (138,175)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Commodities used	27,383
Depreciation	5,198
Decrease in inventories	1,635
Increase in receivables	(28)
Increase in salaries and benefits payable	280
Increase in accounts payable	2,351
Net cash used by operating activities	$ (101,356)

Non-cash investing, capital and financing activities:

During the year ended June 30, 2010, the District received $28,276 of federal commodities.

See notes to financial statements.

EXHIBIT J

SIBLEY-OCHEYEDAN COMMUNITY SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET ASSETS - FIDUCIARY FUND

JUNE 30, 2010

	Private Purpose Trust
ASSETS:	
Cash and pooled investments	$ 15,880
Total assets	$ 15,880
LIABILITIES:	
Due to others	$ -
Total liabilities	$ -
NET ASSETS:	
Reserved for scholarships	$ 15,880
Total net assets	$ 15,880
Total liabilities and net assets	$ 15,880

See notes to financial statements.

EXHIBIT K

SIBLEY-OCHEYEDAN COMMUNITY SCHOOL DISTRICT

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS - FIDUCIARY FUND

YEAR ENDED JUNE 30, 2010

	Private Purpose Trust
Additions:	
Local sources:	
Gifts and contributions	$ 1,100
Interest income	396
Total additions	$ 1,496
Deductions:	
Support services:	
Scholarships awarded	$ 350
Change in net assets	$ 1,146
Net assets beginning of year	14,734
Net asset end of year	$ 15,880

See notes to financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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

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

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

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

B. Basis of Presentation

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

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

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

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

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

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

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

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

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

The District reports the following major governmental funds:

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

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

The District reports the following major proprietary fund:

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

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

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

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.

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

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

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

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

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

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

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

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

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

D. Assets, Liabilities and Fund Equity

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

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

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

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

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. 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.

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1-1/2 percent per month penalty for delinquent payments; is based on January 1, 2008 assessed property valuations; is for the tax accrual period July 1, 2009 through June 30, 2010 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2009.

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

Asset Class	Amount
Land	$ 2,000
Buildings	10,000
Improvements other than buildings	10,000
Intangibles	25,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	5,000

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

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

Asset Class	Estimated Useful Lives (In Years)
Buildings	20-50
Improvements other than buildings	5-20
Intangibles	5-10
Furniture and equipment	5-15

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

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

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

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

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

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

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

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

Subsequent Events - The District evaluated for subsequent events through March 11, 2011, the date which the District's financial statements were available to be issued.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2010, no expenditures exceeded the amounts budgeted.

NOTE 2 - CASH AND POOLED INVESTMENTS:

The District's deposits in banks at June 30, 2010 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to ensure there will be no loss of public funds.

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

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

The District participates in the Iowa School Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. Bankers Trust Co. N.A. is the trustee of the program.

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. 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 percent of the warrant amount. The interest rate on the Series 2009-10A warrants was 2.5 percent. The interest rate on the Series 2008-09B warrants was 3.0 percent. A summary of the District's ISCAP activity for the year ended June 30, 2010, is as follows:

Series	Warrant Date	Final Warrant Maturity	Balance Beginning of Year	Advances Received	Advances Repaid	Balance of Year
2009-10A	6/25/2009	6/23/2010	$1,640,000	$ 200,000	$1,840,000	$ -
2008-09B	1/21/2009	1/21/2010	520,000	-	520,000	-
Total			$2,160,000	$ 200,000	$2,360,000	$ -

During the year ended June 30, 2010, the District paid $56,372 of interest on the ISCAP warrants.

NOTE 4 - CAPITAL ASSETS:

Capital assets activity for the year ended June 30, 2010 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated				
Land	$ 25,000	$ -	$ -	$ 25,000
Construction in progress	887,283	652,115	-	1,539,398
Total capital assets not being depreciated	$ 912,283	$ 652,115	$ -	$ 1,564,398
Capital assets being depreciated:				
Buildings	$10,683,321	$ -	$ -	$10,683,321
Improvements other than buildings	270,829	-	-	270,829
Furniture and equipment	1,155,957	176,602	112,065	1,220,494
Total capital assets being depreciated	$12,110,107	$ 176,602	$ 112,065	$12,174,644
Less accumulated depreciation for:				
Buildings	$ 4,744,956	$ 246,886	$ -	$ 4,991,842
Improvements other than buildings	185,244	15,234	-	200,478
Furniture and equipment	980,907	96,430	109,407	967,930
Total accumulated depreciation	$ 5,911,107	$ 358,550	$ 109,407	$ 6,160,250
Total capital assets being depreciated, net	$ 6,199,000	$ (181,948)	$ 2,658	$ 6,014,394
Governmental activities capital assets, net	$ 7,111,283	$ 470,167	$ 2,658	$ 7,578,792
Business-type activities:				
Furniture and equipment	$ 58,750	$ 6,193	$ -	$ 64,943
Less accumulated depreciation	34,083	5,198	-	39,281
Business-type activities capital assets, net	$ 24,667	$ 995	$ -	$ 25,662

Depreciation expense was charged to the following functions:

Governmental activities:	
Instruction:	
Regular	$ 153,169
Special	53,898
Other	44,613
	$ 251,680
Support services:	
Student	$ 13,187
Instructional staff	7,465
Administration	36,540
Operation and maintenance of plant	35,782
Transportation	13,896
	$ 106,870
Total depreciation expense - governmental activities	$ 358,550
Business-type activities:	
Food service operations	$ 5,198

NOTE 5 - LONG-TERM LIABILITIES:

Changes in long-term liabilities for the year ended June 30, 2010 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
General obligation capital loan notes	$ 915,000	$ -	$ 30,000	$ 885,000	$ 50,000
School refunding bonds (2008)	1,790,000	-	275,000	1,515,000	285,000
School infrastructure sales, services and use tax revenue bonds	645,000	-	120,000	525,000	125,000
Early retirement	302,331	85,354	161,434	226,251	104,311
Net OPEB liability	-	28,741	-	28,741	-
Total	$ 3,652,331	$ 114,095	$ 586,434	$ 3,179,992	$ 564,311

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

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

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

Early retirement benefits paid during the year ended June 30, 2010 totaled $161,434. The total liability for early retirement is recorded as long-term liabilities in the government-wide financial statements and includes eighteen participants extending through the year ending June 30, 2015. The liability for early retirement is calculated assuming an annual 10 percent increase in monthly premiums up to a maximum of $550 with a 5 percent discount rate.

NOTE 5 - LONG-TERM LIABILITIES (CONTINUED):

School Infrastructure Sales, Services and Use Tax Revenue Bonds - Details of the District's June 30, 2010 school infrastructure sales, services and use tax revenue bonded indebtedness are as follows:

Revenue Bond Issue of 2008				
Year Ending June 30,	Interest Rates	Principal	Interest	Total
2011	3.60%	$ 125,000	$ 19,908	$ 144,908
2012	3.70%	130,000	15,408	145,408
2013	3.85%	135,000	10,598	145,598
2014	4.00%	135,000	5,400	140,400
Total		$ 525,000	$ 51,314	$ 576,314

The District has pledged future statewide sales, services and use tax revenues to repay the $760,000 bonds issued in June 2008. The bonds were issued for the purpose of financing school infrastructure. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2014. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require nearly 30 percent of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the notes is $576,314. For the current year, $143,988 principal and interest was paid on the bonds and total statewide sales, service and use tax revenues were $493,705.

The resolution providing for the issuance of the statewide sales, services and use tax revenue bonds includes the following provisions:

a) All proceeds from the statewide sales, services and use tax shall be placed in a Revenue Account (capital project fund account).

b) An amount necessary to make the next scheduled bond payment shall be deposited in the Sinking Fund.

c) The balance of proceeds shall be deposited to the Project Fund and expended there from for the purposes of issuance.

The District maintained adequate balances in the District's Capital Projects Fund account and made transfers for the purposes of repayment during the year ended June 30, 2010.

NOTE 5 - LONG-TERM LIABILITIES (CONTINUED):

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

School Refunding Bond Issue of 2008

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2011	3.48%	$ 285,000	$ 52,722	$ 337,722
2012	3.48%	295,000	42,804	337,804
2013	3.48%	305,000	32,538	337,538
2014	3.48%	310,000	21,924	331,924
2015	3.48%	320,000	11,136	331,136
Total		$ 1,515,000	$ 161,124	$1,676,124

General Obligation Capital Loan Notes - Details of the District's June 30, 2010 general obligation capital loan notes is as follows:

General Obligation Capital Loan Notes

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2011	3.50%	$ 50,000	$ 38,863	$ 88,863
2012	3.50%	50,000	37,113	87,113
2013	3.50%	50,000	35,362	85,362
2014	3.50%	55,000	33,612	88,612
2015	4.25%	55,000	31,688	86,688
Thereafter	4.25 - 5.00%	625,000	159,113	784,113
Total		$ 885,000	$ 335,751	$1,220,751

NOTE 6 - PENSION AND RETIREMENT BENEFITS:

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

Plan members are required to contribute 4.30 percent of their annual covered salary and the District is required to contribute 6.65 percent of annual covered salary. Contribution requirements are established by state statute. The District's contribution to IPERS for the years ended June 30, 2010, 2009, and 2008 were $303,332, $302,429, and $271,085, respectively, equal to the required contributions for each year.

NOTE 7 - OTHER POSTEMPLOYMENT BENEFITS (OPEB):

The District implemented GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits other Than Pensions* during the year ended June 30, 2010.

Plan Description - The District operates a single-employer benefit plan which provides medical and prescription drug benefits. The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit rate subsidy and an OPEB liability. There are 73 active and 14 retired members in the plan. Participants must be age 58 or older at retirement.

Funding Policy - The contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation - The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding which, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

NOTE 7 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED):

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2010, the amount implicitly contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	$	48,033
Interest on net OPEB obligation		-
Adjustment to annual required contribution		-
Annual OPEB cost	$	48,033
Contributions made		(19,292)
Increase in net OPEB obligation	$	28,741
Net OPEB obligation beginning of year		-
Net OPEB obligation end of year	$	28,741

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the implicit contributions for the year ended June 30, 2010.

For the year ended June 30, 2010, the District had an implicit contribution of $19,292 to the medical plan.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2010 are summarized as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2010	$ 48,033	40.2%	$ 28,741

Funded Status and Funding Progress - As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2009 through June 30, 2010, the actuarial accrued liability was $443,446, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of $443,446. As of June 30, 2010, there were no trust fund assets.

NOTE 7 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED):

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2009 actuarial valuation date, the Close Group Actuarial Cost Method was used. The actuarial assumptions includes a 2.5 percent discount rate based on the District's funding policy. The projected annual medical trend rate is 6 percent.

Mortality rates are from the 94 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the 2006 Society of Actuaries Study.

Projected claim costs of the medical plan are approximately $470 per month for retirees less than age 65. The UAAL is being amortized as the costs to fund the UAAL over 30 years.

NOTE 8 - INTERFUND TRANSFERS:

During the year ended June 30, 2010 $506,959 and $50,231 were transferred from the Capital Projects Fund and the General Fund, respectively, to the Debt Service Fund in order to provide for principal and interest payments on the District's long-term debt.

NOTE 9 - RISK MANAGEMENT:

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

NOTE 10 - AREA EDUCATION AGENCY:

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled $332,779 for the year ended June 30, 2010 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

NOTE 11 - CONSTRUCTION COMMITMENTS:

At June 30, 2010, the District had entered into various construction contracts totaling $558,611 for improvements to land and building. At June 30, 2010, $107,470 of the contracts were uncompleted.

NOTE 12 - LEASE COMMITMENT:

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

Year Ended June 30	Lease Payment
2011	$ 25,836
2012	25,836
2013	25,836
2014	12,918
	$ 90,426

REQUIRED SUPPLEMENTARY INFORMATION

SIBLEY-OCHEYEDAN COMMUNITY SCHOOL DISTRICT

BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENDITURES/EXPENSES AND

CHANGES IN BALANCES - BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS

AND PROPRIETARY FUND

REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2010

	Governmental Funds Actual	Proprietary Funds Actual	Total Actual
Revenues:			
Local sources	$ 4,526,572	$ 267,002	$ 4,793,574
State sources	3,507,678	3,885	3,511,563
Federal sources	743,282	166,116	909,398
Total revenues	$ 8,777,532	$ 437,003	$ 9,214,535
Expenditures/expenses:			
Instruction	$ 5,164,659	$ -	$ 5,164,659
Support services	2,193,044	-	2,193,044
Non-instructional programs	-	405,150	405,150
Other expenditures	1,871,292	-	1,871,292
Total expenditures/expenses	$ 9,228,995	$ 405,150	$ 9,634,145
(Deficiency) excess of revenues (under) over expenditures/expenses	$ (451,463)	$ 31,853	$ (419,610)
Other financing sources, net	$ 13,863	$ -	$ 13,863
(Deficiency) excess of revenues and other financing sources (under) over expenditures/expenses	$ (437,600)	$ 31,853	$ (405,747)
Balances beginning of year	$ 1,570,223	$ 42,352	$ 1,612,575
Balances end of year	$ 1,132,623	$ 74,205	$ 1,206,828

See accompanying independent auditor's report.

Budgeted Amounts		Final to Actual
Original	Final	Variance
$ 4,808,872	$ 4,808,872	$ (15,298)
4,497,518	4,497,518	(985,955)
519,000	519,000	390,398
$ 9,825,390	$ 9,825,390	$ (610,855)
$ 6,059,351	$ 6,059,351	$ 894,692
2,620,500	2,620,500	427,456
548,744	548,744	143,594
1,978,266	1,978,266	106,974
$ 11,206,861	$ 11,206,861	$ 1,572,716
$ (1,381,471)	$ (1,381,471)	$ 961,861
$ -	$ -	$ 13,863
$ (1,381,471)	$ (1,381,471)	$ 975,724

SIBLEY-OCHEYEDAN COMMUNITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING

YEAR ENDED JUNE 30, 2010

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

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

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

SIBLEY-OCHEYEDAN COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN
(IN THOUSANDS)

REQUIRED SUPPLEMENTARY INFORMATION

Year Ended Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)
2010	July 1, 2009	$ -	$ 435 *	$ 435 *	0.0%

See Note 7 in the accompanying Notes to the Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obliation, funded status and funding progress.

* Less than Unfunded Actuarial Liability as of July 1, 2009 because of September 2009 actuarial loss due to pay-as-you-go funding with increase in future normal costs offset by assumed trend and "Aging" retired employees'.

OTHER SUPPLEMENTARY INFORMATION

SCHEDULE 1

SIBLEY-OCHEYEDAN COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS

JUNE 30, 2010

	Special Revenue				
	Management Levy	Student Activity	Physical Plant and Equipment Levy	Debt Service	Total
ASSETS					
Cash and pooled investments	$ 65,116	$ 119,567	$ 37,623	$ 622	$ 222,928
Receivables:					
Property tax:					
Delinquent	4,072	-	1,494	-	5,566
Succeeding year	230,000	-	74,093	72,549	376,642
Accounts	-	44	-	-	44
Total assets	$ 299,188	$ 119,611	$ 113,210	$ 73,171	$ 605,180
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	$ -	$ 6,937	$ -	$ -	$ 6,937
Deferred revenue:					
Succeeding year property tax	230,000	-	74,093	72,549	376,642
Total liabilities	$ 230,000	$ 6,937	$ 74,093	$ 72,549	$ 383,579
Fund balances:					
Reserved for debt service	-	-	-	622	622
Unreserved fund balances	69,188	112,674	39,117	-	220,979
Total liabilities and fund balances	$ 299,188	$ 119,611	$ 113,210	$ 73,171	$ 605,180

See accompanying independent auditor's report.

SIBLEY-OCHEYEDAN COMMUNITY SCHOOL DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN

FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2010

	Special Revenue				
	Management Levy	Student Activity	Physical Plant and Equipment Levy	Debt Service	Total
Revenues:					
Local sources:					
Local tax	$ 178,952	$ -	$ 65,660	$ -	$ 244,612
Other	-	269,461	32,022	-	301,483
Total revenues	$ 178,952	$ 269,461	$ 97,682	$ -	$ 546,095
Expenditures:					
Current:					
Instruction:					
Regular instruction	$ 182,920	$ -	$ -	$ -	$ 182,920
Other instruction	-	254,925	-	-	254,925
	$ 182,920	$ 254,925	$ -	$ -	$ 437,845
Support services:					
Student services	$ 7,082	$ -	$ -	$ -	$ 7,082
Administration services	9,368	-	-	-	9,368
Operation and maintenance of plant services	106,318	-	-	-	106,318
Transportation services	23,045	-	-	-	23,045
	$ 145,813	$ -	$ -	$ -	$ 145,813
Other expenditures:					
Facilities and equipment acquisition	$ -	$ -	$ 120,227	$ -	$ 120,227
Long-term debt:					
Principal	-	-	-	425,000	425,000
Interest and fiscal charges	-	-	-	144,314	144,314
	$ -	$ -	$ 120,227	$ 569,314	$ 689,541
Total expenditures	$ 328,733	$ 254,925	$ 120,227	$ 569,314	$ 1,273,199
Excess (deficiency) of revenues over (under) expenditures	$ (149,781)	$ 14,536	$ (22,545)	$ (569,314)	$ (727,104)
Other financing sources:					
Sale of equipment	$ -	$ -	$ 9,450	$ -	$ 9,450
Transfers from other funds	-	-	-	557,190	557,190
Total other financing sources	$ -	$ -	$ 9,450	$ 557,190	$ 566,640
Excess (deficiency) of revenues and other financing sources (uses) over (under) expenditures	$ (149,781)	$ 14,536	$ (13,095)	$ (12,124)	$ (160,464)
Fund balances beginning of year	218,969	98,138	52,212	12,746	382,065
Fund balances end of year	$ 69,188	$ 112,674	$ 39,117	$ 622	$ 221,601

See accompanying independent auditor's report.

SIBLEY-OCHEYEDAN COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS

YEAR ENDED JUNE 30, 2010

ACCOUNT:	Balance Beginning of Year	Revenues and Interfund Transfers	Expenditures	Intrafund Transfers	Balance End of Year
Boys basketball	$ 5,912	$ 2,721	$ 6,916	$ -	$ 1,717
Athletics	129	6,400	1,209	-	5,320
Football	1,404	7,045	7,396	-	1,053
Boys track	83	6,378	6,401	-	60
Girls track	17	-	3	-	14
Boys golf	241	850	171	-	920
Girls golf	519	424	229	-	714
Wrestling	30	6,202	6,228	-	4
Baseball	100	4,878	4,808	-	170
Girls basketball	3,787	2,728	5,721	-	794
Volleyball	158	2,858	3,016	-	-
Softball	100	2,950	2,408	-	642
Cross country	-	1,620	325	-	1,295
Girls BB special account	460	3,012	2,800	-	672
Boys BB special account	281	1,688	1,358	-	611
Weight lifting	13	-	-	-	13
Football special account	3,009	3,863	5,423	-	1,449
Girls golf special account	644	350	-	-	994
Special cross country	772	90	344	-	518
Girls track special account	649	569	605	-	613
Baseball special	247	94	212	-	129
Softball special account	417	-	125	-	292
Boys golf special account	910	639	350	-	1,199
Volleyball special	3,891	74	962	-	3,003
Boys track special account	1,550	595	559	-	1,586
Wrestling special account	1	300	136	-	165
Class of 2008	290	-	-	(290)	-
Class of 2009	808	-	-	(808)	-
Class of 2010	1,257	305	1,560	-	2
Class of 2011	3,657	5,438	7,209	1,098	2,984
Class of 2012	-	1,942	-	-	1,942
Student assistance	1,006	25	-	-	1,031
Band	100	9,634	9,652	-	82
Vocal	356	3,092	3,447	-	1
Band resale	1,210	6,024	6,524	-	710
Smoothie Café	46	-	-	-	46
H.S. activity	4,733	17,178	10,547	-	11,364
M.S. activity	58	18,173	22,473	12,448	8,206
Elementary activity	2,396	5,800	3,984	-	4,212
Art club	2,212	445	239	-	2,418
Dance team	4,392	890	1,836	-	3,446
FFA	10,229	104,577	82,176	-	32,630
Cheerleading	2,345	3,584	4,372	-	1,557
International club	3,109	690	328	-	3,471
National Honor Society	1,286	1,699	1,367	-	1,618
Pep Club	1,983	65	249	-	1,799
S-O Club	9	-	-	-	9
H.S. student leadership	10,721	1,640	11,347	-	1,014
M.S. student council	12,448	-	-	(12,448)	-
Speech club	100	15,605	9,960	-	5,745
Annual club	3,811	8,275	10,639	-	1,447
Quill club	64	-	-	-	64
Drama club	2,047	1,819	1,149	-	2,717
Co-ed athletics	-	240	91	-	149
Concessions	2,141	5,993	8,071	-	63
Total	$ 98,138	$ 269,461	$ 254,925	$ -	$ 112,674

SCHEDULE 4

SIBLEY-OCHEYEDAN COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES

AGENCY FUND

FOR THE YEAR ENDED JUNE 30, 2010

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
ASSETS				
Cash and pooled investments	$ 3,328	$ 12,980	$ 16,308	$ -
Total assets	$ 3,328	$ 12,980	$ 16,308	$ -
LIABILITIES				
Due to others	$ 3,328	$ 12,980	$ 16,308	$ -
Total liabilities	$ 3,328	$ 12,980	$ 16,308	$ -

See accompanying independent auditor's report.

SCHEDULE 5

SIBLEY-OCHEYEDAN COMMUNITY SCHOOL DISTRICT

SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION

ALL GOVERNMENTAL FUNDS

FOR THE LAST SEVEN YEARS

	Modified Accrual Basis						
	2010	2009	2008	2007	2006	2005	2004
Revenues:							
Local sources:							
Local tax	$ 3,751,485	$ 3,613,910	$ 3,222,773	$ 3,146,175	$ 3,057,682	$ 3,166,335	$ 2,909,796
Tuition	328,210	273,957	251,630	184,206	252,136	226,228	168,361
Other	446,877	461,457	524,755	462,940	441,271	402,033	535,133
State sources	3,507,678	4,435,413	4,420,383	2,876,109	3,892,147	3,672,039	3,445,911
Federal sources	743,282	231,027	239,551	230,034	309,049	254,119	244,550
Other financing sources:							
Proceeds from bond issuance, net	-	915,000	775,000	-	-	-	-
Sale of equipment	13,863	250	26,555	-	-	-	-
Total	$ 8,791,395	$ 9,931,014	$ 9,460,647	$ 6,899,464	$ 7,952,285	$ 7,720,754	$ 7,303,751
Expenditures:							
Instruction:							
Regular instruction	$ 3,143,148	$ 3,138,026	$ 3,238,813	$ 2,972,147	$ 2,965,110	$ 2,848,585	$ 3,088,736
Special instruction	1,106,025	1,391,602	1,259,281	1,091,078	954,725	690,073	799,427
Other instruction	915,486	821,885	785,195	924,693	862,477	891,442	677,601
Support services:							
Student services	270,603	264,265	287,663	199,600	172,466	220,483	198,888
Instructional staff services	153,184	170,012	174,299	319,025	210,667	222,105	174,239
Administration services	749,817	820,030	836,214	805,178	725,969	604,896	317,775
Operation and maintenance of plant services	734,281	780,494	699,473	834,642	892,056	748,234	933,046
Transportation services	285,159	293,804	297,702	390,150	377,711	434,252	284,364
Other expenditures:							
Facilities and equipment acquisition	969,199	970,280	873,761	302,002	50,379	202,571	332,131
Long-term debt:							
Principal	425,000	380,000	245,000	235,000	225,000	210,000	200,000
Interest and fiscal charges	144,314	95,683	113,209	111,865	121,428	130,351	138,044
AEA flow through	332,779	310,801	294,935	282,816	275,616	270,801	271,598
Total	$ 9,228,995	$ 9,436,882	$ 9,105,545	$ 8,468,196	$ 7,833,604	$ 7,473,793	$ 7,415,849

See accompanying independent auditor's report.

SIBLEY-OCHEYEDAN COMMUNITY SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2010

Grantor/Program	CFDA Number	Grant Number	Expenditures	
Indirect:				
U.S. Department of Agriculture:				
Iowa Department of Education:				
School Nutrition Cluster Programs:				
School Breakfast Program	10.553	FY10	$ 26,479	
National School Lunch Program	10.555	FY10	139,637	*
			$ 166,116	
U.S. Department of Education:				
Iowa Department of Education:				
Title I, Part A Cluster:				
Title I Grants to Local Educational Agencies	84.010	FY10	$ 1,697	
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	FY10	83,210	
			$ 84,907	
Career and Technical Education - Basic Grants to States	84.048	FY10	$ 5,829	
Safe and Drug-Free Schools and Communities - State Grants	84.186	FY10	$ 3,269	
Grants for State Assessments and Related Activities	84.369	FY10	$ 5,649	
Improving Teacher Quality State Grants	84.367	FY10	$ 33,973	
ARRA - Special Education - Grants to States (IDEA, Part B), Recovery Act	84.391	FY10	$ 73,497	**
ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	84.394	FY10	$ 421,155	
Northwest Area Education Agency:				
Special Education - Grants to States (IDEA, Part B)	84.027	FY10	$ 42,561	**
U.S. Department of Health and Human Services:				
Medical Assistance Program	93.778	FY10	$ 70,662	
U.S. Department of Labor:				
Cobra Premium Assistance	17.151	FY10	$ 1,780	
Total			$ 909,398	

* - Includes $28,276 of non-cash awards.

** - Total for Special Education Cluster (IDEA) is $116,058.

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of Sibley-Ocheyedan Community School District and is presented on the 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 Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

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

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

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Sibley-Ocheyedan Community School District (the District) as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 11, 2011. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as discussed below, we identified deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A deficiency in internal control 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 and correct misstatements on a timely basis. A significant deficiency is a deficiency or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs as Items II-A-10 and II-B-10 to be material weaknesses.

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To the Board of Education
Sibley-Ocheyedan Community School District

COMPLIANCE AND OTHER MATTERS

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

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2010 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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

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

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

March 11, 2011
Sioux City, Iowa

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

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

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

COMPLIANCE

We have audited Sibley-Ocheyedan Community School District's (the District's) compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133, *Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2010. The 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 grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the 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 noncompliance 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 the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010.

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To the Board of Education
Sibley-Ocheyedan Community School District

INTERNAL CONTROL OVER COMPLIANCE

The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the 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 our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 the District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as discussed below, we identified a deficiency in internal control over compliance we consider to be a material weakness.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-A-10 to be a material weakness.

The District's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusion on the District's response, we did not audit the District's response and, accordingly, we express no opinion on it.

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

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

March 11, 2011
Sioux City, Iowa

SIBLEY-OCHEYEDAN COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2010

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

(a) Unqualified opinions were issued on the financial statements.

(b) Significant deficiencies and material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.

(c) The audit did not disclose any noncompliance which is material to the financial statements.

(d) A material weakness in internal control over the major programs was disclosed by the audit of the financial statements.

(e) An unqualified opinion was issued on compliance with requirements applicable to each major program.

(f) Audit findings that are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a) are reported in this schedule.

(g) Major programs were as follows:

- CFDA Number 84.394 - ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act.
- Clustered programs (Special Education Cluster (IDEA)):
  - CFDA Number 84.391 - ARRA - Special Education Grants to States, Recovery Act
  - CFDA Number 84.027 Special Education Grants to States

(h) The dollar threshold used to distinguish between Type A and Type B programs was $300,000.

(i) Sibley-Ocheyedan Community School District did not qualify as a low-risk auditee.

SIBLEY-OCHEYEDAN COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2010

Part II: Findings Related to the Financial Statements

INSTANCES OF NONCOMPLIANCE:

No matters were noted.

MATERIAL WEAKNESSES:

II-A-10 Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Incompatible duties, for accounting control purposes, are those duties that place a person in a position where they could both perpetrate and conceal errors or fraud. To accomplish proper segregation of duties, the system, insofar as possible, should provide for different individuals to perform the functions of (a) authorizing transactions, (b) recording transactions, (c) maintaining custody of the assets that result from transactions, and (d) comparing assets with the related amounts recorded in the accounting records. In performing our audit, we noted that the Business Manager has primary responsibility for many accounting and financial duties.

Recommendation - The size of the District's accounting and administrative staff precludes certain internal controls that would be preferred if the staff were large enough to provide optimum segregation of duties. Nevertheless, the District should review and segregate duties to the extent possible especially with respect to cash receipts, disbursements and payroll activities. For example, different individuals should a) open the mail, b) deposit cash receipts, and c) record cash receipts to the general ledger.

The Board of Education and Superintendent must remain actively involved in the financial affairs of the District to provide oversight and review functions. For example, the Superintendent should receive monthly bank statements directly (unopened) and review for any unknown payees, unauthorized signatories or any other unusual items. In addition, the Superintendent or a Board member should review payroll registers for accuracy by comparing to approved pay rates/contracts for selected employees.

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

Conclusion - Response accepted.

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

II-B-10 Preparation of Financial Statements in Accordance with GAAP - The financial statements are the responsibility of the District's management. That responsibility is satisfied by either (a) management preparing the financial statements in accordance with GAAP or (b) management demonstrating the necessary GAAP expertise when reviewing and approving financial statements (that the auditor has assisted in drafting) and the various schedules and calculations used to prepare such financial statements. Management reviews draft financial statements prior to issuance and is currently working towards increasing their knowledge of the District's GAAP financial reporting process.

Recommendation - We recommend management continue to review and learn about the District's GAAP financial reporting process and seek any necessary guidance/training so as to more fully understand the process.

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

Conclusion - Response accepted.

Part III: Findings and Questioned Costs For Federal Awards

INSTANCES OF NONCOMPLIANCE:

No matters were noted.

MATERIAL WEAKNESS:

Special Education Cluster (IDEA):
CFDA Number 84.391: ARRA - Special Education Grants to States, Recovery Act
CFDA Number 84.027: Special Education Grants to States
Federal Award Year: 2010
U.S. Department of Education
Passed through the Iowa Department of Education

CFDA Number 84.394: ARRA-State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act
Federal Award year: 2010
U.S. Department of Education
Passed through the Iowa Department of Education

Part III: Findings and Questioned Costs For Federal Awards (Continued)

III-A-10 Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Incompatible duties, for accounting control purposes, are those duties that place a person in a position where they could both perpetrate and conceal errors or fraud. To accomplish proper segregation of duties, the system, insofar as possible, should provide for different individuals to perform the functions of (a) authorizing transactions, (b) recording transactions, (c) maintaining custody of the assets that result from transactions, and (d) comparing assets with the related amounts recorded in the accounting records. In performing our audit, we noted that the Business Manager has primary responsibility for many accounting and financial duties.

Recommendation - The size of the District's accounting and administrative staff precludes certain internal controls that would be preferred if the staff were large enough to provide optimum segregation of duties. Nevertheless, the District should review and segregate duties to the extent possible especially with respect to cash receipts, disbursements and payroll activities. For example, different individuals should a) open the mail, b) deposit cash receipts, and c) record cash receipts to the general ledger.

The Board of Education and Superintendent must remain actively involved in the financial affairs of the District to provide oversight and review functions. For example, the Superintendent should receive monthly bank statements directly (unopened) and review for any unknown payees, unauthorized signatories or any other unusual items. In addition, the Superintendent or a Board member should review payroll registers for accuracy by comparing to approved pay rates/contracts for selected employees.

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

Conclusion - Response accepted.

Part IV: Other Findings Related to Statutory Reporting

IV-A-10 Certified Budget - Expenditures for the year ended June 30, 2010, did not exceed the certified budget amount.

IV-B-10 Questionable Expenditures - No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

IV-C-10 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

IV-D-10 Business Transactions - Business transactions between the District and District officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Kyle Grimes, Board President, Employee of Mericks Printing Co.	Printing/Shirts	$ 7,966
LaDonn Hartzell, Board Secretary, Spouse is part owner of Hartzell & Rosenberg	Snow Removal	$ 5,615

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

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

District Response - We will consult with our attorney.

Conclusion - Response accepted.

IV-E-10 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

IV-F-10 Board Minutes - No transactions requiring Board approval which had not been approved by the Board were noted.

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

IV-G-10 Certified Enrollment - No variances in the basic enrollment data certified to the Department of Education were noted.

IV-H-10 Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

IV-I-10 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.

IV-J-10 Certified Annual Report - The Certified Annual Report was certified timely to the Department of Education.

IV-K-10 Categorical Funding - No instances of categorical funding being used to supplant rather than supplement other funds were noted.

IV-L-10 Statewide Sales, Services and Use Tax Revenue - No instances of noncompliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.3 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. For the year ended June 30, 2010, the District's financial activity and other required information for the statewide sales, services and use tax revenue are as follows:

Beginning balance		$ -
Statewide sales, services and use tax revenue		493,705
Expenditures/transfers out:		
Debt service for school infrastructure:		
School refunding bonds	$ 349,717	
School infrastructure sales, service and use tax revenue bonds	143,988	493,705
Ending balance		$ -

The statewide sales, services and use tax revenue received during the year ended June 30, 2010 is equivalent to a reduction of $2.4669 per $1,000 taxable valuation in property tax levies.