

SIGOURNEY COMMUNITY SCHOOL DISTRICT
SIGOURNEY, IOWA

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

JUNE 30, 2010

TABLE OF CONTENTS

	Page
OFFICIALS	4
INDEPENDENT AUDITOR’S REPORT	5-6
BASIC FINANCIAL STATEMENTS	
Exhibit	
District-Wide Financial Statements:	
A Statement of Net Assets	8-9
B Statement of Activities	10-13
Governmental Fund Financial Statements:	
C Balance Sheet	14
D Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Assets	15
E Statement of Revenues, Expenditures and Changes in Fund Balances	16-17
F Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to the Statement of Activities	18
Proprietary Fund Financial Statements:	
G Statement of Net Assets	19
H Statement of Revenues, Expenses and Changes in Net Assets	20
I Statement of Cash Flows	21
Fiduciary Fund Financial Statements:	
J Statement of Fiduciary Net Assets	22
K Statement of Changes in Fiduciary Net Assets	23
Notes to Financial Statements	24-37
REQUIRED SUPPLEMENTARY INFORMATION:	
Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances – Budget and Actual – All Governmental Funds and Proprietary Fund	40
Notes to Required Supplementary Information – Budgetary Reporting	41
Schedule of Funding Progress for the Retiree Health Plan	42
OTHER SUPPLEMENTARY INFORMATION:	
Schedule	
Nonmajor Governmental Funds:	
1 Combining Balance Sheet	44
2 Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	45
3 Schedule of Changes in Special Revenue Fund, Student Activity Accounts	46
4 Schedule of Changes in Fiduciary Assets and Liabilities – Agency Fund	47
5 Schedule of Revenues by Source and Expenditures by Function – All Governmental Funds	48-49
6 Schedule of Expenditures of Federal Awards	50-51
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	52-53

TABLE OF CONTENTS
(continued)

	Page
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133	54-55
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	56-62

SIGOURNEY COMMUNITY SCHOOL DISTRICT

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<u>Board of Education</u>		
(Before September 2009 Election)		
Bill Rees	President	2009
Larry Alderson	Vice President	2011
Richard Danowsky	Board Member	2009
Teresa Dawson	Board Member	2009
Kenneth Gretter	Board Member	2011
Terry Hollingsworth	Board Member	2011
Mark O'Rourke	Board Member	2011
<u>Board of Education</u>		
(After September 2009 Election)		
Bill Rees	President	2013
Kenneth Gretter	Vice President	2011
Larry Alderson	Board Member	2011
Terry Hollingsworth	Board Member	2011
Mark O'Rourke	Board Member	2011
Teresa Dawson	Board Member	2013
Ruth Manchester	Board Member	2013
<u>School Officials</u>		
Todd Abrahamson	Superintendent	2011
Marlene Stoutner	District Secretary/Treasurer and Business Manager	2010
Gruhn Law Firm	Attorney	2010

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of
Sigourney 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 Sigourney Community School District, 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that 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 Sigourney Community School 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 January 21, 2011 on our consideration of Sigourney Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements. 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.

The Budgetary Comparison Information and Schedule of Funding Progress for the Retiree Health Plan on pages 40 through 42 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The District has not presented Management's Discussion and Analysis, which introduces the basic financial statements by presenting certain financial information as well as management's analytical insights on that information, that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Sigourney Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the year ended June 30, 2009 (which are not presented herein) and expressed unqualified opinions on those financial statements. The financial statements for the five years ended June 30, 2008 (which are not presented herein) were audited by other auditors who expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 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 is the responsibility of District management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This 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 as a whole.

Oskaloosa, Iowa
January 21, 2011

Basic Financial Statements

SIGOURNEY COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS
June 30, 2010

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and pooled investments	\$ 874,594	\$ 64,006	\$ 938,600
Receivables:			
Property tax:			
Current year	55,537	-	55,537
Succeeding year	2,485,524	-	2,485,524
Income surtax	124,814	-	124,814
Due from other governments	493,778	-	493,778
Inventories	-	8,715	8,715
Capital assets, net of accumulated depreciation (note 4)	4,725,759	41,125	4,766,884
	<hr/>	<hr/>	<hr/>
Total assets	8,760,006	113,846	8,873,852
Liabilities			
Accounts payable	58,961	-	58,961
Salaries and benefits payable	9,341	-	9,341
Accrued interest payable	41,991	-	41,991
Unearned revenue	-	1,958	1,958
Deferred revenue:			
Succeeding year property tax	2,485,524	-	2,485,524
Other	194,604	-	194,604
Long-term liabilities (notes 5 and 6):			
Portion due within one year:			
Early retirement	25,687	-	25,687
Capital lease purchase agreements	159,415	-	159,415
Portion due after one year:			
Early retirement	128,435	-	128,435
Capital lease purchase agreements	318,832	-	318,832
Promissory note payable	1,645,049	-	1,645,049
Net OPEB liability	42,000	-	42,000
	<hr/>	<hr/>	<hr/>
Total liabilities	5,109,839	1,958	5,111,797

SIGOURNEY COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS
June 30, 2010

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Net Assets			
Invested in capital assets, net of related debt	\$ 3,080,710	\$ 41,125	\$ 3,121,835
Restricted for:			
Categorical funding (note 11)	90,001	-	90,001
Physical plant and equipment levy	4,306	-	4,306
Other special revenue purposes	99,723	-	99,723
Unrestricted	<u>375,427</u>	<u>70,763</u>	<u>446,190</u>
Total net assets	<u>\$ 3,650,167</u>	<u>\$ 111,888</u>	<u>\$ 3,762,055</u>

See notes to financial statements.

SIGOURNEY COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
Year Ended June 30, 2010

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants and Contributions
Governmental Activities:				
Instruction	\$ 4,816,710	\$ 391,329	\$ 947,932	\$ -
Support services:				
Student services	69,352	-	-	-
Instructional staff services	194,131	-	11,050	-
Administration services	871,103	-	-	-
Operation and maintenance of plant services	556,575	-	-	-
Transportation services	278,076	-	-	-
	<u>1,969,237</u>	<u>-</u>	<u>11,050</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	58,951	-	-	203,841
Long-term debt interest and fiscal charges	41,991	-	-	-
AEA flowthrough	234,365	-	234,365	-
Depreciation (unallocated) *	90,447	-	-	-
	<u>425,754</u>	<u>-</u>	<u>234,365</u>	<u>203,841</u>
Total governmental activities	<u>7,211,701</u>	<u>391,329</u>	<u>1,193,347</u>	<u>203,841</u>
Business-Type Activities:				
Non-instructional programs:				
Food service operations	<u>238,817</u>	<u>145,788</u>	<u>122,332</u>	<u>-</u>
Total	<u>\$ 7,450,518</u>	<u>\$ 537,117</u>	<u>\$ 1,315,679</u>	<u>\$ 203,841</u>

Net (Expense) Revenue
and Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
\$ (3,477,449)	\$ -	\$ (3,477,449)
(69,352)	-	(69,352)
(183,081)	-	(183,081)
(871,103)	-	(871,103)
(556,575)	-	(556,575)
(278,076)	-	(278,076)
(1,958,187)	-	(1,958,187)
144,890	-	144,890
(41,991)	-	(41,991)
-	-	-
(90,447)	-	(90,447)
12,452	-	12,452
(5,423,184)	-	(5,423,184)
-	29,303	29,303
(5,423,184)	29,303	(5,393,881)

SIGOURNEY COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
Year Ended June 30, 2010

Functions/Programs

General Revenues:

Property tax levied for:

 General purposes

 Capital outlay

Income surtax

Statewide sales and services tax

Unrestricted state and federal grants

Unrestricted investment earnings

Other

Total general revenues

Change in net assets

Net assets beginning of year

Net assets end of year

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

See notes to financial statements.

Net (Expense) Revenue
and Changes in Net Assets

<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
\$ 2,070,803	\$ -	\$ 2,070,803
45,172	-	45,172
137,654	-	137,654
368,194	-	368,194
2,390,996	-	2,390,996
4,548	128	4,676
8,888	-	8,888
<hr/>		
5,026,255	128	5,026,383
<hr/>		
(396,929)	29,431	(367,498)
<hr/>		
4,047,096	82,457	4,129,553
<hr/>		
<u>\$ 3,650,167</u>	<u>\$ 111,888</u>	<u>\$ 3,762,055</u>

SIGOURNEY COMMUNITY SCHOOL DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2010

	General	Capital Projects	Nonmajor	Total
Assets				
Cash and pooled investments	\$ 505,224	\$ 219,608	\$ 149,762	\$ 874,594
Receivables:				
Property tax:				
Current year	53,170	-	2,367	55,537
Succeeding year	2,318,859	-	166,665	2,485,524
Income surtax	124,814	-	-	124,814
Due from other governments	200,867	292,911	-	493,778
Total assets	\$ 3,202,934	\$ 512,519	\$ 318,794	\$ 4,034,247
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 36,958	\$ 22,003	\$ -	\$ 58,961
Salaries and benefits payable	9,341	-	-	9,341
Deferred revenue:				
Succeeding year property tax	2,318,859	-	166,665	2,485,524
Other	319,418	-	-	319,418
Total liabilities	2,684,576	22,003	166,665	2,873,244
Fund balances:				
Reserved for:				
Categorical funding (note 10)	90,001	-	-	90,001
Unreserved:				
Designated for instructional purposes	56,247	-	-	56,247
Undesignated, reported in:				
General fund	372,110	-	-	372,110
Special revenue funds	-	-	152,129	152,129
Capital projects fund	-	490,516	-	490,516
Total fund balances	518,358	490,516	152,129	1,161,003
Total liabilities and fund balances	\$ 3,202,934	\$ 512,519	\$ 318,794	\$ 4,034,247

See notes to financial statements.

SIGOURNEY 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	\$ 1,161,003
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.	4,725,759
Other long-term assets, including income surtax receivable, are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	124,814
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.	(41,991)
Long-term liabilities, including early retirement, notes payable, capital lease purchase agreements and net OPEB liability, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(2,319,418)</u>
Net assets of governmental activities	<u>\$ 3,650,167</u>

See notes to financial statements.

SIGOURNEY 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	\$ 2,155,835	\$ 368,194	\$ 90,092	\$ 2,614,121
Tuition	172,171	-	-	172,171
Other	52,811	64,527	177,402	294,740
State sources	2,936,174	-	68	2,936,242
Federal sources	645,213	146,185	-	791,398
Total revenues	<u>5,962,204</u>	<u>578,906</u>	<u>267,562</u>	<u>6,808,672</u>
Expenditures:				
Current:				
Instruction	4,403,119	3,884	206,134	4,613,137
Support services:				
Student services	68,554	-	-	68,554
Instructional staff services	192,804	-	-	192,804
Administration services	792,270	66,087	1,271	859,628
Operation and maintenance of plant services	502,162	-	32,542	534,704
Transportation services	216,287	-	8,051	224,338
	<u>1,772,077</u>	<u>66,087</u>	<u>41,864</u>	<u>1,880,028</u>
Other expenditures:				
Facilities acquisition	-	1,825,213	32,267	1,857,480
Long term debt:				
Principal	-	-	111,954	111,954
AEA flowthrough	234,365	-	-	234,365
	<u>234,365</u>	<u>1,825,213</u>	<u>144,221</u>	<u>2,203,799</u>
Total expenditures	<u>6,409,561</u>	<u>1,895,184</u>	<u>392,219</u>	<u>8,696,964</u>
Deficiency of revenues under expenditures	<u>(447,357)</u>	<u>(1,316,278)</u>	<u>(124,657)</u>	<u>(1,888,292)</u>

SIGOURNEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2010

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Total</u>
Other financing sources (uses):				
Promissory note issued	\$ -	\$ 1,645,049	\$ -	\$ 1,645,049
Capital lease proceeds	-	64,437	-	64,437
Interfund transfers in (note 3)	-	-	111,954	111,954
Interfund transfers out (note 3)	-	(111,954)	-	(111,954)
Total other financing sources (uses)	<u>-</u>	<u>1,597,532</u>	<u>111,954</u>	<u>1,709,486</u>
Net change in fund balances	(447,357)	281,254	(12,703)	(178,806)
Fund balances beginning of year	<u>965,715</u>	<u>209,262</u>	<u>164,832</u>	<u>1,339,809</u>
Fund balances end of year	<u>\$ 518,358</u>	<u>\$ 490,516</u>	<u>\$ 152,129</u>	<u>\$ 1,161,003</u>

See notes to financial statements.

SIGOURNEY 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 \$ (178,806)

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

Expenditures for capital assets	\$ 1,798,529	
Depreciation expense	<u>(187,107)</u>	1,611,422

Income surtax revenue not received until several months after the District's fiscal year end is not considered available revenue in the governmental funds and is deferred. It is, however, recorded as revenue in the Statement of Activities. 6,100

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds but issuing debt increases long-term liabilities in the Statement of Net Assets and does not affect the Statement of Activities. (1,709,486)

Repayment of long-term liabilities is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets. 111,954

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. (41,991)

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	(154,122)	
Net OPEB liability	<u>(42,000)</u>	<u>(196,122)</u>

Change in net assets of governmental activities \$ (396,929)

See notes to financial statements.

SIGOURNEY COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS
PROPRIETARY FUND
June 30, 2010

	<u>School Nutrition</u>
Assets	
Cash and cash equivalents	\$ 64,006
Inventories	8,715
Capital assets, net of accumulated depreciation (note 4)	<u>41,125</u>
Total assets	<u>113,846</u>
Liabilities	
Unearned revenue	<u>1,958</u>
Net Assets	
Invested in capital assets	41,125
Unrestricted	<u>70,763</u>
Total net assets	<u>\$ 111,888</u>

See notes to financial statements.

SIGOURNEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUND
Year Ended June 30, 2010

	<u>School Nutrition</u>
Operating revenues:	
Local sources:	
Charges for services	\$ <u>145,788</u>
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	99,169
Benefits	41,133
Purchased services	2,288
Supplies	89,897
Depreciation	6,080
Other	<u>250</u>
	<u>238,817</u>
Operating loss	(93,029)
Non-operating revenues:	
Interest on investments	128
State sources	2,717
Federal sources	<u>119,615</u>
Total non-operating revenues	<u>122,460</u>
Change in net assets	29,431
Net assets beginning of year	<u>82,457</u>
Net assets end of year	\$ <u><u>111,888</u></u>

See notes to financial statements.

SIGOURNEY COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
Year Ended June 30, 2010

	<u>School Nutrition</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 145,165
Cash received from miscellaneous operating activities	1,043
Cash payments to employees for services	(140,302)
Cash payments to suppliers for goods or services	<u>(75,746)</u>
Net cash used by operating activities	<u>(69,840)</u>
Cash flows from non-capital financing activities:	
State grants received	2,717
Federal grants received	<u>95,731</u>
Net cash provided by non-capital financing activities	<u>98,448</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	<u>(9,322)</u>
Cash flows from investing activities:	
Interest on investments	<u>128</u>
Net increase in cash and cash equivalents	19,414
Cash and cash equivalents beginning of year	<u>44,592</u>
Cash and cash equivalents end of year	<u>\$ 64,006</u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (93,029)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation	6,080
Commodities used	23,884
(Increase) in inventories	(7,195)
Increase in unearned revenue	<u>420</u>
Net cash used by operating activities	<u>\$ (69,840)</u>
Non-cash investing, capital and financing activities:	
During the year ended June 30, 2010, the District received \$23,884 of federal commodities.	

See notes to financial statements.

SIGOURNEY COMMUNITY SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 June 30, 2010

	<u>Private Purpose Trust</u>	<u>Agency Sigourney Education Foundation</u>
	<u>Scholarship</u>	<u>Foundation</u>
Assets:		
Cash and pooled investments	\$ <u>23,519</u>	\$ <u>11,578</u>
Liabilities:		
Other payables	<u>-</u>	<u>11,578</u>
Net assets:		
Reserved for scholarships	\$ <u><u>23,519</u></u>	\$ <u><u>-</u></u>

See notes to financial statements.

SIGOURNEY COMMUNITY SCHOOL DISTRICT
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 Year Ended June 30, 2010

		Private Purpose Trust
		<u>Scholarship</u>
Additions:		
Local sources:		
Gifts and contributions	\$	5,800
Interest		<u>245</u>
Total additions		<u>6,045</u>
Deductions:		
Instruction:		
Scholarships awarded		<u>6,350</u>
Change in net assets		(305)
Net assets beginning of year		<u>23,824</u>
Net assets end of year	\$	<u><u>23,519</u></u>
See notes to financial statements.		

SIGOURNEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

Note 1. Summary of Significant Accounting Policies

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

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

A. Reporting Entity

For financial reporting purposes, Sigourney Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on, the District. Sigourney Community School District has one component unit which meets the Governmental Accounting Standards Board criteria.

These financial statements present Sigourney Community School District and its component unit. The component unit discussed below is included in the District's reporting entity because of the significance of its operational or financial relationships with the District.

Blended Component Unit – The following component unit is an entity which is legally separate from the school district, but is so intertwined with the school district that it is, in substance, the same as the school district. It is reported as part of the school district and blended into the appropriate fund.

The Sigourney Education Foundation (Foundation) was created to raise money through contributions to advance, enhance, and support educational opportunities in the Sigourney Community School District. The Foundation is a separate legal entity whose directors are all members of the school Board of Education. The Foundation is reported as an Agency Fund.

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 Keokuk County Assessor's Conference Board.

SIGOURNEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation

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

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

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

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

Unrestricted net assets consist of net assets 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 that are 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 District-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The District reports the following major governmental funds:

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

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

SIGOURNEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

The District reports the following 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 funds include the following:

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

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

C. Measurement Focus and Basis of Accounting

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

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

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

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

SIGOURNEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

Note 1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting (continued)

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

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

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

D. Assets, Liabilities and Fund Equity

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

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

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

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

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Current year property tax receivable represents unpaid taxes from the current year. 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 District-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

SIGOURNEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

The property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 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.

Income Surtax Receivable – Income surtax budgeted for the fiscal year ended June 30, 2010 will not be received by the District until several months after the fiscal year end. Accordingly, income surtax is recorded as a receivable and included in deferred revenue on the modified accrual basis for the governmental funds. For the District-wide statements, on the Statement of Activities the income surtax revenue is recognized.

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

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

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

Asset Class	Amount
Land	\$ -
Buildings	5,000
Improvements other than buildings	5,000
Intangibles	50,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	5,000

SIGOURNEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

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

Asset Class	Estimated Useful Lives
Buildings	50 years
Improvements other than buildings	20 years
Furniture and equipment	5-12 years

Salaries and Benefits Payable – The balance of the flexible benefits plan offered by the District has been accrued as a liability.

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collectible 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, the succeeding year property tax receivable and other receivables not collected within sixty days after year end.

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

Long-term Liabilities – In the District-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.

Compensated Absences – District employees accumulate a limited amount of earned but unused vacation and sick leave. The District's policy is not to reimburse for sick leave or vacation. Vacation can only be used by the employee in the year it is earned. The District has no compensated absences liability at June 30, 2010.

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

Invested in capital assets, net of related debt – In the District-wide Statement of Net Assets, the net asset balance invested in capital assets, net of related debt is equal to the capital assets balances, including restricted capital assets, less accumulated depreciation and the outstanding balances of any bonds, notes, or other debt that are attributable to the acquisition, construction, or improvement of those assets.

SIGOURNEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Restricted Net Assets – In the District-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. Net assets restricted through enabling legislation as of June 30, 2010 consists of \$194,030.

E. Budgets and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2010, expenditures in the other expenditures function exceeded the amounts budgeted prior to amendment.

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 insure there will be no loss of public funds.

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

Component Unit Agency Fund Investments – The Foundation had investments at June 30, 2010 as follows:

	<u>Fair Value</u>
Mutual Funds	\$ <u>11,578</u>

The investments in the mutual funds are valued at fair value.

SIGOURNEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

Note 3. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2010 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects	\$ <u>111,954</u>

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

Note 4. Capital Assets

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 147,865	\$ -	\$ -	\$ 147,865
Construction in progress	9,250	1,739,880	-	1,749,130
Total capital assets not being depreciated	157,115	1,739,880	-	1,896,995
Capital assets being depreciated:				
Buildings	4,475,240	-	-	4,475,240
Improvements other than buildings	636,507	5,400	-	641,907
Furniture and equipment	787,732	53,249	-	840,981
Total capital assets being depreciated	5,899,479	58,649	-	5,958,128
Less accumulated depreciation for:				
Buildings	2,122,960	91,000	-	2,213,960
Improvements other than buildings	251,231	29,617	-	280,848
Furniture and equipment	568,066	66,490	-	634,556
Total accumulated depreciation	2,942,257	187,107	-	3,129,364
Total capital assets being depreciated, net	2,957,222	(128,458)	-	2,828,764
Governmental activities capital assets, net	\$ 3,114,337	\$ 1,611,422	\$ -	\$ 4,725,759

SIGOURNEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

Note 4. Capital Assets (continued)

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business-type activities:				
Furniture and equipment	\$ 182,947	\$ 9,322	\$ 9,180	\$ 183,089
Less accumulated depreciation	145,064	6,080	9,180	141,964
Business-type activities capital assets, net	<u>\$ 37,883</u>	<u>\$ 3,242</u>	<u>\$ -</u>	<u>\$ 41,125</u>

Depreciation expense was charged by the District to the following functions:

Governmental activities:		
Instruction		\$ 38,789
Support services:		
Administration		6,015
Transportation		51,856
		<u>96,660</u>
Unallocated depreciation		<u>90,447</u>
Total governmental activities depreciation expense		<u>\$ 187,107</u>
Business-type activities:		
Food service operations		<u>\$ 6,080</u>

Note 5. Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2010 is as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
Early retirement	\$ -	\$ 154,122	\$ -	\$ 154,122	\$ 25,687
Capital lease purchase agreements	525,764	64,437	111,954	478,247	159,415
Promissory note	-	1,645,049	-	1,645,049	-
Net OPEB liability	-	42,000	-	42,000	-
Total	<u>\$ 525,764</u>	<u>\$ 1,905,608</u>	<u>\$ 111,954</u>	<u>\$ 2,319,418</u>	<u>\$ 185,102</u>

SIGOURNEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

Note 5. Long-Term Liabilities (continued)

Early Retirement

The District offers a voluntary early retirement plan to its employees. Eligible employees must be at least age fifty-five on or before July 1, 2010 and have completed ten years of service to the District or have at least thirty years of serving the District regardless of age. Employees must complete an application which is required to be approved by the Board of Education.

The early retirement benefit for each eligible employee is equal to one-half of the employee's salary excluding overtime, extra duty, extracurricular, and teacher comp and phase money and subject to a maximum of \$20,000 per individual. Early retirement benefits will be paid in six installments beginning January 2011 through June 2013.

At June 30, 2010, the District has obligations to nine participants with a total liability of \$154,122. There were no actual early retirement expenditures for the year ended June 30, 2010. The long-term portion of early retirement is recorded as a long-term liability of the Governmental Activities in the District-wide financial statements.

Capital Lease Purchase Agreements

During the year ended June 30, 2009, the District entered into an interest-free agreement for the lease purchase of computers and computer equipment for the high school. The agreement provides for semiannual payments of \$50,000 each the first year and semiannual payments of \$70,961 each over the next three years.

During the year ended June 30, 2010, the District entered into an interest-free agreement for the lease purchase of computers and computer equipment for the junior high school. The agreement provides for an initial down payment followed by payments of \$8,747 every April 1 and October 1 through April 1, 2013.

Details of the District's June 30, 2010 capital lease purchase agreement indebtedness are as follows:

Year Ending June 30,	High School Computers	Junior High School Computers	Total
2011	\$ 141,921	\$ 17,494	\$ 159,415
2012	141,921	17,494	159,415
2013	<u>141,922</u>	<u>17,495</u>	<u>159,417</u>
	<u>\$ 425,764</u>	<u>\$ 52,483</u>	<u>\$ 478,247</u>

SIGOURNEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

Note 5. Long-Term Liabilities (continued)

Promissory Note

On July 13, 2009, the District issued a promissory note of \$1,700,000. The note is a draw-down loan with the proceeds of the issuance to be used to construct the Career Academy building. As of June 30, 2010, the District had drawn down \$1,645,049. The note is payable over sixteen years and includes interest at 4.5% with the first payment of interest only due July 13, 2010.

Details of the District's June 30, 2010 promissory note indebtedness are as follows:

Year Ending June 30,	Principal	Interest	Total
2011	\$ -	\$ 79,004	\$ 79,004
2012	31,147	74,027	105,174
2013	32,549	72,625	105,174
2014	34,014	71,160	105,174
2015	35,544	69,630	105,174
2016	37,143	68,031	105,174
2017	38,815	66,359	105,174
2018	40,562	64,612	105,174
2019	42,387	62,787	105,174
2020	44,294	60,880	105,174
2021	46,288	58,886	105,174
2022	48,371	56,803	105,174
2023	50,547	54,627	105,174
2024	52,822	52,352	105,174
2025	55,199	49,975	105,174
2026	1,055,367	47,492	1,102,859
	<u>\$ 1,645,049</u>	<u>\$ 1,009,250</u>	<u>\$ 2,654,299</u>

Note 6. Other Postemployment Benefits (OPEB)

The District prospectively 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 retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 93 active and 3 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug coverage is 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 subsidy and an OPEB liability.

SIGOURNEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

Note 6. Other Postemployment Benefits (OPEB) (continued)

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 that, 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.

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

Annual required contribution	\$	46,600
Interest on net OPEB obligation		-
Adjustment to annual required contribution		-
Annual OPEB cost		46,600
Contributions made		4,600
Increase in net OPEB obligation		42,000
Net OPEB obligation beginning of year		-
Net OPEB obligation end of year	\$	42,000

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 actual contributions for the year ended June 30, 2010.

For the year ended June 30, 2010, the District contributed \$4,600 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	\$ 46,600	9.9%	\$ 42,000

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 \$372,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$372,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$3,660,000, and the ratio of the UAAL to covered payroll was 10.2%. As of June 30, 2010, there were no trust fund assets.

SIGOURNEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

Note 6. 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, will present 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 frozen entry age actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6%.

Mortality rates are from the 94 Group Annuity Mortality Table, Projected to 2000 (2/3 female, 1/3 male).

The UAAL is being amortized as a level dollar cost over the service of the group on a closed basis over 30 years.

Note 7. Pension and Retirement Benefits

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

Plan members are required to contribute 4.30% of their annual covered salary and the District is required to contribute 6.65% of annual covered payroll for the year ended June 30, 2010. Contribution requirements are established by State statute. The District's contributions to IPERS for the years ended June 30, 2010, 2009, and 2008 were \$240,764, \$220,796, and \$195,250, respectively, equal to the required contributions for each year.

SIGOURNEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

Note 8. Risk Management

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

Note 9. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$234,365 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 10. Categorical Funding

The District's fund balance reserved for categorical funding at June 30, 2010 is comprised of the following programs:

Program	Amount
Teacher salary supplement	\$ 41,519
Professional development for model core curriculum	16,761
Professional development	13,537
Beginning teacher mentoring and induction program	9,227
Market factor incentives	5,021
Gifted and talented program	3,436
Additional teacher contract day	500
Total	\$ 90,001

Note 11. Construction Commitments

The District has entered into a contract totaling \$1,674,427 for the construction of a Career Academy building. As of June 30, 2010, costs of \$1,589,998 had been incurred against the contract. The balance of \$84,429 remaining at June 30, 2010 will be paid as work on the project progresses.

Note 12. Subsequent Event

On June 7, 2010, the District entered into an interest-free agreement for the lease purchase of computers and computer equipment totaling \$120,909. The agreement provides for semi-annual payments of \$15,114 every September 13 and March 13 through March 13, 2014. The computers and computer equipment will not be delivered until July, 2010.

This page intentionally left blank

Required Supplementary Information

SIGOURNEY 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	Proprietary	Total	Budgeted Amounts		Final to Actual Variance
	Funds - Actual	Fund - Actual		Original	Final	
REVENUES:						
Local sources	\$ 3,081,032	\$ 145,916	\$ 3,226,948	\$ 3,611,454	\$ 3,611,454	\$ (384,506)
State sources	2,936,242	2,717	2,938,959	4,137,246	4,137,246	(1,198,287)
Federal sources	791,398	119,615	911,013	722,900	722,900	188,113
Total revenues	6,808,672	268,248	7,076,920	8,471,600	8,471,600	(1,394,680)
EXPENDITURES/EXPENSES:						
Instruction	4,613,137	-	4,613,137	5,681,716	5,681,716	1,068,579
Support services	1,880,028	-	1,880,028	3,219,904	3,219,904	1,339,876
Non-instructional programs	-	238,817	238,817	308,505	308,505	69,688
Other expenditures	2,203,799	-	2,203,799	634,650	2,334,650	130,851
Total expenditures/expenses	8,696,964	238,817	8,935,781	9,844,775	11,544,775	2,608,994
Excess (deficiency) of revenues over (under) expenditures/ expenses	(1,888,292)	29,431	(1,858,861)	(1,373,175)	(3,073,175)	1,214,314
Other financing sources, net	1,709,486	-	1,709,486	-	-	1,709,486
Excess (deficiency) of revenues and other financing sources over (under) expenditures/ expenses	(178,806)	29,431	(149,375)	(1,373,175)	(3,073,175)	2,923,800
Balance beginning of year	1,339,809	82,457	1,422,266	1,782,061	1,782,061	(359,795)
Balance end of year	\$ <u>1,161,003</u>	\$ <u>111,888</u>	\$ <u>1,272,891</u>	\$ <u>408,886</u>	\$ <u>(1,291,114)</u>	\$ <u>2,564,005</u>

See accompanying independent auditor's report.

SIGOURNEY COMMUNITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING
June 30, 2010

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

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except internal service, private-purpose trust and agency funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the accrual basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing budgeted expenditures by \$1,700,000.

During the year ended June 30, 2010, expenditures in the other expenditures function exceeded the amount budgeted prior to the amendment of the budget.

SIGOURNEY COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN

(In Thousands)

Required Supplementary Information

Year Ended June 30, 2010

<u>Year Ended June 30,</u>	<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll ((b-a)/c)</u>
2010	July 1, 2009	\$ -	\$ 372	\$ 372	0.0%	\$ 3,660	10.2%

See note 6 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

Other Supplementary Information

SIGOURNEY COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2010

	Special Revenue			
	Management Levy	Student Activity	Physical Plant and Equipment Levy	Total
Assets				
Cash and pooled investments	\$ 46,919	\$ 99,723	\$ 3,120	\$ 149,762
Receivables:				
Property tax:				
Current year	1,181	-	1,186	2,367
Succeeding year	115,000	-	51,665	166,665
Total assets	<u>\$ 163,100</u>	<u>\$ 99,723</u>	<u>\$ 55,971</u>	<u>\$ 318,794</u>
Liabilities and Fund Balances				
Liabilities:				
Deferred revenue:				
Succeeding year property tax	<u>\$ 115,000</u>	<u>\$ -</u>	<u>\$ 51,665</u>	<u>\$ 166,665</u>
Fund balances:				
Unreserved:				
Undesignated	<u>48,100</u>	<u>99,723</u>	<u>4,306</u>	<u>152,129</u>
Total liabilities and fund balances	<u>\$ 163,100</u>	<u>\$ 99,723</u>	<u>\$ 55,971</u>	<u>\$ 318,794</u>

See accompanying independent auditor's report.

SIGOURNEY COMMUNITY SCHOOL DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2010

	Special Revenue				Total
	Management Levy	Student Activity	Physical Plant and Equipment Levy	Debt Service	
Revenues:					
Local sources:					
Local tax	\$ 44,954	\$ -	\$ 45,138	\$ -	\$ 90,092
Other	54	177,311	37	-	177,402
State sources	34	-	34	-	68
Total revenues	45,042	177,311	45,209	-	267,562
Expenditures:					
Current:					
Instruction	27,202	173,166	5,766	-	206,134
Support services:					
Administration services	-	-	1,271	-	1,271
Operation and maintenance of plant services	30,342	-	2,200	-	32,542
Transportation services	8,051	-	-	-	8,051
Other expenditures:					
Facilities acquisition	-	-	32,267	-	32,267
Long term debt:					
Principal	-	-	-	111,954	111,954
Total expenditures	65,595	173,166	41,504	111,954	392,219
Excess (deficiency) of revenues over (under) expenditures	(20,553)	4,145	3,705	(111,954)	(124,657)
Other financing sources:					
Interfund transfers in	-	-	-	111,954	111,954
Net change in fund balances	(20,553)	4,145	3,705	-	(12,703)
Fund balances beginning of year	68,653	95,578	601	-	164,832
Fund balances end of year	\$ 48,100	\$ 99,723	\$ 4,306	\$ -	\$ 152,129

See accompanying independent auditor's report.

SIGOURNEY COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
Year Ended June 30, 2010

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Drama	\$ 2,184	\$ 3,708	\$ 3,628	\$ 2,264
Spanish Club	2,949	10	-	2,959
Band Trip	12,693	14,074	24,996	1,771
Girls Basketball Fundraising	5,749	11,299	13,316	3,732
Girls Golf Fundraising	4	10	-	14
Boys Basketball	7,181	3,886	6,115	4,952
Trapshooting	2	1,943	892	1,053
Girls Track Fundraising	74	3,795	3,588	281
Softball	3,945	4,944	3,534	5,355
Baseball Fundraising	1,379	9,347	6,078	4,648
Volleyball Fundraising	1,085	3,659	3,864	880
Wrestling Fundraising	5,664	8,323	3,650	10,337
KC STAAR Fundraising	-	3,408	1,282	2,126
Athletics	5,680	47,247	41,367	11,560
Sigourney - Keota	1,005	15,528	16,200	333
Junior High Student Council	909	10	-	919
FCCLA	9,306	3,833	4,026	9,113
FFA	6,398	26,699	24,581	8,516
Student Council	6,691	6,602	5,976	7,317
Cheerleaders	9,273	5,578	4,165	10,686
Wrestling Cheerleaders	171	1,445	911	705
Class of 2009	1,730	-	1,730	-
Class of 2010	1,219	10	923	306
Class of 2011	3,599	10	1,889	1,720
Class of 2012	3,970	65	74	3,961
Class of 2013	1,906	228	76	2,058
Class of 2014	812	352	171	993
Class of 2015	-	270	134	136
Blood Drive	-	1,028	-	1,028
	<u>\$ 95,578</u>	<u>\$ 177,311</u>	<u>\$ 173,166</u>	<u>\$ 99,723</u>

See accompanying independent auditor's report.

SIGOURNEY COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
 AGENCY FUND
 Year Ended June 30, 2010

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance End of Year</u>
Assets				
Cash	\$ <u>11,709</u>	\$ <u>169</u>	\$ <u>300</u>	\$ <u>11,578</u>
Liabilities				
Other payables	\$ <u>11,709</u>	\$ <u>169</u>	\$ <u>300</u>	\$ <u>11,578</u>

See accompanying independent auditor's report.

SIGOURNEY COMMUNITY SCHOOL DISTRICT

SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION

ALL GOVERNMENTAL FUNDS
FOR THE LAST SEVEN YEARS

	Modified Accrual Basis			
	Years Ended June 30,			
	2010	2009	2008	2007
Revenues:				
Local sources:				
Local tax	\$ 2,614,121	\$ 2,678,543	\$ 2,630,254	\$ 2,310,889
Tuition	172,171	247,583	260,764	247,180
Other	294,740	402,271	527,109	328,882
State sources	2,936,242	2,968,223	3,405,799	3,355,294
Federal sources	791,398	292,943	488,958	318,873
Total revenues	\$ 6,808,672	\$ 6,589,563	\$ 7,312,884	\$ 6,561,118
Expenditures:				
Instruction	\$ 4,613,137	\$ 4,147,399	\$ 3,918,372	\$ 4,132,620
Support services:				
Student services	68,554	93,767	91,569	96,963
Instructional staff services	192,804	195,697	183,197	203,032
Administration services	859,628	1,304,820	869,479	813,955
Operation and maintenance of plant services	534,704	644,265	574,375	535,287
Transportation services	224,338	223,436	473,581	221,468
Central support services	-	-	-	-
Non-instructional programs	-	1,640	652	2,632
Other expenditures:				
Facilities acquisition	1,857,480	38,592	516,926	11,365
Long-term debt:				
Principal	111,954	260,000	255,000	160,000
Interest and fiscal charges	-	12,160	23,835	30,875
AEA flowthrough	234,365	216,486	213,973	210,712
Total expenditures	\$ 8,696,964	\$ 7,138,262	\$ 7,120,959	\$ 6,418,909

See accompanying independent auditor's report.

2006	2005	2004
\$ 2,461,134	\$ 2,374,146	\$ 2,156,319
295,282	387,580	446,806
313,145	269,074	260,471
3,113,321	3,025,100	2,861,247
331,662	302,972	290,904
\$ 6,514,544	\$ 6,358,872	\$ 6,015,747
\$ 4,461,857	\$ 4,230,765	\$ 4,366,462
97,821	97,550	92,753
189,373	199,712	138,823
750,145	646,285	586,137
551,149	457,047	285,958
270,654	257,980	233,505
-	-	17,854
694	505	631
33,326	3,113	17,391
320,000	225,000	215,000
45,220	54,870	63,743
193,955	193,071	196,894
\$ 6,914,194	\$ 6,365,898	\$ 6,215,151

SIGOURNEY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2010

Grantor / Program	CFDA Number	Grant Number	Expenditures
Direct:			
U. S. Department of Education:			
Safe and Drug-Free Schools and Communities - National Programs	84.184	FY 09	\$ 12,432
Safe and Drug-Free Schools and Communities - National Programs	84.184	FY 10	<u>151,753</u>
			<u>164,185</u>
Indirect:			
U. S. Department of Agriculture:			
Iowa Department of Education:			
Child Nutrition Cluster Programs:			
School Breakfast Program	10.553	FY 10	14,014
National School Lunch Program	10.555	FY 10	81,717
National School Lunch Program (non-cash)	10.555	FY 10	<u>23,884</u>
			<u>119,615</u>
U. S. Department of Justice:			
City of Sigourney:			
Public Safety Partnership and Community Policing Grants	16.710	FY 10	<u>34,245</u>
U. S. Department of Education:			
Iowa Department of Education:			
Title I, Part A Cluster Programs:			
Title I Grants to Local Educational Agencies	84.010	6012G	80,630
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	FY 09	8,911
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	FY 10	<u>560</u>
			<u>90,101</u>
Career and Technical Education - Basic Grants to States	84.048	FY 10	<u>20,493</u>
Fund for the Improvement of Education	84.215	FY 10	<u>146,185</u>
Improving Teacher Quality State Grants	84.367	FY 10	<u>37,212</u>
Grants for State Assessments and Related Activities	84.369	FY 10	<u>4,193</u>
ARRA - State Fiscal Stabilization Fund - Education State Grants, Recovery Act	84.394	FY 09	50,133
ARRA - State Fiscal Stabilization Fund - Education State Grants, Recovery Act	84.394	FY 10	<u>132,103</u>
			<u>182,236</u>

SIGOURNEY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2010

Grantor / Program	CFDA Number	Grant Number	Expenditures
Indirect (continued):			
U. S. Department of Education (continued):			
Great Prairie Area Education Agency:			
Special Education Cluster Programs:			
Special Education - Grants to States	84.027	FY 10	\$ 30,138
ARRA - Special Education - Grants to States, Recovery Act	84.391	FY 09	16,482
ARRA - Special Education - Grants to States, Recovery Act	84.391	FY 10	65,928
			112,548
 Total			\$ 911,013

Basis of Presentation –

The Schedule of Expenditures of Federal Awards includes the federal grant activity of Sigourney Community School District and is presented on the accrual or modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and 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.

See accompanying independent auditor's report.

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
Sigourney 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 Sigourney Community School 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 January 21, 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 Sigourney Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Sigourney Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Sigourney Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and 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 described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses and other deficiencies we consider to be significant deficiencies.

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 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 deficiency in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-A-10 to be a material weakness.

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. We consider the deficiencies described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-B-10 through II-E-10 to be significant deficiencies.

Compliance and Other Matters

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

Comments involving statutory and other legal matters about Sigourney Community School 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.

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

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

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

Oskaloosa, Iowa
January 21, 2011

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE
TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH OMB CIRCULAR A-133

To the Board of Education of
Sigourney Community School District:

Compliance

We have audited the compliance of Sigourney Community School District with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2010. Sigourney Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Sigourney Community School District's management. Our responsibility is to express an opinion on Sigourney Community School District's compliance based on our audit.

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

In our opinion, Sigourney Community School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

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

A deficiency in the District's 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 noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

Oskaloosa, Iowa
January 21, 2011

SIGOURNEY 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 a material weakness in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over major programs were disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed no audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
 - Clustered programs:
 - CFDA Number 84.010 – Title I Grants to Local Educational Agencies
 - CFDA Number 84.389 – ARRA – Title I Grants to Local Educational Agencies, Recovery Act
 - CFDA Number 84.215 – Fund for the Improvement of Education
 - CFDA Number 84.367 – Improving Teacher Quality State Grants
 - CFDA Number 84.394 – ARRA – State Fiscal Stabilization Fund – Education State Grants, Recovery Act
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Sigourney Community School District did not qualify as a low-risk auditee.

SIGOURNEY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2010

Part II: Findings Related to the Basic Financial Statements:

Instances of Non-Compliance:

No matters were reported.

Internal Control Deficiencies:

II-A-10 Financial Reporting – During the audit, we identified material amounts of receivables, payables, capital leases and School Nutrition Fund capital assets additions, deletions and depreciation not recorded in the District’s financial statements. Adjustments were subsequently made by the District to properly include these amounts in the financial statements.

Recommendation – The District should implement procedures to ensure all receivables, payables, capital leases and capital asset transactions are identified and included in the District’s financial statements.

Response – We will double check these in the future to avoid missing any receivables, payables, capital leases or capital asset transactions.

Conclusion – Response accepted.

II-B-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. We noted that the recording of disbursements in the system, preparation of the checks, and bank reconciliations are done by the same individual for the Student Activity and School Nutrition Funds.

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

Response – We will investigate available alternatives and implement where possible.

Conclusion – Response accepted.

II-C-10 Disbursement Support – We noted that three of forty disbursements tested were not fully supported by a receipt or invoice prior to the check being released for payment. One of these disbursements was for credit card charges that did not have detailed receipts for supplies and lodging.

Recommendation – All disbursements should be fully supported by an invoice, receipt or other written documentation at the time of payment. The District should follow their credit card policy that requires detailed receipts for all credit card purchases.

Response – We will make sure that all disbursements are properly supported in the future. We will require detailed receipts be turned in for all credit card purchases.

Conclusion – Response accepted.

SIGOURNEY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2010

Part II: Findings Related to the Basic Financial Statements (continued):

Internal Control Deficiencies (continued):

II-D-10 Voiding Check – During the audit, we noted one check that was not properly voided. We noted that the original vendor on the check was whited out and the correct vendor was typed on the same check.

Recommendation – If a check is printed with an incorrect vendor, the District should void the check and reissue another check.

Response – From now on we will make sure to void checks with an incorrect vendor and reissue another check to the correct vendor.

Conclusion – Response accepted.

II-E-10 Sigourney Education Foundation – The District is acting as an agent of the Sigourney Education Foundation, which is considered a blended component unit of the District. However, this fund is not recorded in the District's general ledger.

Recommendation – The District should record the Sigourney Education Foundation into an agency fund in their software system's general ledger.

Response – We had not previously been told that the Sigourney Education Foundation should be incorporated in the District's records. We are in the process of reorganizing the foundation board so that the District does not act as fiscal agent and the board of the Foundation will be separate from the school's board.

Conclusion – Response accepted.

SIGOURNEY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2010

Part III: Findings and Questioned Costs for Federal Awards

Instances of Non-Compliance:

No matters were reported.

Internal Control Deficiency:

No matters were reported.

SIGOURNEY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2010

Part IV: Other Findings Related to Statutory Reporting:

IV-A-10 Certified Budget – Expenditures for the year ended June 30, 2010, exceeded the amount budgeted in the other expenditures function prior to the amendment of the budget.

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

Response – We will amend our budget before expenditures exceed the budget in the future.

Conclusion – Response accepted.

IV-B-10 Questionable Expenditures – Certain expenditures were noted that we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 since the public benefits to be derived have not been clearly documented. These expenditures are detailed as follows:

<u>Paid To</u>	<u>Fund Used</u>	<u>Purpose</u>	<u>Amount</u>
Iowa Public Employees Retirement System (IPERS)	General	Late fees and interest	\$ 40
MidwestOne Bank	General	Overdraft fees	<u>216</u>
			<u>\$ 256</u>

Recommendation – The District should timely pay IPERS each month to avoid any additional fees. Also, the District should ensure bank account balances are sufficient to avoid overdraft fees. Elimination of multiple checking accounts would reduce the risk of individual bank account overdrafts.

Response – We will timely pay IPERS each month and make sure all bank accounts have sufficient balances in the future.

Conclusion – Response accepted.

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 – No business transactions between the District and District officials or employees were noted.

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.

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

SIGOURNEY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2010

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

- 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 non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District’s investment policy were noted.
- IV-J-10 Certified Annual Report – The Certified Annual Report was certified to the Iowa Department of Education timely and we noted no significant deficiencies in the amounts reported.
- IV-K-10 Categorical Funding – No instances were noted of categorical funding being used to supplant rather than supplement other funds.
- IV-L-10 Statewide Sales and Services Tax – No instances of non-compliance with the use of the statewide sales and services tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales and services tax. For the year ended June 30, 2010, the District’s financial activity and other required information for the statewide sales and services tax revenue are as follows:

Beginning balance	\$	209,262
Statewide sales and services tax revenue		368,194
Expenditures/transfers out:		
School infrastructure:		
Buildings and improvements	\$	(32,084)
Debt service for school infrastructure:		
General obligation debt	<u>(110,662)</u>	<u>(142,746)</u>
Ending balance	\$	<u><u>434,710</u></u>

The statewide sales, services and use tax revenue received during the year ended June 30, 2010 is equivalent to a reduction in the following levies:

	Per \$1,000 of Taxable Valuation	Property Tax Dollars	
Debt service levy	\$ 2.79506	\$ 368,194	

SIGOURNEY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2010

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

IV-M-10 Notice of Public Hearing – The District did not advertise for bids or hold a public hearing for the Career Academy building construction project.

Recommendation – In accordance with Chapter 26.3 of the Code of Iowa, the District should have advertised for sealed bids by publishing a notice to bidders. The notice should be published not less than 4 days and not more than 45 days before the date for filing bids in a local newspaper. Also, in accordance to Chapters 26.12 and 362.3 of the Code of Iowa, the District should have published notice of the hearing not less than 4 days but not more than 20 days before the date of the hearing.

Response – The bids were opened and reviewed at a meeting of the building and grounds committee, who recommended to the Board to accept low bid. There was a miscommunication with the architect and we failed to publish for bids in the local paper, but some local contractors did bid on the project. We will make sure we follow the applicable construction bid procedures in the future.

Conclusion – Response accepted.