

**SIOUX CENTRAL COMMUNITY SCHOOL DISTRICT  
INDEPENDENT AUDITORS' REPORTS  
FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS  
JUNE 30, 2011**

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**SIOUX CENTRAL COMMUNITY SCHOOL DISTRICT**

**OFFICIALS**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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**BOARD OF EDUCATION**

**(Before September, 2010 Election)**

Kevin Lindquist	President	2011
Jeannette Hasley	Vice President	2011
Liza Gunnerson	Board Member	2011
Lory Krummen	Board Member	2013
Randy Ripke	Board Member	2013

**(After September, 2010 Election)**

Kevin Lindquist	President	2011
Jeannette Hasley	Vice President	2011
Liza Gunnerson	Board Member	2011
Lory Krummen	Board Member	2013
Randy Ripke	Board Member	2013

**SCHOOL OFFICIALS**

Dr. Dan Frazier	Superintendent
Angela Smith	District Secretary/Treasurer



Certified Public Accountants

## Independent Auditors' Report

To the Board of Education of the  
Sioux Central Community School District

We have audited the accompanying financial statements of the governmental activities, business-type activity, each major fund and the aggregate remaining fund information of Sioux Central Community School District, Sioux Rapids, Iowa, as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe 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, business-type activity, each major fund, and the aggregate remaining fund information of Sioux Central Community School District as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2011, on our consideration of Sioux Central Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Budgetary Comparison Information, and the Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 13 and pages 37 through 39 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the

information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Sioux Central Community School District's basic financial statements as a whole. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the seven years ended June 30, 2010 (which are not presented herein) and expressed unqualified opinions on those financial statements. We did not audit, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the year ended June 30, 2004. The combining nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole

*Williams + Company, P.C.*  
Certified Public Accountants

Spencer, Iowa  
December 13, 2011

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## SIOUX CENTRAL COMMUNITY SCHOOL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

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Sioux Central Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2011. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### 2011 FINANCIAL HIGHLIGHTS

General fund revenues increased from \$5,255,107 in fiscal 2010 to \$6,102,452 in fiscal 2011, while General fund expenditures increased from \$5,234,963 in fiscal 2010 to \$5,544,641 in fiscal 2011. The District's General fund balance increased from \$904,499 at the end of fiscal 2010 to \$1,462,310 at the end of fiscal 2011, a 62% increase.

The increase in General fund revenues was attributable mainly to the increase in property tax and state aid to the district due to the acquisition of a portion of the former South Clay school district. The increase in expenditures was due primarily to the increase of costs for educating our students and increase in transportation costs due to adding an additional route. The General fund balance increase is the result of controlling expenditures.

A decline in interest rates during the past three fiscal years, combined with less cash available to be invested, resulted in interest earnings in the General Fund alone decreasing from \$31,992 in fiscal year 2010 to \$11,335 in fiscal year 2011.

### USING THIS ANNUAL REPORT

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

- Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.
- The Government-wide Financial Statements consist of a Statement of Nets Assets and a Statement of Activities. These provide information about the activities of Sioux Central Community School District as a whole and present an overall view of the District's finances.
- The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financials statements report Sioux Central Community School District's operations in more detail than the government-wide statements provide information about the most significant funds. The remaining statements provide financial information about activities for which Sioux Central Community School District acts solely as an agent or custodian for the benefit of those outside of the District.
- Notes to the Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

- Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.
- Other Supplementary Information provides detailed information about the nonmajor governmental funds.

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

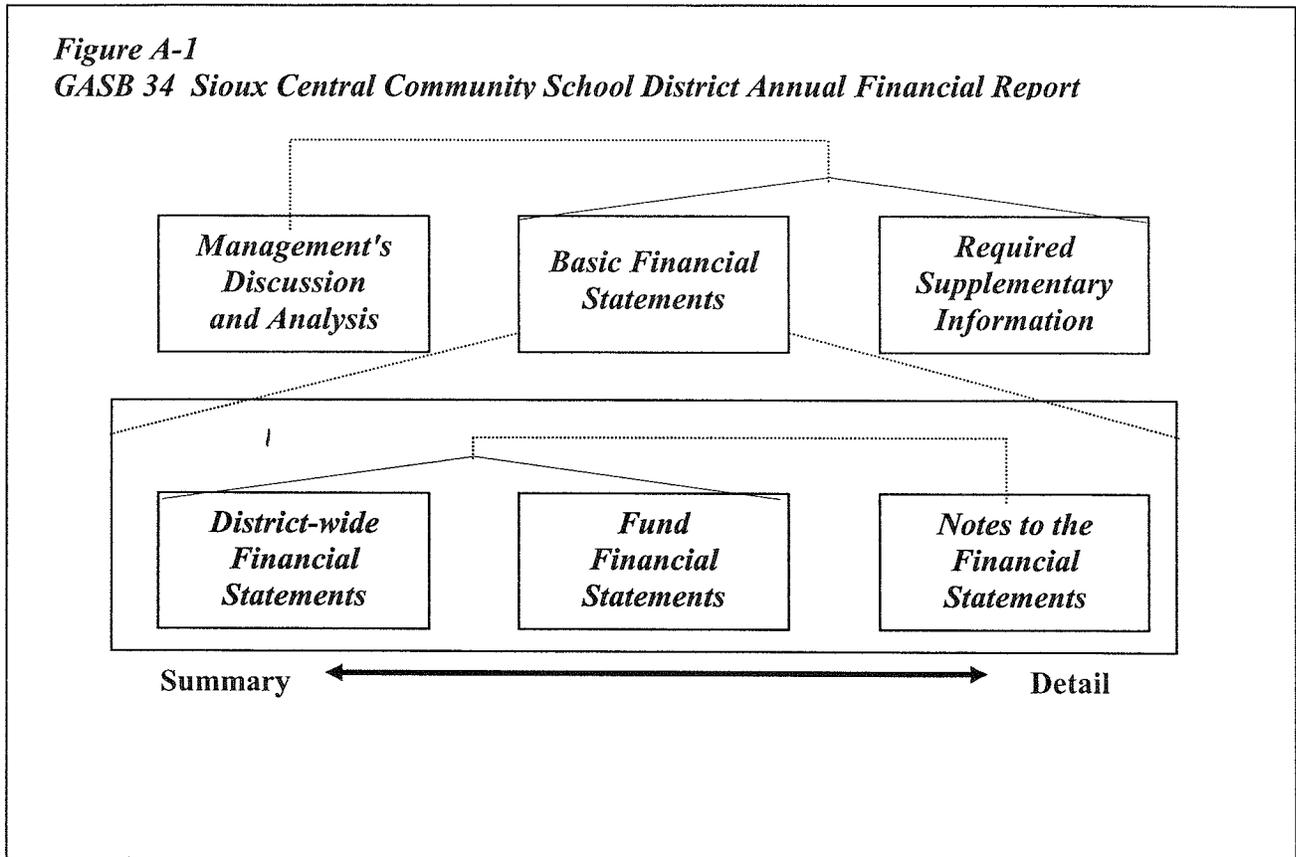


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

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

## REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

### *Government-wide Financial Statements*

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

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

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

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

### *Fund Financial Statement*

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

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

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Project Funds. The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.
- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund. The required financial statements for proprietary funds include a statement of net assets, a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

- 3) *Fiduciary funds*: Fiduciary funds are custodial in nature and are used to account for funds held by the District on behalf of someone else. The District's fiduciary funds include a private purpose scholarship trust fund. The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations. The required financial statements for fiduciary funds include a statement of fiduciary net assets and a statement change in fiduciary net assets

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2011 compared to June 30, 2010.

**Figure A-3**

### Condensed Statement of Net Assets

	Governmental Activities		Business-Type Activity		Total District		Total Change
	2011	2010	2011	2010	2011	2010	2010-2011
Current and Other Assets	\$ 5,745,329	\$ 4,595,645	\$ 40,966	\$ 32,892	\$ 5,786,295	\$ 4,628,537	25.0%
Capital Assets	5,438,850	5,531,627	11,350	13,686	5,450,200	5,545,313	-1.7%
<b>Total Assets</b>	<b>11,184,179</b>	<b>10,127,272</b>	<b>52,316</b>	<b>46,578</b>	<b>11,236,495</b>	<b>10,173,850</b>	<b>10.4%</b>
Current Liabilities	4,045,832	3,825,265	-	59	4,045,832	3,825,324	5.8%
Non-Current Liabilities	1,233,997	1,778,621	-	-	1,233,997	1,778,621	-30.6%
<b>Total Liabilities</b>	<b>5,279,829</b>	<b>5,603,886</b>	<b>-</b>	<b>59</b>	<b>5,279,829</b>	<b>5,603,945</b>	<b>-5.8%</b>
Net Assets:							
Invested in Capital Assets,							
Net of Related Debt	3,860,725	3,312,226	11,350	13,686	3,872,075	3,325,912	16.4%
Restricted	827,598	525,969	-	-	827,598	525,969	57.3%
Unrestricted	1,216,027	685,191	40,966	32,833	1,256,993	718,024	75.1%
<b>Total Net Assets</b>	<b>\$ 5,904,350</b>	<b>\$ 4,523,386</b>	<b>\$ 52,316</b>	<b>\$ 46,519</b>	<b>\$ 5,956,666</b>	<b>\$ 4,569,905</b>	<b>30.3%</b>

The District's combined net assets increased 30.3% or approximately \$1,386,000, from the prior year. The largest portion of the District's net assets is invested in capital assets (e.g., land, infrastructure, intangibles, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets.

Restricted net assets represent resources subject to external restrictions, constitutional provisions or enabling legislation on who they can be used. The District's restricted net assets increased approximately \$301,000, or 57%, over the prior year. The increase was primarily a result of the ability to create larger fund balances in Title I and other categorical funds due to the use of ARRA money.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established debt covenants, enabling legislation or other legal requirements – increased approximately \$531,000, or 75%. This increase of unrestricted net assets was primarily a result of the utilizing the ARRA funds as much as possible to supplement state aid and property tax revenue.

Figure A-4 shows the changes in net assets.

Figure A-4

**Changes in Net Assets from Operations**

	Governmental Activities		Business-Type Activity		Total District		Total % Change
	2011	2010	2011	2010	2011	2010	
Revenue:							
Program Revenue:							
Charges for Services	\$ 1,442,684	\$ 1,683,471	\$ 175,315	\$ 175,215	\$ 1,617,999	\$ 1,858,686	-12.95%
Operating Grants and Contributions	1,021,059	825,402	169,330	169,415	1,190,389	994,817	19.66%
General Revenues:							
Property Tax	2,907,269	2,292,053	-	-	2,907,269	2,292,053	26.84%
SSSU Tax	358,508	299,130	-	-	358,508	299,130	19.85%
State Grants	1,560,521	1,221,410	-	-	1,560,521	1,221,410	27.76%
Interest Income	18,249	40,909	312	304	18,561	41,213	-54.96%
Miscellaneous	378,646	10,023	-	-	378,646	10,023	3677.77%
<b>Total Revenues</b>	<b>7,686,936</b>	<b>6,372,398</b>	<b>344,957</b>	<b>344,934</b>	<b>8,031,893</b>	<b>6,717,332</b>	<b>19.57%</b>
Expenses:							
Instruction	4,069,016	4,767,816	-	-	4,069,016	4,767,816	-14.66%
Support Services	1,727,494	1,658,497	-	-	1,727,494	1,658,497	4.16%
Non-Instructional	-	-	339,160	333,942	339,160	333,942	1.56%
Other Expenses	509,462	381,130	-	-	509,462	381,130	33.67%
<b>Total Expenses</b>	<b>6,305,972</b>	<b>6,807,443</b>	<b>339,160</b>	<b>333,942</b>	<b>6,645,132</b>	<b>7,141,385</b>	<b>-6.95%</b>
<b>Change in Net Assets</b>	<b>\$ 1,380,964</b>	<b>\$ (435,045)</b>	<b>\$ 5,797</b>	<b>\$ 10,992</b>	<b>\$ 1,386,761</b>	<b>\$ (424,053)</b>	<b>-427.03%</b>

Property tax and unrestricted state grants account for 56% of the total revenue. The District's expenses primarily relate to instruction and support services which account for 87% of the total expenses.

The District's total revenues were approximately \$8.0 million, of which \$7.6 million was for governmental activities and \$350 thousand was for business type activities.

As show in Figure A-4, the district as a whole experience a 19.57% increase in revenues and a 6.95% decrease in expenses. The increase in General Fund revenues was attributable mainly to the increase in property taxes and state aid to the district due to the acquisition of a portion of the former South Clay school district and the deferral of the federal ARRA revenue. The decrease in expenditures was due to the complete purchase price of the laptops showing in the previous year.

**Governmental Activities**

Revenues for governmental activities for the year ended June 30, 2011 were \$7,686,936 and expenses were \$6,305,972.

Figure A-5 presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs, and other expenses, for the year ended June 30, 2011 compared to the year ended June 30, 2010.

**Figure A-5 - Net Cost of Governmental Activities**

	Total Cost of Services			Net Cost of Services		
	2011	2010	% Change	2011	2010	% Change
Instruction	\$ 4,069,016	\$ 4,767,816	-14.66%	\$ 1,821,633	\$ 2,452,460	-25.72%
Support Services	1,727,494	1,658,497	4.16%	1,711,486	1,642,624	4.19%
Other Expenses	509,462	381,130	33.67%	309,110	203,486	51.91%
<b>Total</b>	<b>\$ 6,305,972</b>	<b>\$ 6,807,443</b>	<b>-7.37%</b>	<b>\$ 3,842,229</b>	<b>\$ 4,298,570</b>	<b>-10.62%</b>

For the year ended June 30, 2011:

- The cost financed by users of the District's programs was \$1,442,684 in 2011.
- Federal and state governments subsidized certain programs and grants and contributions totaling \$1,021,059 in 2011.
- The net cost of governmental activities was financed with \$3,265,777 in property taxes and other taxes and \$1,560,521 in unrestricted state grants.

### **Business-Type Activities**

Revenues of the District's business-type activities (school food and nutrition services) totaled \$344,957 representing a 0% increase over the prior year, while expenses totaled \$339,160, a 1.5% increase over the prior year. (Refer to Figure A-4.) The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for services, federal and state reimbursements and investment income.

Increased food costs account for the increase in expenses.

### **INDIVIDUAL FUND ANALYSIS**

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

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported a combined fund balance of \$2,300,196, a sixty-two percent increase over last year's ending fund balances of \$1,418,197. The reason for increase was mainly due to the increase in revenue and maintaining lower expenditures.

### **Governmental Fund Highlights**

The District attempted to maintain its General Fund balance by cutting staff and expenses from portions of the budget that were not already obligated, such as supplies and maintenance items.

The General Fund balance increased from \$904,499 to \$1,462,310 due, in part, to the increase in property taxes and state aid due to the acquisition of a portion of the South Clay school district.

The Capital Projects Fund, Physical Plant and Equipment Levy (PPEL) Fund balance increased from \$51,215 at the end of fiscal year 2010 to \$74,163 at the end of fiscal year 2011. This was due to fewer capital project expenses.

The Capital Projects Fund, Statewide sales, services and use tax balance increased from \$238,876 at the end of fiscal year 2010 to \$310,350 at the end of fiscal year 2011 due also to fewer capital project expenses.

### **Proprietary Fund Highlights**

The School Nutrition Fund balance maintained a balance similar to fiscal year 2010.

### **Budgetary Highlights**

The Sioux Central Community School District did not amend its annual budget during the fiscal year ending June 30, 2011.

The District's revenues were \$159,799 more than budgeted, primarily due to the increase of property taxes and state aid from the South Clay district acquisition.

Total expenditures were less than budgeted expenses primarily due to maintaining control over expenditures.

### **CAPITAL AND DEBT ADMINISTRATION**

At June 30, 2011, the District had invested \$5.4 million, net of accumulated depreciation, in a broad range of assets, including land, buildings, athletic facilities, computers, audio-visual equipment, and transportation equipment. This represents a net increase of 1.68% from last year. More detailed information about the District's capital assets is presented in Note 3 to the financial statements. Total depreciation expense for the year was \$249,943.

The original cost of the District's capital assets was \$9,112,273. Governmental funds account for \$9,039,995 with the remainder of \$72,278 accounted for in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity was due to the purchase of a new bus.

**Figure A-6 - Capital Assets**

	Governmental Activities		Business-Type Activity		Total District		Total % Change
	2011	2010	2011	2010	2011	2010	
Land	\$ 125,495	\$ 125,495	\$ -	\$ -	\$ 125,495	\$ 125,495	0.00%
Buildings & Improvements	7,106,287	7,106,287	-	-	7,106,287	7,106,287	0.00%
Equipment, Furniture & Vehicles	1,808,213	1,657,752	72,278	72,278	1,880,491	1,730,030	8.70%
<b>Total</b>	<b>\$ 9,039,995</b>	<b>\$ 8,889,534</b>	<b>\$ 72,278</b>	<b>\$ 72,278</b>	<b>\$ 9,112,273</b>	<b>\$ 8,961,812</b>	<b>1.68%</b>

**Long-Term Debt**

At year-end, the District had \$1,578,125 of long-term debt outstanding. This represents an decrease of approximately 29% from last year. See Figure A-7 below. Additional information about the District’s long-term debt is presented in Note 4 to the financial statements.

In May of 2009, the board voted to refinance the current bonds in order to take advantage of lower interest rates. The Leases Payable is the Laptop Initiative lease.

**Figure A-7 - Long-Term Debt**

	Total District		Total % Change
	2010	2010	
General Obligation Bonds	\$ 1,190,000	\$ 1,645,000	-27.66%
Leases Payable	388,125	574,401	-32.43%
<b>Total</b>	<b>\$ 1,578,125</b>	<b>\$ 2,219,401</b>	<b>-28.89%</b>

**FACTORS BEARING ON THE DISTRICT’S FUTURE**

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

- The District continues its sharing agreement with Albert City – Truesdale Community School District for academics. The agreement is going well. The administration is keeping communication lines open with other neighboring districts for the possibility of future sharing.
- The neighboring district of South Clay closed its doors on June 30, 2010. Due to this, we received 100% of the state aid and property tax for the portion of the district we acquired and the students living in that area. This increased our revenues and brought additional students to our building without having to hire additional staff, keeping our expenditures low.
- The majority of the Federal ARRA revenue was deferred to Fiscal Year 2011. We were able to use this money to assist in maintaining and improving the instruction services we provide to our students, while keeping Title I money to be used in future years.

- The Sioux Central district completed its first year of the one to one laptop initiative. The staff worked hard to embrace the technology and the students enjoyed the new face of learning in the secondary level. Adding more technology to the elementary grades is now the focus.
- The District showed an increase in our enrollment this year. This was due primarily to the South Clay student acquisition. We also continue to see a three to one ratio for students open enrolling into our district, versus open enrolling out to another district.
- Health insurance continues to be a very costly item to the District. The rates are continuing to increase and are extremely high. Even though concessions have been made by employees in regard to deductibles, and coinsurance, other solutions need to be found. The skyrocketing cost of health care and the insurance to cover the cost will soon be unattainable by many.
- Unfunded mandates are stretching the limits of not only the financial health of the District, but also the human resources aspect of the District with mandates such as the “No Child Left Behind” and “Student Achievement and Teacher Quality Act”.

#### **CONTACTING THE DISTRICT’S FINANCIAL MANAGEMENT**

This financial report is designed to provide the District’s citizens, taxpayers, customers, and investors and creditors with a general overview of the District’s finances and to demonstrate the District’s accountability of the money it receives. If you have questions about this report or need additional information, contact Angie Smith, Business Manager, Sioux Central Community School District, 4440 US Hwy 71, Sioux Rapids, IA 50585.

## **BASIC FINANCIAL STATEMENTS**

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**SIOUX CENTRAL COMMUNITY SCHOOL DISTRICT**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2011**

	Primary Government Governmental Activities	Business Type Activities	Total
<b>Assets</b>			
Cash and Pooled Investments:	\$ 2,201,294	\$ 48,278	\$ 2,249,572
Receivables:			
Property Tax	84,296	-	84,296
Property Tax - Succeeding Year	2,894,124	-	2,894,124
Accounts	2,389	-	2,389
Due from Other Governmental Agencies	374,862	-	374,862
Internal Balances	21,008	(21,008)	-
Accrued Interest	598	-	598
Inventories	-	13,696	13,696
Prepaid Expenses	145,755	-	145,755
Unamortized Bond Issuance Costs	21,003	-	21,003
Land	125,495	-	125,495
Infrastructure, Property and Equipment, Net of Accumulated Depreciation	5,313,355	11,350	5,324,705
Total Assets	<u>11,184,179</u>	<u>52,316</u>	<u>11,236,495</u>
<b>Liabilities</b>			
Accounts Payable	183,197	-	183,197
Accrued Wages and Payroll Liabilities	12,384	-	12,384
Accrued Interest Payable	4,773	-	4,773
Deferred Revenue - Succeeding Year Taxes	2,894,124	-	2,894,124
Unearned Revenue	228,629	-	228,629
Long-Term Liabilities:			
Debt Due Within One Year:			
Bonds Payable	470,000	-	470,000
Lease Payable	186,930	-	186,930
Early Retirement Payable	65,795	-	65,795
Debt Due in More Than One Year:			
Bonds Payable	720,000	-	720,000
Lease Payable	201,195	-	201,195
Early Retirement Payable	308,334	-	308,334
Net OPEB Liability	4,468	-	4,468
Total Liabilities	<u>5,279,829</u>	<u>-</u>	<u>5,279,829</u>
<b>Net Assets</b>			
Invested in Capital Assets, Net of Related Debt	3,860,725	11,350	3,872,075
Restricted for:			
Physical Plant and Equipment Levy	74,163	-	74,163
Categorical Funding	304,835	-	304,835
Debt Service	51,422	-	51,422
Student Activities	99,605	-	99,605
School Infrastructure	310,350	-	310,350
Management Levy	297,573	-	297,573
Unrestricted	905,677	40,966	946,643
Total Net Assets	<u>\$ 5,904,350</u>	<u>\$ 52,316</u>	<u>\$ 5,956,666</u>

See Accompanying Notes to Financial Statements

SIOUX CENTRAL COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2011

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government:</b>				
<b>Governmental Activities:</b>				
Instruction:				
Regular Instruction	\$ 2,320,207	\$ 860,776	\$ 540,074	\$ -
Special Instruction	1,021,201	424,129	63,094	-
Other Instruction	727,608	157,779	201,531	-
Support Services:				
Student Services	155,029	-	-	-
Instructional Staff Services	141,741	-	15,400	-
Administration Services	505,791	-	-	-
Operations and Maintenance	485,701	-	-	-
Transportation Services	336,161	-	608	-
Central Support Services	103,071	-	-	-
Other Expenditures:				
Facilities Acquisition	103,621	-	-	-
Long-term Debt Interest and Fiscal Charges	43,985	-	-	-
AEA Flow-Through	200,352	-	200,352	-
Unallocated Depreciation*	161,504	-	-	-
Total Governmental Activities	<u>6,305,972</u>	<u>1,442,684</u>	<u>1,021,059</u>	<u>-</u>
<b>Business-Type Activities:</b>				
School Nutrition Fund	<u>339,160</u>	<u>175,315</u>	<u>169,330</u>	<u>-</u>
<b>Total School District</b>	<u>\$ 6,645,132</u>	<u>\$ 1,617,999</u>	<u>\$ 1,190,389</u>	<u>\$ -</u>

**General Revenues:**

Property Tax Levied For:  
    General Purposes  
    Debt Service  
    Capital Outlay  
    Management Levy  
Statewide Sales and Services Tax  
Unrestricted State Grants  
Interest on Investments  
Miscellaneous  
Total General Revenues

**Change in Net Assets**

**Net Assets - Beginning**

**Net Assets - Ending**

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

**Net (Expense) Revenue  
and Changes in Net Assets**

<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
\$ (919,357)		\$ (919,357)
(533,978)		(533,978)
(368,298)		(368,298)
(155,029)		(155,029)
(126,341)		(126,341)
(505,791)		(505,791)
(485,701)		(485,701)
(335,553)		(335,553)
(103,071)		(103,071)
(103,621)		(103,621)
(43,985)		(43,985)
-		-
(161,504)		(161,504)
<u>(3,842,229)</u>		<u>(3,842,229)</u>
-	\$ 5,485	5,485
<u>(3,842,229)</u>	<u>5,485</u>	<u>(3,836,744)</u>
2,157,308	-	2,157,308
491,084	-	491,084
68,660	-	68,660
190,217	-	190,217
358,508	-	358,508
1,560,521	-	1,560,521
18,249	312	18,561
378,646	-	378,646
<u>5,223,193</u>	<u>312</u>	<u>5,223,505</u>
1,380,964	5,797	1,386,761
<u>4,523,386</u>	<u>46,519</u>	<u>4,569,905</u>
<u>\$ 5,904,350</u>	<u>\$ 52,316</u>	<u>\$ 5,956,666</u>

**SIOUX CENTRAL COMMUNITY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2011**

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Cash, Pooled Investments and Cash Equivalents	\$ 1,395,541	\$ 51,516	\$ 754,237	\$ 2,201,294
Receivables:				
Property Taxes	20,073	4,679	59,544	84,296
Property Taxes - Succeeding Year	2,224,542	498,245	171,337	2,894,124
Other Accounts Receivable	2,389	-	-	2,389
Accrued Interest	598	-	-	598
Due from Other Governmental Agencies	374,862	-	-	374,862
Due from Other Funds	21,008	-	-	21,008
Prepaid Expenses	60,631	-	85,124	145,755
<b>Total Assets</b>	<u>4,099,644</u>	<u>554,440</u>	<u>1,070,242</u>	<u>5,724,326</u>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities</b>				
Accounts Payable	131,778	-	51,419	183,197
Accrued Wages and Payroll Liabilities	12,384	-	-	12,384
Early Retirement Payable	-	-	65,795	65,795
Succeeding Year Taxes	2,224,542	498,245	171,337	2,894,124
Deferred Revenue - Other	40,001	-	-	40,001
Unearned Revenue	228,629	-	-	228,629
<b>Total Liabilities</b>	<u>2,637,334</u>	<u>498,245</u>	<u>288,551</u>	<u>3,424,130</u>
<b>Fund Balances</b>				
Nonspendable:				
Prepaid Expenses	60,631	-	85,124	145,755
Restricted for:				
Categorical Funding	304,835	-	-	304,835
Debt Service	-	56,195	-	56,195
Student Activities	-	-	99,605	99,605
Management Levy	-	-	212,449	212,449
School Infrastructure	-	-	310,350	310,350
Physical Plant and Equipment	-	-	74,163	74,163
Unassigned	1,096,844	-	-	1,096,844
<b>Total Fund Balances</b>	<u>1,462,310</u>	<u>56,195</u>	<u>781,691</u>	<u>2,300,196</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 4,099,644</u>	<u>\$ 554,440</u>	<u>\$ 1,070,242</u>	<u>\$ 5,724,326</u>

See Accompanying Notes to Financial Statements

**SIOUX CENTRAL COMMUNITY SCHOOL DISTRICT  
RECONCILIATION OF THE BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS  
GOVERNMENTAL FUNDS  
JUNE 30, 2011**

Amounts reported for Governmental Activities in the Statement of Net assets are different because:

Total Fund Balance - Governmental Funds (page 17)	\$	2,300,196
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.		5,438,850
Other assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.		40,001
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.		(4,773)
Bond issue costs are reported in the governmental activities but are not reported in the funds as they do not provide current economic resources		21,003
Long-term liabilities, including bonds and notes payable, capital leases, compensated absences and other postemployment benefits payable, are not due and payable in the current period and therefore are not reported in the governmental funds.		<u>(1,890,927)</u>
Total Net Assets - Governmental Activities (page 14)	\$	<u><u>5,904,350</u></u>

**SIOUX CENTRAL COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2011**

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Local Sources:				
Local Tax	\$ 2,157,308	\$ 491,084	\$ 617,385	\$ 3,265,777
Tuition	1,155,335	-	-	1,155,335
Other	213,229	571	435,442	649,242
State Sources	2,243,327	-	-	2,243,327
Federal Sources	333,253	-	-	333,253
<b>Total Revenues</b>	<u>6,102,452</u>	<u>491,655</u>	<u>1,052,827</u>	<u>7,646,934</u>
<b>Expenditures</b>				
Instruction:				
Regular Instruction	2,142,906	-	135,021	2,277,927
Special Instruction	1,021,201	-	-	1,021,201
Other Instruction	581,122	-	146,486	727,608
Support Services:				
Student Services	155,029	-	-	155,029
Instructional Staff Services	138,584	-	3,157	141,741
Administration Services	502,923	450	2,418	505,791
Operations and Maintenance	422,545	-	65,592	488,137
Transportation Services	276,908	-	83,795	360,703
Central Support Services	103,071	-	-	103,071
Other Expenditures:				
Facilities Acquisition	-	-	103,621	103,621
Long-Term Debt:				
Principal	-	641,276	-	641,276
Interest and Fiscal Charges	-	38,478	-	38,478
AEA Flow-Through	200,352	-	-	200,352
<b>Total Expenditures</b>	<u>5,544,641</u>	<u>680,204</u>	<u>540,090</u>	<u>6,764,935</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>557,811</u>	<u>(188,549)</u>	<u>512,737</u>	<u>881,999</u>
<b>Other Financing Sources (Uses)</b>				
Transfers In	-	189,229	-	189,229
Transfers Out	-	-	(189,229)	(189,229)
<b>Total Other Financing Sources</b>	<u>-</u>	<u>189,229</u>	<u>(189,229)</u>	<u>-</u>
<b>Net Change in Fund Balance</b>	557,811	680	323,508	881,999
<b>Fund Balances at Beginning of Year</b>	<u>904,499</u>	<u>55,515</u>	<u>458,183</u>	<u>1,418,197</u>
<b>Fund Balances at End of Year</b>	<u>\$ 1,462,310</u>	<u>\$ 56,195</u>	<u>\$ 781,691</u>	<u>\$ 2,300,196</u>

See Accompanying Notes to Financial Statements

**SIOUX CENTRAL COMMUNITY SCHOOL DISTRICT  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2011**

Amounts reported for governmental activities in the Statement of Activities are different because:

Net Change in Fund Balances - Total Governmental funds (page 19)	\$	881,999
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Governmental funds report capital outlays, including infrastructure, as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Depreciation expense exceeded capital outlays in the current year as follows:

Expenditures for capital assets	157,166		
Depreciation expense	<u>(249,943)</u>		(92,777)

Bond issuance costs, premiums, discounts and similar items are deferred and amortized in the Statements of Activities			(6,812)
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Accrued interest expense that does not require current financial resources			1,305
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Certain revenues not collected for several months after year end are not considered available revenue and are deferred in the governmental funds			40,001
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The repayment of the principal of long-term debt consumes the current financial resources of governmental funds without affecting the net assets. The Statement of Activities does not reflect the payment of principal on long-term debt. The principal paid on long-term debt during the current year was:			641,276
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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	(81,794)		
Other Postemployment Benefits	<u>(2,234)</u>		<u>(84,028)</u>

Change in Net Assets of Governmental Activities (page 16)	\$		<u><u>1,380,964</u></u>
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**SIoux CENTRAL COMMUNITY SCHOOL DISTRICT**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUND**  
**JUNE 30, 2011**

	School Nutrition Fund
<b>Assets</b>	
Current Assets:	
Cash and Cash Equivalents	\$ 48,278
Inventories	13,696
Total Current Assets	<u>61,974</u>
Noncurrent Assets:	
Infrastructure, Property and Equipment, Net of Accumulated Depreciation	<u>11,350</u>
<b>Total Assets</b>	<u><u>73,324</u></u>
<b>Liabilities</b>	
Due to Other Funds	<u>21,008</u>
<b>Total Liabilities</b>	<u><u>21,008</u></u>
<b>Net Assets</b>	
Invested in Capital Assets, Net of Related Debt	11,350
Unrestricted	<u>40,966</u>
<b>Total Net Assets</b>	<u><u>\$ 52,316</u></u>

See Accompanying Notes to Financial Statements

**SIOUX CENTRAL COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS  
PROPRIETARY FUND  
FOR THE YEAR ENDED JUNE 30, 2011**

	School Nutrition Fund
<b>Operating Revenues:</b>	
Charges for Services	\$ 160,089
Miscellaneous	15,226
Total Operating Revenue	175,315
<b>Operating Expenses:</b>	
Non-Instructional Programs:	
Food Service Operations:	
Salaries	106,554
Benefits	45,414
Food	172,392
Supplies	8,000
Other Expense	4,463
Depreciation	2,337
Total Operating Expenses	339,160
<b>Operating (Loss)</b>	(163,845)
<b>Non-Operating Revenue:</b>	
Interest Income	312
State Lunch Reimbursements	3,103
National School Lunch Program	137,618
Federal Food Commodities Received	28,609
Total Non-Operating Revenue	169,642
<b>Change in Net Assets</b>	5,797
<b>Net Assets - Beginning</b>	46,519
<b>Net Assets - Ending</b>	\$ 52,316

See Accompanying Notes to Financial Statements

**SIOUX CENTRAL COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
FOR THE YEAR ENDED JUNE 30, 2011**

	School Nutrition Fund
<b>Cash Flows from Operating Activities</b>	
Cash Received from Customers	\$ 175,314
Cash Payments for Salaries and Benefits	(151,968)
Cash Payments for Goods and Services	(157,028)
Net Cash (Used) by Operating Activities	(133,682)
<b>Cash Flows from Non-Capital Financing Activities</b>	
Federal and State Appropriations Received	140,721
Cash Received from General Fund	649
Net Cash Provided by Non-Capital Financing Activities	141,370
<b>Cash Flows from Investing Activities</b>	
Interest on Investments	312
<b>Net Increase in Cash and Cash Equivalents</b>	8,000
<b>Cash and Cash Equivalents at Beginning of Year</b>	40,278
<b>Cash and Cash Equivalents at End of Year</b>	\$ 48,278
 <b>Reconciliation of Operating (Loss) to Net Cash (Used) in Operating Activities:</b>	
Operating (Loss)	\$ (163,845)
Adjustments to Reconcile Operating (Loss) to Net Cash (Used) in Operating Activities:	
Depreciation Expense	2,337
Commodities Used	28,609
Change in Assets and Liabilities:	
Increase in Inventory	(723)
Decrease in Accrued Salary and Benefits	(60)
<b>Net Cash (Used) by Operating Activities</b>	<b>\$ (133,682)</b>
 <b>Supplemental Schedule of Noncash Noncapital Financial Activities:</b>	
Federal Food Commodities Received	\$ 28,609

See Accompanying Notes to Financial Statements

**SIOUX CENTRAL COMMUNITY SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

**Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Sioux Central Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The geographic area served includes the Cities of Sioux Rapids, Rembrandt, Linn Grove, Webb, Gillett Grove, and Peterson, Iowa, and agricultural area in Buena Vista, Clay, Cherokee and O'Brien Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

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

**A. Reporting Entity**

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

Jointly Governed Organizations – The District participates in a jointly governed organization that provides services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Buena Vista and Clay Counties Assessor's Conference Boards.

**B. Basis of Presentation**

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

**SIOUX CENTRAL COMMUNITY SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

Note 1 – **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

- ***Invested in Capital Assets***, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed 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 that are imposed which can be removed or modified.

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

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

The District reports the following major governmental funds:

- The **General Fund** is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund. The General Fund accounts for the instructional and most of the support service programs of the District's operations. Revenue of the General Fund consists primarily of local property taxes and state government aid.
- The **Debt Service Fund** is used to account for the accumulation of resources for and the payment of general long-term debt principal and interest.

**SIOUX CENTRAL COMMUNITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011**

**Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Measurement Focus and Basis of Accounting**

The government-wide financial statements and the proprietary 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 financial 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.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

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

**SIOUX CENTRAL COMMUNITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011**

**Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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 balance sheet:

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 non-negotiable certificates of deposit which are stated at cost. For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months. Cash investments not meeting the definition of cash equivalents at June 30, 2011 included certificates of deposits of \$445,680 with original maturity dates longer then three months.

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½ % per month penalty for delinquent payments; is based on January 1, 2009 assessed property valuations; is for the tax accrual period July 1, 2010 through June 30, 2011, and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2010.

**SIOUX CENTRAL COMMUNITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011**

**Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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 contributed value for government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets – Capital assets, which include property, furniture, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and 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.

Land	\$ 1,000
Buildings	\$ 10,000
Improvements other than Buildings	\$ 10,000
Furniture and Equipment:	
School Nutrition Fund Equipment	\$ 500
Other Furniture and Equipment	\$ 2,500

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

Buildings	50 years
Improvements other than Buildings	20 – 50 years
Furniture and Equipment	5 – 15 years

Unearned Revenue and 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 represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Unearned revenue consists of unspent grant proceeds. Deferred revenue consists of property tax receivables and other receivables not collected within sixty days after year-end.

**SIoux CENTRAL COMMUNITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011**

**Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

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

Fund Equity – In the governmental fund financial statements, fund balances are classified as follows:

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Committed – Amounts which can be used only for specific purposes determined pursuant to constraints formally imposed by the Board of Education through resolution approved prior to year end. Those committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same action it employed to commit those amounts.

Unassigned – All amounts not included in other spendable classifications.

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

**E. Budgeting and Budgetary Accounting**

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

**Note 2 – CASH AND POOLED INVESTMENTS**

The District's deposits in banks at June 30, 2011, 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.

**SIOUX CENTRAL COMMUNITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011**

**Note 2 – CASH AND POOLED INVESTMENTS (Continued)**

The reconciliation of cash and cash equivalents and temporary cash and pooled investments for the District at June 30, 2011 is as follows:

Cash and Cash Equivalents .....	\$ 1,804,192
Certificates of Deposit.....	<u>445,680</u>
	<u>\$ 2,249,872</u>

**Custodial Credit Risk** – The District has no policy in place regarding custodial credit risk and deposits with financial institutions, however, deposits are insured by the state sinking fund, which provides for additional assessments against depositories to avoid loss of public funds.

**Interest Rate Risk** – This is the risk that changes in market interest rates will adversely affect the fair value of an investment . Generally the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District does have a formal investment policy that limits investment maturities to 397 days or less. The District’s investments consist of certificates of deposit that have original maturities of less then 397 days.

**Note 3 – CAPITAL ASSETS**

Capital Assets activity for the year ended June 30, 2011, is as follows:

	<u>Balance</u> <u>July 1, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2011</u>
<b>Governmental Activities:</b>				
Capital assets not being depreciated:				
Land	\$ 125,495	\$ -	\$ -	\$ 125,495
Total assets not being depreciated	<u>125,495</u>	<u>-</u>	<u>-</u>	<u>125,495</u>
Capital assets being depreciated:				
Buildings and Improvements	7,106,287	-	-	7,106,287
Furniture and Equipment	1,657,752	161,636	11,175	1,808,213
Total capital assets being depreciated	<u>8,764,039</u>	<u>161,636</u>	<u>11,175</u>	<u>8,914,500</u>
Less: Accumulated Depreciation for:				
Buildings and Improvements	2,144,779	138,147	-	2,282,926
Furniture and Equipment	1,213,129	111,796	6,706	1,318,219
Total Accumulated Depreciation	<u>3,357,908</u>	<u>249,943</u>	<u>6,706</u>	<u>3,601,145</u>
Total capital assets being depreciated, net	<u>5,406,131</u>	<u>(88,307)</u>	<u>4,469</u>	<u>5,313,355</u>
Governmental activities capital assets, net	<u>5,531,626</u>	<u>(88,307)</u>	<u>4,469</u>	<u>5,438,850</u>
<b>Business-type Activity:</b>				
Furniture and Equipment	72,278	-	-	72,278
Less Accumulated Depreciation	58,591	2,337	-	60,928
Business-type activity capital assets, net	<u>\$ 13,687</u>	<u>\$ (2,337)</u>	<u>\$ -</u>	<u>\$ 11,350</u>

**SIoux CENTRAL COMMUNITY SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

Note 3 – **CAPITAL ASSETS (Continued)**

Depreciation expense was charged to the following functions:

<b>Governmental Activities:</b>	
Transportation Services	\$ 52,906
Regular Instruction	15,750
Operation and Maintenance	19,783
Unallocated	161,504
Total depreciation expense - governmental activities	\$ 249,943
 <b>Business-type Activities:</b>	
Food Service Operations	\$ 2,337

**Reconciliation of Investment in Capital Assets:**

	<b>Governmental Activities</b>	<b>Business-type Activity</b>
Land	\$ 125,495	\$ -
Capital Assets (net of accumulated depreciation)	5,313,355	11,350
Less:		
Bonds Payable	(1,190,000)	-
Leases Payable	(388,125)	-
Investment in Capital Assets, Net of Related Debt	\$ 3,860,725	\$ 11,350

Note 4 – **LONG-TERM LIABILITIES**

Changes in long-term liabilities for the year ended June 30, 2011 are summarized as follows:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Due Within One Year</b>
<b>Governmental Activities:</b>					
General Obligation Bonds	\$ 1,645,000	\$ -	\$ 455,000	\$ 1,190,000	\$ 470,000
Capital Lease Payable	574,401	-	186,276	388,125	186,930
Early Retirement	251,474	147,589	24,934	374,129	65,795
Net OPEB Liability	2,234	2,234	-	4,468	-
Long-Term Liabilities	\$ 2,473,109	\$ 149,823	\$ 666,210	\$ 1,956,722	\$ 722,725

**SIOUX CENTRAL COMMUNITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011**

Note 4 – LONG-TERM LIABILITIES (Continued)

**General Obligation Bonds**

Details of the District's June 30, 2011 general obligation bonded indebtedness are as follows:

<u>Year Ending June 30</u>	<u>Interest Rates</u>	<u>Refunding Bond Issue of July 29, 2009</u>	
		<u>Principal</u>	<u>Interest</u>
2012	1.60	\$ 470,000	\$ 28,245
2013	2.10	475,000	18,375
2014	2.45	245,000	6,737
	Total	<u>\$ 1,190,000</u>	<u>\$ 53,357</u>

**Capital Leases**

As of June 30, 2011, equipment under two capital leases consists of laptop computers and multiple copiers. The laptop computers were not capitalized due to each individual laptop being under the District's capitalization policy. The copier had a capitalized cost of \$41,262. Accumulated depreciation in the statement of net assets and depreciation reported in the statement of activities in the amount of \$4,126 was recorded in 2011 relating to the copiers. Future lease payment are summarized as follows:

<u>Year Ending June 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2012	\$ 186,930	\$ 2,299
2013	187,644	1,585
2014	9,392	808
2015	4,159	91
	<u>\$ 388,125</u>	<u>\$ 4,783</u>

**Early Retirement**

The District offered a one-time voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five and employees must have completed fifteen years of service as a full-time licensed employee to the District. Employees must complete an application which is required to be approved by the Board of Education. The District will provide insurance premium assistance to age 65 for the retiree. The amount of the assistance is the single insurance premium rate at the time of the retiree's last year of employment. Early retirement benefits paid during the year ended June 30, 2011, totaled \$24,934. There were eight retired individuals receiving benefits at June 30, 2011.

**SIoux CENTRAL COMMUNITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011**

**Note 5 – INTERFUND RECEIVABLES AND PAYABLES**

As of June 30, 2011, short-term interfund borrowings were as follows:

Fund Due To	Fund Due From	Amount
General Fund	Nutrition Fund	\$ 21,008
		<u>\$ 21,008</u>

The purpose of the interfund balance is for payroll that was generated and paid through the General Fund which was for the Nutrition Fund.

**Note 6 – PENSION AND RETIREMENT BENEFITS**

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

Plan members are required to contribute 4.50% of their annual salary and the District is required to contribute 6.95% of annual payroll. Contribution requirements are established by State statute. The District’s contribution to IPERS for the years ended June 30, 2011, 2010, and 2009 were \$232,796, \$214,573, and \$209,032, respectively, equal to the required contributions for each year.

**Note 7 – OTHER POSTEMPLOYMENT BENEFITS**

During fiscal 2010, the District adopted the provisions of GASB 45 “Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions”. The major change under GASB 45 is to attribute the cost of post-employment benefits to the time during which the employee is working for the employer.

Accordingly, a prospective liability is recorded at June 30, 2011 for a Post-Employment Benefit Obligation as determined by an actuarial calculation.

*Plan Description.* An employee who has a minimum of 10 years of service and age 55 are provided single coverage health insurance until they reach the age of 65. Premiums are based on the full active employee premium rate.

*Funding Policy.* 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 other post-employment benefit (OPEB) cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB 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 thirty years.

**SIOUX CENTRAL COMMUNITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011**

Note 7 – **OTHER POSTEMPLOYMENT BENEFITS (Continued)**

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

Annual required contribution	\$ 45,347
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost (Expense)	45,347
Contributions made	(43,113)
Increase in net OPEB obligation	2,234
Net OPEB obligation - beginning of year	2,234
Net OPEB obligation - end of year	\$ 4,468

The District’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2011 were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2010	\$ 45,347	95.07%	\$ 2,234
2011	\$ 45,347	95.07%	\$ 4,468

*Funded Status and Funding Progress.* The funded status of the plan as of December 31, 2009 was as follows:

Actuarial accrued liability (AAL)	\$ 375,987
Actuarial value of plan assets	-
Unfunded actuarial accrued liability (UAAL)	\$ 375,987
Funded ratio (actuarial value of plan assets/AAL)	-
Covered payroll (active members)	\$ 2,778,746
UAAL as a percentage of covered payroll	13.53%

*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 healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer 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 following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

**SIoux CENTRAL COMMUNITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011**

**Note 7 – OTHER POSTEMPLOYMENT BENEFITS (Continued)**

Projections of benefits for financial reporting purposes are based on the substantive plan 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 and do not explicitly reflect the potential effect of legal or contractual funding limitation. The actuarial methods and assumptions used include techniques that are designed to reduce the effect of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

**Note 8 – 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 \$200,352 for the year ended June 30, 2011, and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**Note 9 – RISK MANAGEMENT**

Sioux Central Community School District is a member in the Iowa School Employees Benefit Association, an Iowa Code Chapter 28E organization. The Iowa School Employees Benefits Association (ISEBA) is a local government risk-sharing pool whose members include various schools throughout the State of Iowa. ISEBA was formed in July 1999 for the purpose of managing and funding employee benefits. ISEBA provides coverage and protection in the following categories: medical, dental, vision and prescription drugs. Sioux Central 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 10- CATEGORICAL FUNDING**

The District’s restricted fund balance for categorical funding at June 30, 2011 is comprised of the following programs:

<b>Program</b>	<b>Amount</b>
At Risk	\$ 6,684
Talented and Gifted	47,435
Dropout Prevention	146,200
Early Intervention	59,045
Model Core Curriculum	21,283
Teacher Quality Professional Development	22,067
Market Factor	2,121
Total	<u>\$ 304,835</u>

**SIOUX CENTRAL COMMUNITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011**

Note 11 – **ACCOUNTING CHANGE / RESTATEMENT**

Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, was implemented during the year ended June 30, 2011. As a result, the Physical Plant and Equipment Levy Fund was reclassified from a special revenue fund to a capital project fund.

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**REQUIRED SUPPLEMENTARY  
INFORMATION**

**SIOUX CENTRAL COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE, BUDGET  
AND ACTUAL, ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUND  
FOR THE YEAR ENDED JUNE 30, 2011**

	Governmental Funds Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts Original	Final to Actual Variance
<b>Receipts</b>					
Local Sources:					
Local Taxes	\$ 3,265,777	\$ -	\$ 3,265,777	\$ 2,902,494	\$ 363,283
Tuition	1,155,335	-	1,155,335	1,300,000	(144,665)
Other	649,242	175,627	824,869	700,000	124,869
State Sources	2,243,327	3,103	2,246,430	2,729,598	(483,168)
Federal Sources	333,253	166,227	499,480	200,000	299,480
Total Receipts	<u>7,646,934</u>	<u>344,957</u>	<u>7,991,891</u>	<u>7,832,092</u>	<u>159,799</u>
<b>Expenditures</b>					
Instruction	4,026,736	-	4,026,736	4,500,000	473,264
Support Services	1,754,472	-	1,754,472	2,800,000	1,045,528
Non-Instructional Programs	-	339,160	339,160	700,000	360,840
Other Expenditures	983,727	-	983,727	995,493	11,766
Total Expenditures	<u>6,764,935</u>	<u>339,160</u>	<u>7,104,095</u>	<u>8,995,493</u>	<u>1,891,398</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	881,999	5,797	887,796	(1,163,401)	2,051,197
<b>Other Financing Sources (Uses)</b>					
Operating Transfers From Other Funds	189,229	-	189,229	-	189,229
Operating Transfers to Other Funds	<u>(189,229)</u>	<u>-</u>	<u>(189,229)</u>	<u>-</u>	<u>(189,229)</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Change in Fund Balance</b>	881,999	5,797	887,796	(1,163,401)	2,051,197
<b>Fund Balance at Beginning of Year</b>	<u>1,418,197</u>	<u>46,519</u>	<u>1,464,716</u>	<u>1,464,716</u>	<u>-</u>
<b>Fund Balance at End of Year</b>	<u>\$ 2,300,196</u>	<u>\$ 52,316</u>	<u>\$ 2,352,512</u>	<u>\$ 301,315</u>	<u>\$ 2,051,197</u>

See Accompanying Independent Auditor's Report

**SIOUX CENTRAL COMMUNITY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION –  
BUDGETARY REPORTING  
YEAR ENDED JUNE 30, 2011**

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 Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, there were no budget amendments.

During the year ended June 30, 2011, expenditures did not exceeded the amounts budgeted and the District did not exceed its General Fund unspent authorized budget.

**SIOUX CENTRAL COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN  
YEAR ENDED JUNE 30, 2011**

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	7/1/2009	\$ -	\$ 375,987	\$ 375,987	0%	\$ 2,778,746	13.5%
2011	7/1/2009	\$ -	\$ 375,987	\$ 375,987	0%	\$ 2,778,746	13.5%

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

**OTHER SUPPLEMENTARY  
INFORMATION**

**SIOUX CENTRAL COMMUNITY SCHOOL DISTRICT  
COMBINING BALANCE SHEET  
GOVERNMENTAL NONMAJOR FUNDS  
JUNE 30, 2011**

**SCHEDULE 1**

	Special Revenue Funds		Capital Projects		Total
	Management Levy	Student Activity	Physical Plant and Equipment Levy	Statewide Sales, Services and Use Tax	
<b>Assets</b>					
Cash and Cash Equivalents	\$ 281,914	\$ 101,686	\$ 116,514	\$ 254,123	\$ 754,237
Receivables:					
Property Tax	1,813	-	654	57,077	59,544
Succeeding Year Property Tax	100,000	-	71,337	-	171,337
Prepaid Expenses	85,124	-	-	-	85,124
<b>Total Assets</b>	<b>468,851</b>	<b>101,686</b>	<b>188,505</b>	<b>311,200</b>	<b>1,070,242</b>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities</b>					
Accounts Payable	5,483	2,081	43,005	850	51,419
Early Retirement Payable	65,795	-	-	-	65,795
Deferred Revenue - Succeeding Year Taxes	100,000	-	71,337	-	171,337
<b>Total Liabilities</b>	<b>171,278</b>	<b>2,081</b>	<b>114,342</b>	<b>850</b>	<b>288,551</b>
<b>Fund Balances</b>					
Nonspendable:					
Prepaid Expenses	85,124	-	-	-	85,124
Restricted for:					
Management Levy	212,449	-	-	-	212,449
Student Activities	-	99,605	-	-	99,605
Physical Plant and Equipment	-	-	74,163	-	74,163
School Infrastructure	-	-	-	310,350	310,350
<b>Total Fund Balances</b>	<b>297,573</b>	<b>99,605</b>	<b>74,163</b>	<b>310,350</b>	<b>781,691</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$ 468,851</b>	<b>\$ 101,686</b>	<b>\$ 188,505</b>	<b>\$ 311,200</b>	<b>\$ 1,070,242</b>

**SIOUX CENTRAL COMMUNITY SCHOOL DISTRICT** **SCHEDULE 2**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**GOVERNMENTAL NONMAJOR FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

	Special Revenue Funds		Capital Projects		Total
	Management Levy	Student Activity	Physical Plant and Equipment Levy	Statewide Sales, Services and Use Tax	
<b>Revenues</b>					
Local Sources					
Local Tax	\$ 190,217	\$ -	\$ 68,660	\$ 358,508	\$ 617,385
Other	19,798	151,287	3,569	254,446	429,100
Interest	3,590	793	583	1,376	6,342
<b>Total Revenues</b>	<u>213,605</u>	<u>152,080</u>	<u>72,812</u>	<u>614,330</u>	<u>1,052,827</u>
<b>Expenditures</b>					
Instruction:					
Regular Instruction	87,595	-	34,591	12,835	135,021
Other Instruction	-	146,486	-	-	146,486
Support Services:					
Instructional Staff Services	-	3,157	-	-	3,157
Administration Services	2,418	-	-	-	2,418
Operation and Maintenance	57,998	-	-	7,594	65,592
Transportation Services	6,347	-	-	77,448	83,795
Other Expenditures:					
Facilities Acquisition	-	-	15,273	88,348	103,621
<b>Total Expenditures</b>	<u>154,358</u>	<u>149,643</u>	<u>49,864</u>	<u>186,225</u>	<u>540,090</u>
<b>Excess of Revenues Over Expenditures</b>	59,247	2,437	22,948	428,105	512,737
<b>Other Financing Sources (Uses)</b>					
Transfers Out	-	-	-	(189,229)	(189,229)
<b>Total Other Financing Sources</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(189,229)</u>	<u>(189,229)</u>
<b>Net Change in Fund Balances</b>	59,247	2,437	22,948	238,876	323,508
<b>Fund Balances at Beginning of Year</b>	<u>238,326</u>	<u>97,168</u>	<u>51,215</u>	<u>71,474</u>	<u>458,183</u>
<b>Fund Balances at End of Year</b>	<u>\$ 297,573</u>	<u>\$ 99,605</u>	<u>\$ 74,163</u>	<u>\$ 310,350</u>	<u>\$ 781,691</u>

**SIOUX CENTRAL COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF INDIVIDUAL STUDENT ACTIVITY ACCOUNT ACTIVITY  
 FOR THE YEAR ENDED JUNE 30, 2011**

**SCHEDULE 3**

	Balance June 30, 2010	Revenues and Interfund Transfers	Expenditures	Balance June 30, 2011
Senior High	\$ 86,254	\$ 135,292	\$ 134,361	\$ 87,185
Junior High	6,052	10,413	10,814	5,651
Elementary	4,861	6,854	4,946	6,769
Total for Activity Funds	<u>\$ 97,167</u>	<u>\$ 152,559</u>	<u>\$ 150,121</u>	<u>\$ 99,605</u>

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**SIOUX CENTRAL COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION  
ALL GOVERNMENTAL FUNDS  
FOR THE LAST EIGHT YEARS**

	Modified Accrual Basis of Accounting			
	2011	2010	2009	2008
<b>Revenues:</b>				
<b>Local Sources:</b>				
Local Tax	\$ 3,265,777	\$ 2,591,183	\$ 2,479,566	\$ 2,459,303
Tuition	1,155,335	1,453,296	1,386,709	1,371,175
Other	649,242	281,107	331,802	333,626
State Sources	2,243,327	1,760,473	2,033,568	1,890,883
Federal Sources	333,253	286,339	233,461	261,894
	<u>\$ 7,646,934</u>	<u>\$ 6,372,398</u>	<u>\$ 6,465,106</u>	<u>\$ 6,316,881</u>
<b>Expenditures:</b>				
<b>Instruction:</b>				
Regular Instruction	\$ 2,277,927	\$ 2,811,463	\$ 2,230,833	\$ 2,410,734
Special Instruction	1,021,201	942,415	768,164	696,382
Other Instruction	727,608	825,001	855,769	708,080
<b>Support Services:</b>				
Student Services	155,029	112,565	67,669	126,873
Instructional Staff Services	141,741	134,200	121,392	129,937
Administration Services	505,791	530,641	474,403	490,359
Operations and Maintenance	488,137	612,037	581,890	664,229
Transportation Services	360,703	215,210	286,986	236,172
Central Support Services	103,071	130,799	148,039	121,399
Non-Instructional Programs	-	-	-	-
<b>Other Expenditures:</b>				
Judgements from Court Decision	-	-	-	-
Facilities Acquisition	103,621	-	-	-
<b>Long-term Debt:</b>				
Principal	641,276	647,976	405,000	390,000
Interest and Other Charges	38,478	56,865	106,610	122,795
AEA Flowthrough	200,352	177,644	162,232	157,411
	<u>\$ 6,764,935</u>	<u>\$ 7,196,816</u>	<u>\$ 6,208,987</u>	<u>\$ 6,254,371</u>

SCHEDULE 4

2007	2006	2005	2004
\$ 2,660,552	\$ 2,441,883	\$ 2,456,291	\$ 2,298,569
874,283	1,084,802	965,960	455,715
440,522	257,772	236,111	197,783
1,783,152	1,776,118	1,642,643	1,668,404
266,668	579,219	724,543	452,558
<u>\$ 6,025,177</u>	<u>\$ 6,139,794</u>	<u>\$ 6,025,548</u>	<u>\$ 5,073,029</u>
\$ 2,181,684	\$ 2,025,004	\$ 2,226,542	\$ 2,310,179
697,452	602,269	719,023	766,178
661,804	626,805	550,065	296,798
121,965	123,217	96,495	138,816
97,055	288,543	99,138	56,183
431,054	613,163	662,386	430,562
691,900	520,064	513,389	428,161
235,680	257,341	214,250	140,968
136,057	115,021	93,214	-
-	-	473	1,479
5,000	-	-	-
-	10,000	117,016	33,693
392,889	452,804	290,000	336,578
138,121	156,047	221,243	244,075
153,027	161,131	146,814	151,819
<u>\$ 5,943,688</u>	<u>\$ 5,951,409</u>	<u>\$ 5,950,048</u>	<u>\$ 5,335,489</u>

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**Independent Auditors' Report on Internal Control over Financial Reporting  
and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in Accordance with  
Government Auditing Standards**

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

We have audited the accompanying financial statements of the governmental activities, the business-type activity, each major fund and the aggregate remaining fund information of Sioux Central Community School District, Iowa as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated December 13, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Sioux Central Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Sioux Central Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Sioux Central 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 is 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 that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings as item 11-II-A and 11-II-B to be material weaknesses in internal control over financial reporting.

Compliance and Other Matters

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

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

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

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Sioux Central 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.

*Williams & Company, P.C.*  
Certified Public Accountants

Spencer, Iowa  
December 13, 2011

**SIOUX CENTRAL COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2011**

**PART I – SUMMARY OF INDEPENDENT AUDITOR’S RESULTS**

- (A) An unqualified opinion was issued on the financial statements.
- (B) Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements, including material weaknesses.
- (C) The audit did not disclose any non-compliance, which is material to the financial statements.

**PART II – FINDINGS RELATED TO THE FINANCIAL STATEMENTS**

**INSTANCES OF NON-COMPLIANCE:** No matters were reported.

**SIGNIFICANT DEFICIENCIES:**

**11-II-A Segregation of Duties**

Observation – During our review of internal control structure, the existing procedures are evaluated in order to determine that incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and therefore maximizes the accuracy of the District’s financial statements.

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

Response – The District feels that additional personnel would not be cost effective. However, management and the school board will review procedures and investigate available alternatives.

Conclusion – Response accepted.

**11-II-B Financial Reporting**

Observation – During our audit, we identified material and immaterial amounts of receivables, prepaid health insurance, and retirement payables not properly 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 and payables are identified and included in the District’s financial statements.

Response – We will double check these in the future to avoid missing any receivable, prepaid, fixed asset and payable transactions.

Conclusion – Response accepted.

**SIOUX CENTRAL COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2011**

**PART III – OTHER FINDINGS RELATED TO REQUIRED STATUTORY REPORTING**

- 11-III-A: Certified Budget – Expenditures for the year ended June 30, 2011, did not exceed the certified budget amounts.
- 11-III-B: Questionable Disbursements – No expenditures that did not meet the requirement of public purpose as defined in an Attorney General’s opinion dated April 25, 1979, were noted.
- 11-III-C: Travel Expense – No expenditures of Sioux Central Community School District were for travel expenses of spouses of District officials or employees.
- 11-III-D: Business Transactions – No business transactions between the District and the District officials or employees were noted.
- 11-III-E: Bond Coverage - Surety bond coverage of Sioux Central Community School District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure the coverage is adequate for current operations.
- 11-III-F: Board Minutes – No transactions were found that we believe should have been approved by the Board minutes but were not.
- 11-III-G: Certified Enrollment – No variances in the basic enrollment data certified to the Department of Education were noted.
- 11-III-H: Supplementary Weighting – No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- 11-III-I: Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the District’s investment policy were noted.
- 11-III-J: Certified Annual Report – The Certified Annual Report was filed timely with the Department of Education.
- 11-III-K: Categorical Funding – No instances were noted of categorical funding being used to supplant rather than supplement other funds.

**SIoux CENTRAL COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2011**

**PART III – OTHER FINDINGS RELATED TO REQUIRED STATUTORY REPORTING  
(CONTINUED)**

11-III-L: Statewide Sales and Services Tax – No instances of non-compliance with the use of the statewide sales and services tax revenue provision 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, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2011, the District's reported the following information regarding the statewide sales, services, and use tax revenue in the District's CAR including adjustments identified during the fiscal year 2011 audit.

Beginning Balance		\$ 71,474
Statewide Sales and Services Tax Revenue	358,508	
Other	255,822	614,330
		685,804
Expenditures/Transfers Out:		
School Infrastructure:		
Equipment	85,042	
Other Improvements	101,183	
Transfers to other funds:		
Debt Service Fund	189,229	375,454
Ending Balance		\$ 310,350

For the year ended June 30, 2011, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.

11-III-M: Deficit Balances – No funds had deficit balances at June 30, 2011.

11-III-N: Student Activity Fund: - In accordance with Chapter 298A.8 of the Code of Iowa and Iowa Administrative Rule 281-12.6(1), moneys in the Student Activity Fund should be used to support only the extracurricular and co-curricular activities offered as part of the District's education program. All moneys in Student Activity Fund appear to be extracurricular or co-curricular in nature.