

SIDNEY COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2012

Contents

		<u>Page</u>
Officials		3
Independent Auditor's Report		5-6
Management's Discussion and Analysis (MD&A)		7-15
Basic Financial Statements:	<u>Exhibit</u>	
Government-wide Financial Statements:		
Statement of Net Assets	A	18
Statement of Activities	B	19
Governmental Fund Financial Statements:		
Balance Sheet	C	20
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets	D	21
Statement of Revenues, Expenditures and Changes in Fund Balances	E	22
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	F	23
Proprietary Fund Financial Statements:		
Statement of Net Assets	G	24
Statement of Revenues, Expenses and Changes in Fund Net Assets	H	25
Statement of Cash Flows	I	26
Statement of Changes in Fiduciary Net Assets	J	27
Notes to Financial Statements		28-39
Required Supplementary Information:		
Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances - Budget and Actual - All Governmental Funds and Proprietary Fund		42
Notes to Required Supplementary Information - Budgetary Reporting		43
Schedule of Funding Progress for the Retiree Health Plan		44
Supplementary Information:	<u>Schedule</u>	
Nonmajor Governmental Funds:		
Combining Balance Sheet	1	46
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	2	47
Capital Project Accounts:		
Combining Balance Sheet	3	48
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	4	49
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	5	50
Schedule of Revenues by Source and Expenditures by Function - All Governmental Fund Types	6	51
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>		52-53
Schedule of Findings		54-56

Sidney Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
(Before September 2011 Election)		
Jeff Jorgensen	President	2011
Randy Bishop	Vice President	2013
Alisha Ettleman	Board Member	2011
Janet Teten	Board Member	2011
Heidi Lowthorp	Board Member	2013
(After September 2011 Election)		
Heidi Lowthorp	President	2013
Randy Bishop	Vice President	2013
Alisha Ettleman	Board Member	2015
Erika Graham	Board Member	2015
Brad Johnson	Board Member	2015
School Officials		
Gregg Cruickshank	Superintendent	2012
Janet Lemrick	Board Secretary	2012
Jennifer Maher	Board Treasurer/ Business Manager	2012
Mundt, Franck, & Schumacher	Attorney	2012

SIDNEY COMMUNITY SCHOOLS

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

117 West 3rd Street North, Newton, Iowa 50208-3040

Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of
Sidney Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Sidney Community School District, Sidney Iowa, as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of Sidney Community School District at June 30, 2012, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated February 27, 2013 on our consideration of Sidney Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

U.S. generally accepted accounting principles require Management's Discussion and Analysis, Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 15 and 42 through 44 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 which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operation, economic or historical context. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Sidney Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the eight years ended June 30, 2011 (which are not presented herein) and expressed an unqualified opinion on those financial statements. Other supplementary information included in Schedules 1 through 6, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in our audit of the basic 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 U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



NOLTE, CORNMAN & JOHNSON, P.C.

February 27, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

Sidney Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2012. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2012 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$4,185,388 in fiscal year 2011 to \$4,360,424 in fiscal year 2012, and General Fund expenditures increased from \$4,328,017 in fiscal 2011 to \$4,583,161 in fiscal 2012. This resulted in a decrease in the District's General Fund balance from \$541,992 in fiscal 2011 to a balance of \$319,255 in fiscal 2012.
- The increase in General Fund revenues was attributable to an increase in funding from local sources in fiscal 2012. The increase in expenditures was due to an increase in expenditures in the instruction functional area.
- Overall, the District's net assets decreased \$88,108 in governmental activities and decreased \$28,814 in business type activities.

USING THIS ANNUAL REPORT

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

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

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

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

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

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

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-1
Sidney Community School District Annual Financial Report

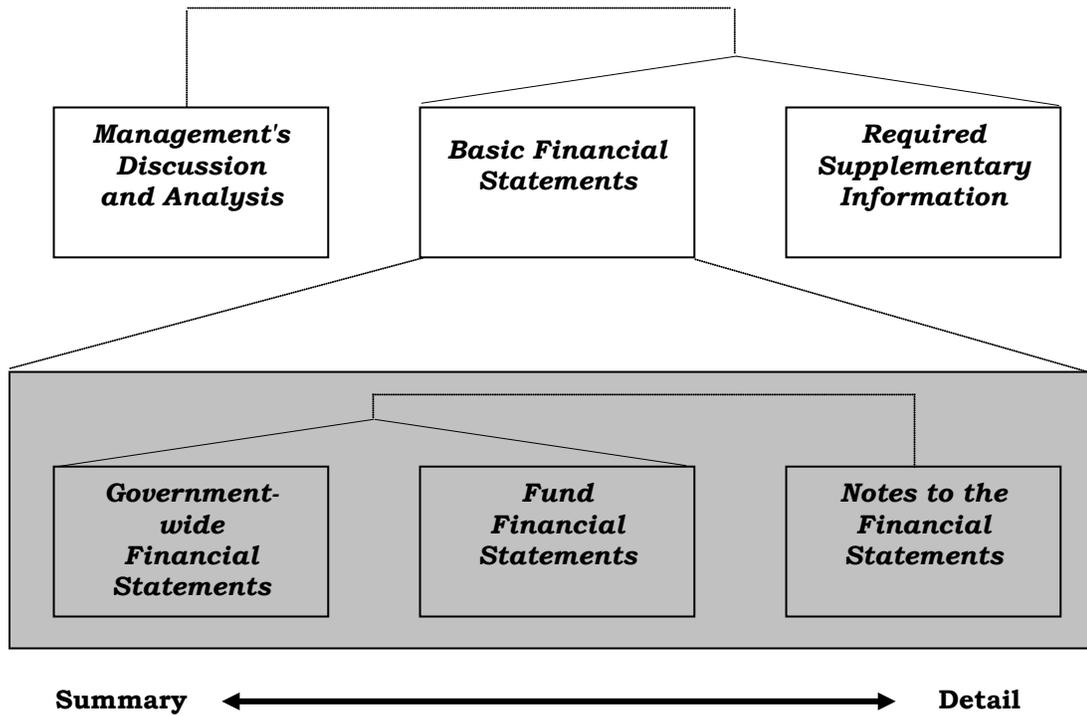


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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

REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

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

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

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

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

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

3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds include the Agency fund.

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2012 compared to June 30, 2011.

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2012	2011	2012	2011	2012	2011	2011-12
Current and other assets	\$ 2,768,698	2,874,652	29,281	51,968	2,797,979	2,926,620	-4.40%
Capital assets	3,167,989	3,256,945	25,902	28,886	3,193,891	3,285,831	-2.80%
Total assets	<u>5,936,687</u>	<u>6,131,597</u>	<u>55,183</u>	<u>80,854</u>	<u>5,991,870</u>	<u>6,212,451</u>	<u>-3.55%</u>
Long-term obligations	1,319,774	1,549,102	663	461	1,320,437	1,549,563	-14.79%
Other liabilities	2,062,418	1,939,892	8,031	5,090	2,070,449	1,944,982	6.45%
Total liabilities	<u>3,382,192</u>	<u>3,488,994</u>	<u>8,694</u>	<u>5,551</u>	<u>3,390,886</u>	<u>3,494,545</u>	<u>-2.97%</u>
Net assets:							
Invested in capital assets, net of related debt	1,890,904	1,737,509	25,902	28,886	1,916,806	1,766,395	8.52%
Restricted	261,085	346,225	-	-	261,085	346,225	-24.59%
Unrestricted	402,506	558,869	20,587	46,417	423,093	605,286	-30.10%
Total net assets	<u>\$ 2,554,495</u>	<u>2,642,603</u>	<u>46,489</u>	<u>75,303</u>	<u>2,600,984</u>	<u>2,717,906</u>	<u>-4.30%</u>

The District's combined net assets decreased by 4.30%, or \$116,922, from the prior year. The District's net assets were somewhat evenly disbursed between restricted net assets, unrestricted net assets, and invested in capital assets, net of related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets decreased \$85,140, or 24.59%. This decrease in restricted net assets was largely a result of the District's decrease in the Debt Service Fund balance.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased \$182,193, or 30.10%. This decrease in unrestricted net assets was largely a result of the District’s decrease in the General Fund balance.

Figure A-4 shows the changes in net assets for the year ended June 30, 2012 compared to June 30, 2011.

	Figure A-4 Changes of Net Assets						
	Governmental Activities		Business Type Activities		Total District		Total Change
	2012	2011	2012	2011	2012	2011	2011-12
Revenues and transfers:							
Program revenues:							
Charges for services	\$ 765,700	545,810	71,582	72,155	837,282	617,965	35.49%
Operating grants, contributions and restricted interest	495,278	531,398	113,633	102,253	608,911	633,651	-3.90%
Capital grants, contributions and restricted interest	-	2,000	-	-	-	2,000	-100.00%
General revenues:							
Local tax	1,227,960	1,233,103	-	-	1,227,960	1,233,103	-0.42%
Income surtax	179,765	157,810	-	-	179,765	157,810	13.91%
Statewide sales, services and use tax	266,104	214,594	-	-	266,104	214,594	24.00%
Unrestricted state grants	1,953,757	1,931,196	-	-	1,953,757	1,931,196	1.17%
Nonspecific program federal grants	1,241	125,569	-	-	1,241	125,569	-99.01%
Unrestricted investment earnings	3,351	28,398	4	21	3,355	28,419	-88.19%
Other	22,282	27,593	-	1,023	22,282	28,616	-22.13%
Total revenues and transfers	<u>4,915,438</u>	<u>4,797,471</u>	<u>185,219</u>	<u>175,452</u>	<u>5,100,657</u>	<u>4,972,923</u>	<u>2.57%</u>
Program expenses:							
Governmental activities:							
Instructional	3,257,040	3,050,613	-	-	3,257,040	3,050,613	6.77%
Support services	1,474,418	1,453,685	-	-	1,474,418	1,453,685	1.43%
Non-instructional programs	-	-	214,033	181,390	214,033	181,390	18.00%
Other expenses	272,088	313,596	-	-	272,088	313,596	-13.24%
Total expenses	<u>5,003,546</u>	<u>4,817,894</u>	<u>214,033</u>	<u>181,390</u>	<u>5,217,579</u>	<u>4,999,284</u>	<u>4.37%</u>
Changes in net assets	(88,108)	(20,423)	(28,814)	(5,938)	(116,922)	(26,361)	-343.54%
Beginning net assets	<u>2,642,603</u>	<u>2,663,026</u>	<u>75,303</u>	<u>81,241</u>	<u>2,717,906</u>	<u>2,744,267</u>	<u>-0.96%</u>
Ending net assets	<u>\$ 2,554,495</u>	<u>2,642,603</u>	<u>46,489</u>	<u>75,303</u>	<u>2,600,984</u>	<u>2,717,906</u>	<u>-4.30%</u>

In fiscal 2012, local tax, income surtax, statewide sales, services and use tax and unrestricted state grants account for 73.37% of the revenue from governmental activities while charges for services and operating grants and contributions account for nearly all of the revenue from business type activities.

The District’s total revenues were approximately \$5.10 million, of which approximately \$4.92 million was for governmental activities and approximately \$0.18 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 2.57% increase in revenues and a 4.37% increase in expenses.

Governmental Activities

Revenues for governmental activities were \$4,915,438 and expenses were \$5,003,546 for the year ended June 30, 2012.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, and other expenses, for the year ended June 30, 2012 compared to the year ended June 30, 2011.

	Total Cost of Services			Net Cost of Services		
	2012	2011	Change 2011-12	2012	2011	Change 2011-12
Instruction	\$ 3,257,040	3,050,613	6.77%	2,176,062	2,205,156	-1.32%
Support services	1,474,418	1,453,685	1.43%	1,435,227	1,378,169	4.14%
Other expenses	272,088	313,596	-13.24%	131,279	155,361	-15.50%
Totals	<u>\$ 5,003,546</u>	<u>4,817,894</u>	<u>3.85%</u>	<u>3,742,568</u>	<u>3,738,686</u>	<u>0.10%</u>

For the year ended June 30, 2012:

- The cost of all governmental activities this year was \$5,003,546.
- A portion of the cost financed by users of the District's programs was \$765,700.
- The federal and state government subsidized certain programs with operating grants and contributions totaling \$495,278.
- The net cost portion of governmental activities was financed with \$1,227,960 in local tax, \$179,765 in income surtax, \$266,104 in statewide sales, services and use tax, \$1,953,757 in unrestricted state grants, \$1,241 in nonspecific program federal grants, \$3,351 in interest income and \$22,282 in other general revenues.

Business Type Activities

Revenues of the Districts business type activities were \$185,219 and expenses were \$214,033. 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 other income including investment income.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported combined fund balances of \$537,061, compared to last year's ending fund balance in governmental funds of \$801,283.

Governmental Fund Highlights

- The District's General Fund financial position is the product of many factors. An increase in property taxes, tuition revenues and revenues for services to other schools increased General Fund revenues. Increased salary and benefits costs were the main contributing factor in the increase in fund expenditures. This resulted in a decrease in General Fund balance from \$541,992 in 2011 to \$319,255 in 2012
- The District's Debt Service Fund balance decreased from a deficit \$2,188 in Fiscal 2011 to a deficit \$7,265 in fiscal 2012.

Proprietary Fund Highlights

School Nutrition Fund net assets decreased from \$75,303 at June 30, 2011 to \$46,489 at June 30, 2012, representing a decrease of 38.26%.

BUDGETARY HIGHLIGHTS

The District's revenues were \$37,837 less than budgeted revenues, a variance of 0.74%. The most significant variance resulted from the District receiving less from federal sources than originally anticipated.

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

In spite of the District's budgetary practice, the certified budget was exceeded in the instruction, support services and non-instructional functional areas and in total.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2012, the District had invested governmental funds of \$3,193,891, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers and audio-visual equipment, transportation equipment and intangible assets. (See Figure A-6) More detailed information about the District's capital assets is presented in Note 4 to the financial statements. Depreciation expense for the year was \$152,901.

The original cost of the District's capital assets was \$6,764,004. Governmental funds accounted for \$6,654,776, with the remainder of \$109,228 accounted for in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the machinery and equipment category. The District's machinery and equipment totaled \$152,700 at June 30, 2012 compared to \$136,973 at June 30, 2011. This increase resulted from new equipment purchased during the year.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2012	2011	2012	2011	2012	2011	2011-12
Land	\$ 7,500	7,500	-	-	7,500	7,500	0.00%
Buildings	3,023,560	3,130,433	-	-	3,023,560	3,130,433	-3.41%
Land improvements	10,131	10,925	-	-	10,131	10,925	-7.27%
Machinery and equipment	126,798	108,087	25,902	28,886	152,700	136,973	11.48%
Total	\$ 3,167,989	3,256,945	25,902	28,886	3,193,891	3,285,831	-2.80%

Long-Term Debt

At June 30, 2011, the District had \$1,320,437 in general obligation and other long-term debt outstanding. This represents a decrease of 14.79% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 5 to the financial statements.

The District had total outstanding General Obligation Bonds payable of \$1,205,000 at June 30, 2012.

As of June 30, 2012, the District had two computer leases payable from the Capital Projects: Statewide Sales, Services and Use Tax Fund of \$72,085.

The District had total outstanding Net OPEB liability of \$43,352 at June 30, 2012.

Figure A-7
Outstanding Long-Term Obligations

	Governmental Activities		Business type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2012	2011	2012	2011	2012	2011	2011-12
General obligation bonds	\$ 1,205,000	1,440,000	-	-	1,205,000	1,440,000	-16.32%
Laptop leases	72,085	79,436	-	-	72,085	79,436	-9.25%
Net OPEB obligation	42,689	29,666	663	461	43,352	30,127	43.90%
Total	\$ 1,319,774	1,549,102	663	461	1,320,437	1,549,563	-14.79%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- Low allowable growth over several years and enrollment decreases is negatively impacting the District's spending authority. Contractual increases and program changes cannot be made without thorough consideration of our unspent authorized budget.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Jennifer Maher, Business Manager, Sidney Community School District, 2754 Knox Road, PO Box 609, Sidney, Iowa, 51652.

SIDNEY COMMUNITY SCHOOLS

BASIC FINANCIAL STATEMENTS

SIDNEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2012

	Governmental Activities	Business Type Activities	Total
Assets			
Cash and cash equivalents	\$ 678,667	27,031	705,698
Receivables:			
Property tax:			
Delinquent	19,092	-	19,092
Succeeding year	1,426,718	-	1,426,718
Income surtax	165,911	-	165,911
Due from other governments	478,310	-	478,310
Inventories	-	2,250	2,250
Capital assets, net of accumulated depreciation	3,167,989	25,902	3,193,891
Total assets	5,936,687	55,183	5,991,870
Liabilities			
Accounts payable	201,918	26	201,944
Salaries and benefits payable	429,298	6,251	435,549
Accrued interest payable	1,692	-	1,692
Deferred revenue:			
Succeeding year property tax	1,426,718	-	1,426,718
Other	2,792	-	2,792
Unearned revenue	-	1,754	1,754
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	245,000	-	245,000
Laptop leases	63,873	-	63,873
Portion due after one year:			
General obligation bonds payable	960,000	-	960,000
Laptop leases	8,212	-	8,212
Net OPEB liability	42,689	663	43,352
Total liabilities	3,382,192	8,694	3,390,886
Net assets			
Invested in capital assets, net of related debt	1,890,904	25,902	1,916,806
Restricted for:			
Categorical funding	33,035	-	33,035
Management levy purposes	54,935	-	54,935
Student activities	46,663	-	46,663
School infrastructure	126,452	-	126,452
Unrestricted	402,506	20,587	423,093
Total net assets	\$ 2,554,495	46,489	2,600,984

SEE NOTES TO FINANCIAL STATEMENTS.

SIDNEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2012

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges	Operating Grants, Contributions and Restricted Interest	Govern- mental Activities	Business Type Activities	Total
		for Services				
Functions/Programs:						
Governmental activities:						
Instruction:						
Regular	\$ 1,847,681	518,793	29,079	(1,299,809)	-	(1,299,809)
Special	938,679	136,237	169,001	(633,441)	-	(633,441)
Other	470,680	101,106	126,762	(242,812)	-	(242,812)
	<u>3,257,040</u>	<u>756,136</u>	<u>324,842</u>	<u>(2,176,062)</u>	<u>-</u>	<u>(2,176,062)</u>
Support services:						
Student	142,269	-	-	(142,269)	-	(142,269)
Instructional staff	148,686	-	27,958	(120,728)	-	(120,728)
Administration	501,480	-	-	(501,480)	-	(501,480)
Operation and maintenance of plant	390,964	-	-	(390,964)	-	(390,964)
Transportation	291,019	9,564	1,669	(279,786)	-	(279,786)
	<u>1,474,418</u>	<u>9,564</u>	<u>29,627</u>	<u>(1,435,227)</u>	<u>-</u>	<u>(1,435,227)</u>
Long-term debt interest	23,612	-	-	(23,612)	-	(23,612)
Other expenditures:						
AEA flowthrough	140,809	-	140,809	-	-	-
Depreciation(unallocated)*	107,667	-	-	(107,667)	-	(107,667)
	<u>272,088</u>	<u>-</u>	<u>140,809</u>	<u>(131,279)</u>	<u>-</u>	<u>(131,279)</u>
Total governmental activities	5,003,546	765,700	495,278	(3,742,568)	-	(3,742,568)
Business Type activities:						
Non-instructional programs:						
Nutrition services	214,033	71,582	113,633	-	(28,818)	(28,818)
Total	\$ 5,217,579	837,282	608,911	(3,742,568)	(28,818)	(3,771,386)
General Revenues:						
Local tax for:						
General purposes				\$ 1,100,805	-	1,100,805
Debt service				127,155	-	127,155
Statewide sales and services				266,104	-	266,104
Income surtax				179,765	-	179,765
Unrestricted state grants				1,953,757	-	1,953,757
Nonspecific program federal grants				1,241	-	1,241
Unrestricted investment earnings				3,351	4	3,355
Other				22,282	-	22,282
Total general revenues				<u>3,654,460</u>	<u>4</u>	<u>3,654,464</u>
Changes in net assets				(88,108)	(28,814)	(116,922)
Net assets beginning of year				<u>2,642,603</u>	<u>75,303</u>	<u>2,717,906</u>
Net assets end of year				<u>\$ 2,554,495</u>	<u>46,489</u>	<u>2,600,984</u>

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

SEE NOTES TO FINANCIAL STATEMENTS.

SIDNEY COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2012

	General	Debt Service	Nonmajor Governmental Funds	Total
Assets				
Cash and pooled investments	\$ 475,245	(9,223)	207,645	673,667
Receivables:				
Property tax:				
Delinquent	16,356	1,958	778	19,092
Succeeding year	1,061,418	265,300	100,000	1,426,718
Income surtax	165,911	-	-	165,911
Due from other governments	427,079	-	51,231	478,310
Total assets	\$ 2,146,009	258,035	359,654	2,763,698
Liabilities and fund balances				
Liabilities:				
Accounts payable	\$ 167,335	-	34,583	201,918
Salaries and benefits payable	429,298	-	-	429,298
Deferred revenue:				
Succeeding year property tax	1,061,418	265,300	100,000	1,426,718
Income surtax	165,911	-	-	165,911
Other	2,792	-	-	2,792
Total liabilities	1,826,754	265,300	134,583	2,226,637
Fund balances:				
Restricted for:				
Categorical funding	33,035	-	-	33,035
Management levy purposes	-	-	54,935	54,935
Student activities	-	-	46,663	46,663
School infrastructure	-	-	126,452	126,452
Assigned for special purposes	19,485	-	-	19,485
Unassigned				
General	266,735	-	-	266,735
Debt service	-	(7,265)	-	(7,265)
Physical plant and equipment	-	-	(2,979)	(2,979)
Total fund balances	319,255	(7,265)	225,071	537,061
Total liabilities and fund balances	\$ 2,146,009	258,035	359,654	2,763,698

SEE NOTES TO FINANCIAL STATEMENTS.

SIDNEY COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET ASSETS
 JUNE 30, 2012

Total fund balances of governmental funds(page 20)	\$	537,061
 Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.		3,167,989
Blending of the Internal Service Funds to be reflected on an entity-wide basis.		5,000
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.		(1,692)
Accounts receivable income surtax, is not yet available to finance expenditures of the current fiscal period.		165,911
Long-term liabilities, including bonds payable, laptop leases payable and other post-employment benefits payable are not due and payable in the current period and, therefore, are not reported in the funds.		<u>(1,319,774)</u>
 Net assets of governmental activities(page 18)	 \$	 <u><u>2,554,495</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

SIDNEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2012

	General	Debt Service	Nonmajor Governmental Funds	Total
Revenues:				
Local sources:				
Local tax	\$ 1,199,980	127,155	316,108	1,643,243
Tuition	521,521	-	-	521,521
Other	179,094	-	93,724	272,818
Intermediate sources	2,500	-	-	2,500
State sources	2,214,220	-	-	2,214,220
Federal sources	230,550	-	-	230,550
Total revenues	<u>4,347,865</u>	<u>127,155</u>	<u>409,832</u>	<u>4,884,852</u>
Expenditures:				
Current:				
Instruction:				
Regular	1,819,158	-	17,569	1,836,727
Special	938,030	-	-	938,030
Other	380,582	-	85,112	465,694
	<u>3,137,770</u>	<u>-</u>	<u>102,681</u>	<u>3,240,451</u>
Support services:				
Student	141,995	-	-	141,995
Instructional staff	103,104	-	45,451	148,555
Administration	487,376	-	11,292	498,668
Operation and maintenance of plant	243,182	-	88,526	331,708
Transportation	328,925	-	12,881	341,806
	<u>1,304,582</u>	<u>-</u>	<u>158,150</u>	<u>1,462,732</u>
Capital outlay	-	-	60,575	60,575
Long-term debt:				
Principal	-	242,351	-	242,351
Interest and fiscal charges	-	23,768	-	23,768
Other expenditures:				
AEA flowthrough	140,809	-	-	140,809
	<u>140,809</u>	<u>266,119</u>	<u>60,575</u>	<u>467,503</u>
Total expenditures	<u>4,583,161</u>	<u>266,119</u>	<u>321,406</u>	<u>5,170,686</u>
Excess(Deficiency) of revenues over(under) expenditures	<u>(235,296)</u>	<u>(138,964)</u>	<u>88,426</u>	<u>(285,834)</u>
Other financing sources(uses):				
Transfers in	4,752	138,639	-	143,391
Transfers out	-	(4,752)	(138,639)	(143,391)
Insurance proceeds	7,807	-	13,805	21,612
Total other financing sources(uses)	<u>12,559</u>	<u>133,887</u>	<u>(124,834)</u>	<u>21,612</u>
Net change in fund balances	(222,737)	(5,077)	(36,408)	(264,222)
Fund balances beginning of year	541,992	(2,188)	261,479	801,283
Fund balances end of year	<u>\$ 319,255</u>	<u>(7,265)</u>	<u>225,071</u>	<u>537,061</u>

SEE NOTES TO FINANCIAL STATEMENTS.

SIDNEY COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 YEAR ENDED JUNE 30, 2012

Net change in fund balances - total governmental funds(page 22) \$ (264,222)

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

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays, depreciation expense and loss on disposal in the year are as follows:

Capital outlays	\$ 66,161	
Depreciation expense	(149,917)	
Loss on disposal	(5,200)	(88,956)

Repayment of long-term debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets. 242,351

Net change in the Internal Service Funds charged back against expenditures made for self-funded insurance at an entity-wide basis. 5,000

Income surtax accounts receivable is not available to finance expenditures of the current year period in the governmental funds. 30,586

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. 156

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.

Other postemployment benefits		(13,023)

Changes in net assets of governmental activities(page 19) \$ (88,108)

SIDNEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2012

	Business Type	
	Activities: Enterprise Fund School Nutrition	Governmental Activities: Internal Service Fund
Assets		
Cash and pooled investments	\$ 27,031	5,000
Inventories	2,250	-
Capital assets, net of accumulated depreciation	25,902	-
Total assets	55,183	5,000
Liabilities		
Accounts payable	26	-
Salaries and benefits payable	6,251	-
Unearned revenue	1,754	-
Net OPEB liability	663	-
Total liabilities	8,694	-
Net Assets		
Invested in capital assets	25,902	-
Unrestricted	20,587	5,000
Total net assets	\$ 46,489	5,000

SEE NOTES TO FINANCIAL STATEMENTS.

SIDNEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2012

	Business Type	
	Activities: Enterprise Fund School Nutrition	Governmental Activities: Internal Service Fund
Operating revenues:		
Local sources:		
Charges for services	\$ 71,153	-
Miscellaneous revenues	429	5,000
Total operating revenues	<u>71,582</u>	<u>5,000</u>
Operating expenses:		
Non-instructional programs:		
Salaries	83,906	-
Benefits	19,213	-
Services	556	-
Supplies	107,139	-
Depreciation	2,984	-
Other	235	-
Total operating expenses	<u>214,033</u>	<u>-</u>
Operating loss	<u>(142,451)</u>	<u>5,000</u>
Non-operating revenues:		
State sources	1,836	-
Federal sources	111,797	-
Interest on investments	4	-
Total non-operating revenues	<u>113,637</u>	<u>-</u>
Changes in net assets	(28,814)	5,000
Net assets beginning of year	<u>75,303</u>	<u>-</u>
Net assets end of year	<u>\$ 46,489</u>	<u>5,000</u>

SEE NOTES TO FINANCIAL STATEMENTS.

SIDNEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2012

	Business Type	
	Enterprise Fund School Nutrition	Governmental Activities Internal Service Fund
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 72,417	-
Cash received from miscellaneous operating activities	429	5,000
Cash payments to employees for services	(99,540)	-
Cash payments to suppliers for goods or services	(100,315)	-
Net cash used in operating activities	<u>(127,009)</u>	<u>5,000</u>
Cash flows from non-capital financing activities:		
State grants received	1,836	-
Federal grants received	102,050	-
Net cash provided(used) by non-capital financing activities	<u>103,886</u>	<u>-</u>
Cash flows from investing activities:		
Interest on investments	4	-
Net increase(decrease) in cash and cash equivalents	(23,119)	5,000
Cash and cash equivalents at beginning of year	50,150	-
Cash and cash equivalents at end of year	<u>\$ 27,031</u>	<u>5,000</u>
Reconciliation of operating loss to net cash used by operating activities:		
Operating income(loss)	\$ (142,451)	5,000
Adjustments to reconcile operating loss to net cash provided used by operating activities:		
Commodities consumed	9,747	-
Depreciation	2,984	-
Increase in inventories	(432)	-
Decrease in accounts payable	(1,700)	-
Increase in salaries and benefits payable	3,377	-
Increase in net OPEB liability	202	-
Increase in unearned revenue	1,264	-
Net cash used by operating activities	<u>\$ (127,009)</u>	<u>5,000</u>
Non-cash investing, capital and related financing activities:		
During the year ended June 30, 2012, the District received \$9,747 of federal commodities.		

SEE NOTES TO FINANCIAL STATEMENTS.

SIDNEY COMMUNITY SCHOOL DISTRICT
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 YEAR ENDED JUNE 30, 2012

	Private Purpose Trust
	Scholarship
Additions:	
Local sources:	
Donations	\$ 175
	175
Deductions:	
Non-instructional programs:	
Scholarships awarded	175
	175
Change in net assets	0
Net assets beginning of year	0
	0
Net assets end of year	\$ 0
	0

SEE NOTES TO FINANCIAL STATEMENTS.

SIDNEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

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

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

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

A. Reporting Entity

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

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

B. Basis of Presentation

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

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

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

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

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

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

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

The District reports the following major governmental funds:

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

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

The District reports the following proprietary fund:

The District's proprietary funds are the Enterprise, School Nutrition Fund and the Internal Service Fund. The School Nutrition Fund is used to account for the food service operations of the District.

The District reports a fiduciary fund which focuses on net assets and changes in net assets. The District's fiduciary fund is:

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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 - 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.

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

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

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

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2010 assessed property valuations; is for the tax accrual period July 1, 2011 through June 30, 2012 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2011.

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

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

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

Asset Class	Amount
Land	\$ 2,500
Buildings	2,500
Land improvements	2,500
Intangibles	150,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	2,000

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

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Land improvements	20 years
Intangibles	2 or more years
Machinery and equipment	5-20 years

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

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

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

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

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

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

Nonspendable - Amounts which cannot be spent because they are legally or contractually required to be intact or are not expected to be converted to cash.

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.

Assigned - Amounts the Board intends to use for specific purposes.

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 Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2012, expenditures exceeded the amounts budgeted in the instruction, support services and non-instructional functions and in total.

(2) Cash and Pooled Investments

The District's deposits at June 30, 2012 were entirely covered by federal depository insurance, collateralized with securities or letters of credit held by the District or the District's agent in the District's name, or by multiple financial institution collateral pool in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

At June 30, 2012, the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$250,254 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Iowa Schools Joint Investment Trust was rated AAA by Standard & Poor's Financial Services.

(3) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2012 is as follows:

Transfer to	Transfer from	Amount
General	Debt Service	\$ 4,752
	Capital Projects:	
	Statewide Sales, Services and Use Tax	138,639
Debt Service		
Total		<u>\$ 143,391</u>

The transfer from the Debt Service Fund to the General fund was to reimburse for general fund payment of legal fees on bonds.

The transfer from Capital Projects: Statewide Sales, Services and Use Tax Fund to the Debt Service Fund was \$8,639 for the Apple computer lease and \$130,000 was for the General Obligation bond payment.

(4) Capital Assets

Capital assets activity for the year ended June 30, 2012 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 7,500	-	-	7,500
Total capital assets not being depreciated	7,500	-	-	7,500
Capital assets being depreciated:				
Buildings	5,346,323	-	-	5,346,323
Land improvements	193,934	-	-	193,934
Machinery and equipment	1,053,858	66,161	13,000	1,107,019
Total capital assets being depreciated	6,594,115	66,161	13,000	6,647,276
Less accumulated depreciation for:				
Buildings	2,215,890	106,873	-	2,322,763
Land improvements	183,009	794	-	183,803
Machinery and equipment	945,771	42,250	7,800	980,221
Total accumulated depreciation	3,344,670	149,917	7,800	3,486,787
Total capital assets being depreciated, net	3,249,445	(83,756)	5,200	3,160,489
Governmental activities capital assets, net	\$ 3,256,945	(83,756)	5,200	3,167,989
Business type activities:				
Machinery and equipment	\$ 109,228	-	-	109,228
Less accumulated depreciation	80,342	2,984	-	83,326
Business type activities capital assets, net	\$ 28,886	(2,984)	-	25,902

Depreciation expense was charged to the following functions:

Governmental activities:

Instruction:

Regular \$ 12,107

Other 4,463

Support services:

Operation and maintenance of plant 1,236

Transportation 24,444

42,250

Unallocated depreciation 107,667

Total depreciation expense - governmental activities \$ 149,917

Business type activities:

Food services operations \$ 2,984

(5) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2012 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 1,440,000	-	235,000	1,205,000	245,000
Laptop leases	79,436	-	7,351	72,085	63,873
Net OPEB liability	29,666	13,023	-	42,689	-
Total	\$ 1,549,102	13,023	242,351	1,319,774	308,873
Business type activities:					
Net OPEB liability	\$ 461	202	-	663	-

Details of the District's June 30, 2012 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of February 28, 2011				
	Interest Rates	Principal	Interest	Total	
2013	1.05 %	\$ 245,000	20,300	265,300	
2014	1.35	245,000	17,728	262,728	
2015	1.70	250,000	14,420	264,420	
2016	2.05	210,000	10,170	220,170	
2017	2.30	255,000	5,865	260,865	
Total		\$ 1,205,000	68,483	1,273,483	

Computer Leases

Details of the District's June 30, 2012 computer lease indebtedness is as follows:

Year Ending June 30,	Laptop Lease of May 12, 2009		Laptop Lease of May 27, 2011				Total		
	Interest Rates	Principal	Interest Rates	Principal	Interest	Total	Principal	Interest	Total
2013	\$ 56,103	-	5.55 %	\$ 7,770	870	8,640	\$ 63,873	870	64,743
2014	-	-	5.55	8,212	428	8,640	8,212	428	8,640
Total	\$ 56,103	-		\$ 15,982	1,298	17,280	\$ 72,085	1,298	73,383

(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 5.38% of their annual covered salary and the District is required to contribute 8.07% of annual covered salary. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2012, 2011 and 2010 were \$218,257, \$175,131 and \$155,721, respectively, equal to the required contributions for each year.

(7) Other Postemployment Benefits(OPEB)

Plan Description - The District operates a single-employer retiree benefit plan which provides medical benefits for retirees and their spouses. There are 44 active and 4 members in the plan. Participants must be age 55 or older at age of retirement.

The medical benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical benefit as active employees, which result in an implicit rate subsidy and an OPEB liability.

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

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

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2012, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 42,000
Interest on net OPEB obligation	1,356
Adjustment to annual required contribution	(1,131)
Annual OPEB cost	<u>42,225</u>
Contributions made	<u>(29,000)</u>
Increase in net OPEB obligation	13,225
Net OPEB obligation beginning of year	<u>30,127</u>
Net OPEB obligation end of year	<u><u>\$ 43,352</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2012.

For the year ended June 30, 2012, the District contributed \$29,000 to the medical plan. Plan members eligible for the plan contributed \$35,000 or 54.69% of the premium costs.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2012 are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2010	\$ 42,000	59.52%	\$ 17,000
2011	42,127	68.84%	30,127
2012	42,225	68.68%	43,352

Funded Status and Funding Progress - As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2011 through June 30, 2012, the actuarial accrued liability was \$373,000 with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$373,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$2,158,654 and the ratio of the UAAL to covered payroll was 17.28%. As of June 30, 2012, there were no trust fund assets.

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. The Schedule of Funding Progress, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

As of the July 1, 2009 actuarial valuation date, the Projected Unit Credit Cost Method was used. The actuarial assumptions include a 4.50% discount rate based on the District's funding policy. The projected annual health care cost trend rate is 10.00% for the year ended June 30, 2012. It then grades downward by 0.5% each year until reaching the ultimate health care cost trend rate of 5.00% in 2022.

Mortality rates are from the RP-2000 Table, applied on a gender-specific basis. Annual retirement probabilities were developed based upon sample rates varying by age and employee type.

Projected claim costs of the medical plan are \$346 per month for retirees less than age 65. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(8) Risk Management

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

(9) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$140,809 for the year ended June 30, 2012 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(10) Deficit Fund Balances

The Physical Plant and Equipment Levy Fund had a deficit unassigned fund balance of \$2,979 at June 30, 2012. The Debt Service Fund had a deficit unassigned fund balance of \$7,265 at June 30, 2012.

(11) Categorical Funding

The District's restricted fund balance for categorical funding at June 30, 2012 is comprised of the following programs:

Program	Amount
LEP Weighting	\$ 5,188
Home School Assistance Program	4,342
At-Risk Supplemental Weighting	10,434
Professional Development for Model Core Curriculum	13,071
Total	<u>\$ 33,035</u>

(12) Budget Overexpenditure

Per the Code of Iowa, expenditures may not legally exceed budgeted appropriations at the functional area level. During the year ended June 30, 2012, expenditures in the instruction, support services, and non-instructional programs functional areas exceeded the amounts budgeted and the total budget.

SIDNEY COMMUNITY SCHOOLS

REQUIRED SUPPLEMENTARY INFORMATION

SIDNEY COMMUNITY SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENDITURES/EXPENSES
 AND CHANGES IN BALANCES -
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
 AND PROPRIETARY FUNDS
 REQUIRED SUPPLEMENTARY INFORMATION
 YEAR ENDED JUNE 30, 2012

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to
	Fund Types	Fund Type		Original	Final	Actual
	Actual	Actual				Variance
Revenues:						
Local sources	\$ 2,437,582	71,586	2,509,168	2,499,521	2,499,521	9,647
Intermediate sources	2,500	-	2,500	-	-	2,500
State sources	2,214,220	1,836	2,216,056	2,235,387	2,235,387	(19,331)
Federal sources	230,550	111,797	342,347	373,000	373,000	(30,653)
Total revenues	4,884,852	185,219	5,070,071	5,107,908	5,107,908	(37,837)
Expenditures/Expenses:						
Instruction	3,240,451	-	3,240,451	2,887,710	2,887,710	(352,741)
Support services	1,462,732	-	1,462,732	1,434,900	1,434,900	(27,832)
Non-instructional programs	-	214,033	214,033	182,280	182,280	(31,753)
Other expenditures	467,503	-	467,503	503,190	503,190	35,687
Total expenditures/expenses	5,170,686	214,033	5,384,719	5,008,080	5,008,080	(376,639)
Excess(Deficiency) of revenues over(under) expenditures/expenses	(285,834)	(28,814)	(314,648)	99,828	99,828	(414,476)
Other financing sources, net	21,612	-	21,612	1,523,263	1,523,263	(1,501,651)
Excess(Deficiency) of revenues and other financing sources over(under) expenditures/expenses	(264,222)	(28,814)	(293,036)	1,623,091	1,623,091	(1,916,127)
Balances beginning of year	801,283	75,303	876,586	3,761,887	3,761,887	(2,885,301)
Balances end of year	\$ 537,061	46,489	583,550	5,384,978	5,384,978	(4,801,428)

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SIDNEY COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2012

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

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

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

During the year ended June 30, 2012 expenditures in the instruction, support services and non-instructional programs exceeded the amounts budgeted and the total budget.

SIDNEY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FUNDING PROGRESS FOR THE
RETIREE HEALTH PLAN
REQUIRED SUPPLEMENTARY INFORMATION

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	July 1, 2009	-	\$ 373,000	373,000	0.00%	\$ 1,914,906	19.48%
2011	July 1, 2009	-	373,000	373,000	0.00%	1,766,157	21.12%
2012	July 1, 2009	-	373,000	373,000	0.00%	2,158,654	17.28%

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.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SUPPLEMENTARY INFORMATION

SIDNEY COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2012

	Special Revenue				Total
	Management Levy	Student Activity	Total Special Revenue Funds	Capital Projects	Other Nonmajor Governmental Funds
Assets					
Cash and pooled investments	\$ 55,165	48,674	103,839	103,806	207,645
Receivables:					
Property tax:					
Delinquent	778	-	778	-	778
Succeeding year	100,000	-	100,000	-	100,000
Due from other governments	-	-	-	51,231	51,231
Total assets	\$ 155,943	48,674	204,617	155,037	359,654
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 1,008	2,011	3,019	31,564	34,583
Deferred revenue:					
Succeeding year property tax	100,000	-	100,000	-	100,000
Total liabilities	101,008	2,011	103,019	31,564	134,583
Fund balances:					
Restricted for:					
Management levy purposes	54,935	-	54,935	-	54,935
Student activities	-	46,663	46,663	-	46,663
School infrastructure	-	-	-	126,452	126,452
Unassigned	-	-	-	(2,979)	(2,979)
Total fund balances	54,935	46,663	101,598	123,473	225,071
Total liabilities and fund balances	\$ 155,943	48,674	204,617	155,037	359,654

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SIDNEY COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2012

	Special Revenue			Capital Projects	Total Other Nonmajor Governmental Funds
	Manage- ment Levy	Student Activity	Total Special Revenue Funds		
Revenues:					
Local sources:					
Local tax	\$ 50,004	-	50,004	266,104	316,108
Other	6,248	87,135	93,383	341	93,724
Total revenues	<u>56,252</u>	<u>87,135</u>	<u>143,387</u>	<u>266,445</u>	<u>409,832</u>
Expenditures:					
Current:					
Instruction:					
Regular	-	-	-	17,569	17,569
Other	-	80,851	80,851	4,261	85,112
Support services:					
Instructional staff	-	-	-	45,451	45,451
Administration	-	-	-	11,292	11,292
Operation and maintenance of plant	68,332	-	68,332	20,194	88,526
Transportation	9,881	-	9,881	3,000	12,881
Other expenditures:					
Facilities acquisitions	-	-	-	60,575	60,575
Total expenditures	<u>78,213</u>	<u>80,851</u>	<u>159,064</u>	<u>162,342</u>	<u>321,406</u>
Excess(Deficiency) of revenues over(under) expenditures	(21,961)	6,284	(15,677)	104,103	88,426
Other financing sources(uses):					
Transfers out	-	-	-	(138,639)	(138,639)
Proceeds from disposal	-	-	-	13,805	13,805
Total other financing uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>(124,834)</u>	<u>(124,834)</u>
Net change in fund balances	(21,961)	6,284	(15,677)	(20,731)	(36,408)
Fund balances beginning of year	<u>76,896</u>	<u>40,379</u>	<u>117,275</u>	<u>144,204</u>	<u>261,479</u>
Fund balances end of year	<u>\$ 54,935</u>	<u>46,663</u>	<u>101,598</u>	<u>123,473</u>	<u>225,071</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SIDNEY COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 CAPITAL PROJECT ACCOUNTS
 JUNE 30, 2012

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
ASSETS			
Cash and pooled investments	\$ 106,785	(2,979)	103,806
Receivables:			
Due from other governments	51,231	-	51,231
TOTAL ASSETS	\$ 158,016	(2,979)	155,037
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 31,564	-	31,564
Fund balances:			
Restricted for:			
School infrastructure	126,452	-	126,452
Physical plant and equipment	-	(2,979)	(2,979)
Total fund balances	126,452	(2,979)	123,473
TOTAL LIABILITIES AND FUND BALANCES	\$ 158,016	(2,979)	155,037

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SIDNEY COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 CAPITAL PROJECT ACCOUNTS
 YEAR ENDED JUNE 30, 2012

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
REVENUES:			
Local sources:			
Local tax	266,104	-	266,104
Other	315	26	341
Total revenues	266,419	26	266,445
EXPENDITURES:			
Current:			
Instruction:			
Regular	15,249	2,320	17,569
Other	-	4,261	4,261
Support services:			
Instructional staff	41,294	4,157	45,451
Administration	556	10,736	11,292
Operation and maintenance of plant	20,194	-	20,194
Transportation	3,000	-	3,000
Other expenditures:			
Facilities acquisitions	57,735	2,840	60,575
Total expenditures	138,028	24,314	162,342
Excess(Deficiency) of revenues over(under) expenditures	128,391	(24,288)	104,103
Other financing sources(uses):			
Transfers out	(138,639)	-	(138,639)
Proceeds from disposal	13,805	-	13,805
Total other financing uses	(124,834)	-	(124,834)
Net change in fund balance	3,557	(24,288)	(20,731)
Fund balance beginning of year	122,895	21,309	144,204
Fund balance end of year	126,452	(2,979)	123,473

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SIDNEY COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2012

Account	Balance Beginning of Year	Revenues	Expendi- tures	Transfers	Balance End of Year
Daisy Hummel Memorial	\$ 330	-	-	-	330
Drama Club	-	1,019	940	-	79
Musical	-	-	75	75	-
Vocal Music	181	917	917	-	181
Swing Choir/Jazz Band	118	-	-	-	118
JH Athletics	414	4,215	3,996	(55)	578
JH Girls Basketball	-	-	54	54	-
Golf	-	860	941	81	-
Swimming	-	-	40	40	-
Boys Basketball	197	6,407	5,661	(943)	-
Football	111	11,092	10,525	(678)	-
Baseball	(610)	6,004	4,812	-	582
Boys Track	-	2,447	3,197	750	-
Wrestling	-	805	1,282	477	-
Girls Basketball	1,221	3,091	3,692	(620)	-
Volleyball	-	3,418	3,635	217	-
Softball	-	2,583	1,677	(293)	613
Girls Track	-	-	970	970	-
Art Club	410	455	524	-	341
FCCLA	194	515	464	-	245
Honor Society	252	345	223	-	374
Student Council HS	543	1,525	768	-	1,300
Student Council JH	1,814	486	223	-	2,077
Business Club	860	1,822	1,855	(48)	779
Band Projects	799	-	-	-	799
BB Cheerleaders	-	160	251	91	-
Class of 2010	522	-	-	(342)	180
Class of 2011	1,328	-	767	-	561
Class of 2012	1,043	1,203	2,588	342	-
Class of 2013	-	7,150	5,176	(229)	1,745
Sidewalk Project	12,500	3,505	800	-	15,205
FB Cheerleaders	-	455	321	(91)	43
WR Cheerleaders	-	91	15	-	76
Athletics Pop Machine	926	7,298	8,886	1,370	708
Elementary Activities	11,883	17,759	14,868	-	14,774
Interest	-	52	-	-	52
Elementary Pop Machine	200	1,131	-	(1,093)	238
Plays	3,141	325	708	(75)	2,683
Athletic Season	2,002	-	-	-	2,002
Total	\$ 40,379	87,135	80,851	-	46,663

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Modified Accrual Basis								
	Years Ended June 30,								
	2012	2011	2010	2009	2008	2007	2006	2005	2004
Revenues:									
Local sources:									
Local tax	\$ 1,643,243	1,598,580	1,615,977	1,734,649	1,743,519	1,773,618	1,758,105	1,633,214	1,675,765
Tuition	521,521	440,127	364,338	205,035	185,330	203,497	146,025	124,819	104,926
Other	272,818	168,272	180,369	209,693	224,151	281,439	260,332	285,964	151,977
Intermediate sources	2,500	-	-	-	2,368	-	-	-	-
State sources	2,214,220	2,163,704	1,763,359	2,117,573	2,086,935	1,862,149	1,801,552	1,649,337	1,579,256
Federal sources	230,550	419,861	591,159	256,394	207,350	183,410	170,584	196,792	149,207
Total	\$ 4,884,852	4,790,544	4,515,202	4,523,344	4,449,653	4,304,113	4,136,598	3,890,126	3,661,131
Expenditures:									
Current:									
Instruction:									
Regular	\$ 1,836,727	1,616,985	1,781,265	1,630,114	1,548,722	1,549,988	1,451,545	1,383,753	1,378,326
Special	938,030	963,691	371,106	666,773	647,232	612,881	488,056	442,290	432,934
Other	465,694	448,248	533,116	318,744	303,080	222,333	311,437	298,717	279,155
Support services:									
Student	141,995	152,445	133,380	159,861	139,589	129,148	134,148	113,912	108,455
Instructional staff	148,555	209,375	408,167	171,791	99,592	108,393	133,909	78,533	72,056
Administration	498,668	495,380	541,494	397,125	396,570	379,710	370,155	455,720	400,681
Operation and maintenance of plant	331,708	241,742	362,356	297,942	309,554	305,048	288,372	278,940	245,471
Transportation	341,806	255,030	242,484	190,068	180,541	185,875	257,805	149,636	162,110
Non-instructional programs									
Capital outlay	60,575	91,235	79,700	59,378	35,959	57,008	39,740	240,802	646,678
Long-term debt:									
Principal	242,351	985,396	337,717	251,835	206,020	2,250,395	158,207	135,000	130,000
Interest and other charges	23,768	50,480	62,023	68,857	73,336	191,631	196,603	205,650	220,241
Other expenditures:									
AEA flow-through	140,809	158,235	147,831	138,325	131,204	115,493	109,205	108,712	110,293
Total	\$ 5,170,686	5,668,242	5,000,639	4,350,813	4,071,399	6,107,903	3,939,182	3,891,665	4,186,400

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

117 West 3rd Street North, Newton, Iowa 50208-3040

Telephone (641) 792-1910

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

To the Board of Education of
Sidney Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Sidney Community School District as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated February 27, 2013. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

The management of Sidney Community School District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Sidney 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 Sidney Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Sidney Community School District's internal control over financial reporting.

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

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control described in Part I of the accompanying Schedule of Findings as item I-A-12 to be a material weakness.

A significant deficiency is a deficiency or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control described in Part I of the accompanying Schedule of Findings as item I-B-12 to be a significant deficiency.

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2012 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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

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

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



NOLTE, CORNMAN & JOHNSON, P.C.

February 27, 2013

SIDNEY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2012

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

I-A-12 Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Cash receipts are issued and bank deposits are prepared by the same person. An independent person does not open the mail and prepare an initial listing of the checks received and later compare the listing to the receipts issued. Also, vouchers are processed, disbursements are recorded, and checks are prepared by the same person.

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

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

Conclusion - Response accepted.

I-B-12 Supporting Documentation - We noted four out of seventy five checks pulled in our sample that lacked the cancelled invoice or other supporting documentation.

Recommendation - The District should review its procedures to ensure that all bills are properly supported and paid from an invoice. The District should adopt policies and procedures to use when an invoice may not be available, such as requiring additional approval or support documentation other than an invoice.

Response - The District will put in place procedures to ensure that all bills are properly supported and paid from an invoice.

Conclusion - Response accepted.

Part II: Other Findings Related to Statutory Reporting:

II-A-12 Certified Budget - District disbursements for the year ended June 30, 2012 exceeded the certified budget amounts in the instruction, support services and non-instructional programs functions and the total budget.

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

Response - The District will amend their certified budget in future years before expenditures exceed the budget.

Conclusion - Response accepted.

II-B-12 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.

II-C-12 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

II-D-12 Business Transactions - Business transactions between the District and District officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Randy Bishop, Board Member Owns Bishop Plumbing & Heating	Repairs/Supplies	\$276

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

II-E-12 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

II-F-12 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

II-G-12 Certified Enrollment - We noted a variance in the basic enrollment data certified to the Department of Education. The number of students certified to the Iowa Department of Education was understated by 1.0 student.

Recommendation - The Iowa Department of Education and the Department of Management should be contacted to resolve this matter.

Response - The District's auditors will contact the Iowa Department of Education and the Department of Management to resolve this matter.

Conclusion - Response accepted.

II-H-12 Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

II-I-12 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

II-J-12 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.

II-K-12 Categorical Funding - No instances were noted of categorical funding being used to supplant rather than supplement other funds.

II-L-12 Statewide Sales, Services and Use Tax - No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.3 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified annual reports (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2012, the following information includes the amounts the District reported for the statewide sales, services and use tax revenue in the District's CAR including adjustments identified during the fiscal year 2012 audit.

Beginning balance		\$ 122,895
Revenues:		
Sales tax revenues	\$ 266,104	
Other local revenues	14,120	280,224
	<u> </u>	<u>403,119</u>
Expenditures/transfers out:		
Instruction	\$ 15,249	
Support services	65,044	
Facilities acquisitions	57,735	
Transfers to other funds:		
Debt service fund	138,639	276,667
	<u> </u>	<u> </u>
Ending balance		<u><u>\$ 126,452</u></u>

For the year ended June 30, 2012 the District did not reduce any levies as a result of the monies received under Chapter 423E or 423F of the Code of Iowa.