

SIOUX CENTER COMMUNITY SCHOOL DISTRICT

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

June 30, 2012

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## Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Sioux Center Community School District, Sioux Center, Iowa, as of and for the year ended June 30, 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 our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Sioux Center Community School District as of June 30, 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 reports dated February 15, 2013, on our consideration of Sioux Center Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 13 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 operational, economic or historical context. We have applied certain limited procedures to the

required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the required supplementary information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Sioux Center Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the five years ended June 30, 2011 (which are not presented herein) and expressed unqualified opinions on those financial statements. The financial statements for the three years ended June 30, 2006 (which are not presented herein) were audited by other auditors who expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 10, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of 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.

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

February 15, 2013

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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The Sioux Center Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 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 \$10,301,836 in fiscal 2011 to \$10,780,766 in fiscal 2012, while General Fund expenditures increased from \$9,852,341 in fiscal 2011 to \$10,112,145 in fiscal 2012. The District's General Fund balance increased from \$1,343,261 in fiscal 2011 to \$2,013,329 in fiscal 2012.
- The fiscal year 2012 increase in General Fund revenues were attributable to increases in property tax and state grant revenue. The increase in expenditures was due primarily to an increase in the negotiated salary and benefits and special education expenditures. The General Fund balance increased because the district took steps to reduce recurring costs by offering early retirement and increasing the cash reserve.

### USING THIS ANNUAL REPORT

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

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

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

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

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

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

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

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

**Figure A-1**  
**Sioux Center Community School District Annual Financial Report**

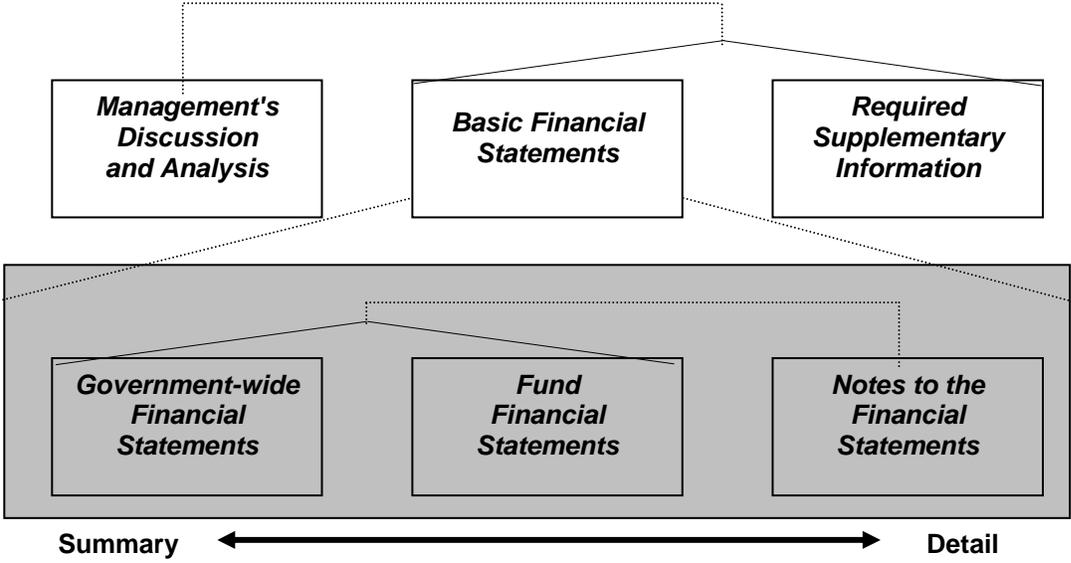


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

<b>Figure A-2 Major Features of the Government-wide and Fund Financial Statements</b>				
	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"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of revenues, expenses and changes in fund net assets</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net assets</li> <li>• Statement of changes in fiduciary net assets</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/ liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/ outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

## REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

### *Government-wide Financial Statements*

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

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

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

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

### *Fund Financial Statements*

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

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

The District has three kinds of funds:

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

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

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

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

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

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

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

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

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

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Figure A-3

	Condensed Statement of Net Assets						Percentage Change 2011-2012 %
	Governmental Activities		Business-type Activities		Total School District		
	2011	2012	2011	2012	2011	2012	
	\$	\$	\$	\$	\$	\$	
Current and other assets	9,474,909	9,928,129	55,367	34,547	9,530,276	9,962,676	4.54
Capital assets	18,115,343	17,959,032	57,045	52,512	18,172,388	18,011,544	-0.89
<b>Total assets</b>	<b>27,590,252</b>	<b>27,887,161</b>	<b>112,412</b>	<b>87,059</b>	<b>27,702,664</b>	<b>27,974,220</b>	<b>0.98</b>
Long-term liabilities	13,797,823	12,589,771	0	0	13,797,823	12,589,771	-8.76
Other liabilities	6,500,516	6,680,500	8,235	7,931	6,508,751	6,688,431	2.76
<b>Total liabilities</b>	<b>20,298,339</b>	<b>19,270,271</b>	<b>8,235</b>	<b>7,931</b>	<b>20,306,574</b>	<b>19,278,202</b>	<b>-5.06</b>
Net Assets:							
Invested in capital assets, net of related debt	4,660,343	5,624,032	57,045	52,512	4,717,388	5,676,544	20.33
Restricted	1,137,723	773,851	0	0	1,137,723	773,851	-31.98
Unrestricted	1,493,847	2,219,007	47,132	26,616	1,540,979	2,245,623	45.73
<b>TOTAL NET ASSETS</b>	<b>7,291,913</b>	<b>8,616,890</b>	<b>104,177</b>	<b>79,128</b>	<b>7,396,090</b>	<b>8,696,018</b>	<b>17.58</b>

The District's combined total net assets increased by 17.58%, or approximately \$1,300,000 over the prior year. The largest portion of the District's net assets is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets decreased approximately \$364,000 or 32% over the prior year. The decrease was primarily a result of increased expenditures in the Physical Plant and Equipment Levy Fund and School Infrastructure.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased approximately \$705,000, or 46%. This increase in unrestricted net assets was a result of the District's effort to reduce expenditures and increase the cash reserve levy.

Figure A-4 shows the change in net assets for the years ended June 30, 2012 and 2011.

Figure A-4

	Change in Net Assets						Percentage Change 2011-2012 %
	Governmental Activities		Business-type Activities		Total School District		
	2011 \$	2012 \$	2011 \$	2012 \$	2011 \$	2012 \$	
Revenues							
Program Revenues:							
Charges for services	780,603	926,311	233,502	247,101	1,014,105	1,173,412	15.71
Operating grants & contributions	2,050,821	1,769,585	220,616	239,166	2,271,437	2,008,751	-11.56
Capital grants & contributions	4,290	0	0	0	4,290	0	-100.00
General Revenues:							
Property taxes	4,907,270	5,197,468	0	0	4,907,270	5,197,468	5.91
Income surtax	436,449	393,949	0	0	436,449	393,949	-9.74
Sales tax	793,636	851,047	0	0	793,636	851,047	7.23
Unrestricted state grants	3,626,555	4,032,506	0	0	3,626,555	4,032,506	11.19
Unrestricted investment earnings	29,062	17,602	378	217	29,440	17,819	-39.47
Other revenue	13,238	10,903	0	0	13,238	10,903	-17.64
<b>Total Revenues</b>	<b>12,641,924</b>	<b>13,199,371</b>	<b>454,496</b>	<b>486,484</b>	<b>13,096,420</b>	<b>13,685,855</b>	<b>4.50</b>
Expenses:							
Instruction	7,275,741	7,322,931	0	0	7,275,741	7,322,931	0.65
Support services	2,934,857	3,069,513	0	0	2,934,857	3,069,513	4.59
Non-instructional programs	0	0	478,029	521,218	478,029	521,218	9.03
Other expenditures	1,803,487	1,472,265	0	0	1,803,487	1,472,265	-18.37
<b>Total expenses</b>	<b>12,014,085</b>	<b>11,864,709</b>	<b>478,029</b>	<b>521,218</b>	<b>12,492,114</b>	<b>12,385,927</b>	<b>-0.85</b>
<b>Change in net assets before transfers</b>	<b>627,839</b>	<b>1,334,662</b>	<b>(23,533)</b>	<b>(34,734)</b>	<b>604,306</b>	<b>1,299,928</b>	<b>115.11</b>
Transfers	0	(9,685)	0	9,685	0	0	0.00
<b>CHANGE IN NET ASSETS</b>	<b>627,839</b>	<b>1,324,977</b>	<b>(23,533)</b>	<b>(25,049)</b>	<b>604,306</b>	<b>1,299,928</b>	<b>115.11</b>
Net assets beginning of year	6,664,074	7,291,913	127,710	104,177	6,791,784	7,396,090	8.90
Net assets end of year	7,291,913	8,616,890	104,177	79,128	7,396,090	8,696,018	17.58

In fiscal year 2012 property tax and unrestricted state grants account for 67% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 84% of the total expenses.

As shown in figure A-4, the District as a whole experienced a 4.5% increase in revenues and a 0.85% decrease in expenses. Property tax increased \$290,198. The decrease in expenses related to decreases in other expenditures.

### Governmental Activities

Revenues for governmental activities were \$13,199,371 and expenses were \$11,864,709. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues.

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

Figure A-5

	Total Cost of Services			Net Cost of Services		
	2011	2012	Percent Change 2011-2012	2011	2012	Percent Change 2011-2012
	\$	\$	%	\$	\$	%
Instruction	7,275,741	7,322,931	0.65	5,112,097	5,184,618	1.42
Support Services	2,934,857	3,069,513	4.59	2,735,114	2,953,912	8.00
Non-instructional Programs	0	0	0.00	0	0	0.00
Other Expenses	1,803,487	1,472,265	-18.37	1,331,160	1,030,283	-22.60
<b>TOTAL</b>	<b>12,014,085</b>	<b>11,864,709</b>	<b>-1.24</b>	<b>9,178,371</b>	<b>9,168,813</b>	<b>-0.10</b>

For the year ended June 30, 2012

- The cost financed by users of the District’s programs was \$926,311. Most of these revenues are derived from tuition charged to other school districts and from student activities.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,769,585.
- The net cost of governmental activities was financed with \$6,442,464 in property and local other taxes and \$4,032,506 in unrestricted state grants.

**Business Type Activities**

Revenues for business type activities were \$486,484 and expenses were \$521,218. The District’s business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

During the year ended June 30, 2012, the District increased meal prices. This increase resulted in increased revenue to the School Nutrition Fund to offset the increasing cost of purchased food.

**INDIVIDUAL FUND ANALYSIS**

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$2,853,085, above last year’s ending fund balances of \$2,548,671.

**Governmental Fund Highlights**

- The District’s improved General Fund financial position is the result of many factors. Growth during the year in tax and grants resulted in an increase in revenues. Even though expenditures did increase during the year, the increase in revenues was greater than the increase in expenditures.
- The General Fund balance increased from \$1,343,261 to \$2,013,329, due in part to measures taken by the district by offering early retirement and increasing the cash reserve levy.
- The Capital Project Fund includes revenues from bond issues, from sales, tax, and from the physical plant and equipment property tax levy. These three revenue streams and the related expenditures are tracked

separately in the District's accounting records, but are combined into one Capital Projects Fund for financial reporting.

- The Physical Plant and Equipment Levy (PEEL) account balance decreased from \$478,873 in fiscal 2011 to \$266,497 in fiscal 2012.
- The Sales Tax account balance decreased from \$312,193 in fiscal 2011 to \$254,297 in fiscal 2012.
- The Construction account balance decreased from \$55,650 to \$0 due to the completion of the elementary and high school additions and remodeling projects.
- The Debt Service Fund balance decreased from \$94,716 at June 30, 2011 to \$26,492 at June 30, 2012. This reduction was intentional. The District lowered its debt service property tax levy for fiscal year 2012 and used monies that had accumulated in the debt service fund in prior years to pay a portion of the 2012 general obligation bond payments.

### **Proprietary Fund Highlights**

School Nutrition Fund net assets decreased from \$103,814 at June 30, 2011 to \$78,763 at June 30, 2012, representing a decrease of approximately 24%. For fiscal 2012, the District increased meal prices but still had a decrease in net assets due to the reduction in commodities and the increase cost of purchased food.

### **BUDGETARY HIGHLIGHTS**

Over the course of the year, the Sioux Center Community School District did not need to amend its annual budget.

The District's receipts were \$261,825 more than budgeted receipts. The most significant variance resulted from the District receiving more in Federal and Local sources than originally anticipated.

Total expenditures were less 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.

### **CAPITAL ASSETS AND DEBT ADMINISTRATION**

#### **Capital Assets**

At June 30, 2012, the District had invested \$18 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) More detailed information about the District's capital assets is presented in Note 4 to the financial statements. Depreciation expense for the year was \$521,009.

Figure A-6

**Capital Assets (net of depreciation)**

	Governmental		Business type		Total		Percentage Change 2011-2012 %
	Activities		Activities		School District		
	2011	2012	2011	2012	2011	2012	
	\$	\$	\$	\$	\$	\$	
Land	150,978	150,978	0	0	150,978	150,978	0.00
Construction in progress	37,490	0	0	0	37,490	0	-100.00
Buildings	17,100,213	16,869,859	0	0	17,100,213	16,869,859	-1.35
Improvements	148,188	194,490	0	0	148,188	194,490	31.25
Equipment & furniture	678,474	743,705	57,045	52,512	735,519	796,217	8.25
<b>TOTAL</b>	<b>18,115,343</b>	<b>17,959,032</b>	<b>57,045</b>	<b>52,512</b>	<b>18,172,388</b>	<b>18,011,544</b>	<b>-0.89</b>

**Long-Term Debt**

At June 30, 2012 the District had \$12,589,771 in general obligation, revenue and other long-term debt outstanding. This represents a decrease of approximately 9% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 5 to the financial statements.

The District's rating on its general obligation bonds was upgraded from A/Stable to AA-/Stable in November 2011.

The constitution of the State of Iowa limits the amount of debt school districts can issue to 5% of the assessed value of all taxable property within the district. The District's outstanding bonded and note indebtedness is significantly below its constitutional debt limit of approximately \$30,000,000.

Figure A-7

**Outstanding Long-Term Obligations**

	Total School District		Percentage Change 2011-2012 %
	2011	2012	
	\$	\$	
General obligation bonds	10,390,000	9,950,000	-4.23
Revenue bonds	1,390,000	935,000	-32.73
Capital loan notes	1,675,000	1,450,000	-13.43
Early retirement	313,400	229,200	-26.87
Compensated absences	29,423	25,571	-13.09
	<u>13,797,823</u>	<u>12,589,771</u>	<u>-8.76</u>

**ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE**

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

- School financing is highly dependent upon student enrollment. The District's October 2012 enrollment increased by 33 students. This increase in enrollment will increase the District's funding for fiscal year 2014.
- The District has evaluated the facility needs to ensure the buildings are modified and up to date for the efficient operation for years to come. The District will use a combination of resources from the Physical Plant and Equipment Levy Fund and Capital Projects fund to finance improvements. Should the district need new construction for additional facilities the district will investigate a possible public referendum.

- The District negotiated a 5.56% settlement in salaries and benefits for the 2013 school year. The district will negotiate a new agreement during fiscal 2013 for fiscal year 2014. If the settlement is in excess of “new money” or allowable growth in state funding, it will have an adverse effect on the District’s General Fund budget and related fund balance.

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

This financial report is designed to provide the District’s citizens, taxpayers, customers, investors and creditors with a general overview of the District’s finances and to demonstrate the District’s accountability for the money it receives. If you have questions about this report or need additional financial information, contact JoAnn Gotto, District Treasurer and Business Manager, Sioux Center Community School District, 550 9<sup>th</sup> Street NE, Sioux Center, Iowa, 51250.

## BASIC FINANCIAL STATEMENTS

## SIOUX CENTER COMMUNITY SCHOOL DISTRICT

## Statement of Net Assets

June 30, 2012

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
<b>Assets</b>			
Cash and cash equivalents	3,532,068	23,818	3,555,886
Receivables:			
Property tax:			
Delinquent	27,165	-	27,165
Succeeding year	5,477,523	-	5,477,523
Accounts	3,885	-	3,885
Due from other governments	829,264	-	829,264
Inventories	-	10,729	10,729
Bond issue costs	58,224	-	58,224
Capital assets, net of accumulated depreciation	17,959,032	52,512	18,011,544
<b>Total assets</b>	<b>27,887,161</b>	<b>87,059</b>	<b>27,974,220</b>
<b>Liabilities</b>			
Accounts payable	166,706	-	166,706
Salaries and benefits payable	962,975	-	962,975
Accrued interest payable	73,296	-	73,296
Deferred revenue:			
Succeeding year property tax	5,477,523	-	5,477,523
Other	-	7,931	7,931
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	450,000	-	450,000
Revenue bonds payable	475,000	-	475,000
Capital loan notes payable	230,000	-	230,000
Termination benefits	79,200	-	79,200
Compensated absences	11,051	-	11,051
Portion due after one year:			
General obligation bonds payable	9,500,000	-	9,500,000
Revenue bonds payable	460,000	-	460,000
Capital loan notes payable	1,220,000	-	1,220,000
Termination benefits	150,000	-	150,000
Compensated absences	14,520	-	14,520
<b>Total liabilities</b>	<b>19,270,271</b>	<b>7,931</b>	<b>19,278,202</b>

## SIOUX CENTER COMMUNITY SCHOOL DISTRICT

## Statement of Net Assets

June 30, 2012

	Governmental Activities	Business Type Activities	Total
	<u>\$</u>	<u>\$</u>	<u>\$</u>
<b>Net assets</b>			
Invested in capital assets, net of related debt	5,624,032	52,512	5,676,544
Restricted for:			
Categorical funding	79,796	-	79,796
Physical plant and equipment levy	266,497	-	266,497
Student activities	220,065	-	220,065
School infrastructure	169,622	-	169,622
Debt service	37,871	-	37,871
Unrestricted	<u>2,219,007</u>	<u>26,616</u>	<u>2,245,623</u>
<b>Total net assets</b>	<u><u>8,616,890</u></u>	<u><u>79,128</u></u>	<u><u>8,696,018</u></u>

SIOUX CENTER COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2012

<u>Functions/Programs</u>	Program Revenues			
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
	\$	\$	\$	\$
Governmental activities:				
Instruction:				
Regular	4,325,262	452,732	952,102	-
Special	1,432,681	192,947	135,955	-
Other	1,564,988	262,389	142,188	-
	7,322,931	908,068	1,230,245	-
Support services:				
Student	262,770	-	-	-
Instructional staff	568,873	-	-	-
Administration	929,865	-	-	-
Operation and maintenance of plant	841,709	18,243	-	-
Transportation	466,296	-	97,358	-
	3,069,513	18,243	97,358	-
Other expenditures:				
Facilities acquisition	169,679	-	-	-
Long-term debt interest	454,538	-	1,536	-
AEA flowthrough	440,446	-	440,446	-
Depreciation (unallocated)*	407,602	-	-	-
	1,472,265	-	441,982	-
Total governmental activities	11,864,709	926,311	1,769,585	-
Business type activities:				
Food service operations	521,218	247,101	239,166	-
Community education	-	-	-	-
Total business-type activities	521,218	247,101	239,166	-
Total	12,385,927	1,173,412	2,008,751	-

**General Revenues:**

Property taxes levied for:  
  General purposes  
  Debt service  
  Capital outlay  
Income surtax  
Statewide sales, services and use tax  
Unrestricted state grants  
Unrestricted investment earnings  
Other

    Total general revenues

Transfers

    Total general revenues and transfers

**Change in net assets**

Net assets beginning of year

Net assets end of year

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

Net (Expense) Revenue and Changes in Net Assets

Governmental Activities	Business Type Activities	Total
\$	\$	\$
(2,920,428)	-	(2,920,428)
(1,103,779)	-	(1,103,779)
(1,160,411)	-	(1,160,411)
<u>(5,184,618)</u>	<u>-</u>	<u>(5,184,618)</u>
(262,770)	-	(262,770)
(568,873)	-	(568,873)
(929,865)	-	(929,865)
(823,466)	-	(823,466)
(368,938)	-	(368,938)
<u>(2,953,912)</u>	<u>-</u>	<u>(2,953,912)</u>
(169,679)	-	(169,679)
(453,002)	-	(453,002)
-	-	-
(407,602)	-	(407,602)
<u>(1,030,283)</u>	<u>-</u>	<u>(1,030,283)</u>
(9,168,813)	-	(9,168,813)
-	(34,951)	(34,951)
-	-	-
<u>-</u>	<u>(34,951)</u>	<u>(34,951)</u>
<u>(9,168,813)</u>	<u>(34,951)</u>	<u>(9,203,764)</u>
4,080,229	-	4,080,229
720,430	-	720,430
396,809	-	396,809
393,949	-	393,949
851,047	-	851,047
4,032,506	-	4,032,506
17,602	217	17,819
10,903	-	10,903
10,503,475	217	10,503,692
(9,685)	9,685	-
<u>10,493,790</u>	<u>9,902</u>	<u>10,503,692</u>
1,324,977	(25,049)	1,299,928
7,291,913	104,177	7,396,090
<u>8,616,890</u>	<u>79,128</u>	<u>8,696,018</u>

## SIOUX CENTER COMMUNITY SCHOOL DISTRICT

Balance Sheet  
Governmental Funds

June 30, 2012

	General	Debt Service	Capital Projects	Nonmajor Governmental	Total
	\$	\$	\$	\$	\$
<b>Assets</b>					
Cash and pooled investments	2,783,379	23,121	434,652	290,916	3,532,068
Receivables:					
Property tax:					
Delinquent	20,882	3,356	1,848	1,079	27,165
Succeeding year	3,878,507	827,490	549,527	221,999	5,477,523
Accounts	3,415	-	-	470	3,885
Due from other governments	694,235	15	135,009	5	829,264
<b>Total assets</b>	<b>7,380,418</b>	<b>853,982</b>	<b>1,121,036</b>	<b>514,469</b>	<b>9,869,905</b>
<b>Liabilities and Fund Balances</b>					
Liabilities:					
Accounts payable	115,991	-	50,715	-	166,706
Salaries and benefits payable	962,975	-	-	-	962,975
Deferred revenue:					
Succeeding year property tax	3,878,507	827,490	549,527	221,999	5,477,523
Income surtax	409,616	-	-	-	409,616
Total liabilities	5,367,089	827,490	600,242	221,999	7,016,820
Fund balances:					
Restricted for:					
Categorical funding	79,796	-	-	-	79,796
Debt service	-	26,492	84,675	-	111,167
Management levy purposes	-	-	-	72,405	72,405
Student activities	-	-	-	220,065	220,065
School infrastructure	-	-	169,622	-	169,622
Physical plant and equipment	-	-	266,497	-	266,497
Assigned	16,968	-	-	-	16,968
Unassigned	1,916,565	-	-	-	1,916,565
Total fund balances	2,013,329	26,492	520,794	292,470	2,853,085
<b>Total liabilities and fund balances</b>	<b>7,380,418</b>	<b>853,982</b>	<b>1,121,036</b>	<b>514,469</b>	<b>9,869,905</b>

## SIOUX CENTER COMMUNITY SCHOOL DISTRICT

Reconciliation of the Balance Sheet - Governmental Funds  
to the Statement of Net Assets

June 30, 2012

	\$
<b>Total fund balances of governmental funds (Exhibit C)</b>	2,853,085
<i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	17,959,032
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	409,616
Bond issue costs are reported as an asset in the statement of net assets and are amortized over the life of the bonds.	58,224
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.	(73,296)
Long-term liabilities, including bonds payable, notes payable, termination benefits, and compensated absences, are not due and payable in the current period and therefore, are not reported as liabilities in the governmental funds.	<u>(12,589,771)</u>
<b>Net assets of governmental activities (Exhibit A)</b>	<u><u>8,616,890</u></u>

## SIOUX CENTER COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2012

	General	Debt Service	Capital Projects	Nonmajor Governmental	Total
	\$	\$	\$	\$	\$
Revenues:					
Local sources:					
Local tax	4,303,994	720,430	1,247,856	200,405	6,472,685
Tuition	508,405	-	-	-	508,405
Other	242,359	1,536	3,378	274,129	521,402
State sources	5,264,520	200	110	63	5,264,893
Federal sources	461,488	-	-	-	461,488
Total revenues	<u>10,780,766</u>	<u>722,166</u>	<u>1,251,344</u>	<u>474,597</u>	<u>13,228,873</u>
Expenditures:					
Current:					
Instruction:					
Regular	4,294,205	-	26,942	83,573	4,404,720
Special	1,432,488	-	-	-	1,432,488
Other	1,317,167	-	-	251,516	1,568,683
	<u>7,043,860</u>	<u>-</u>	<u>26,942</u>	<u>335,089</u>	<u>7,405,891</u>
Support services:					
Student	262,567	-	-	-	262,567
Instructional staff	434,766	-	141,325	-	576,091
Administration	856,882	1,500	-	62,539	920,921
Operation and maintenance of plant	686,364	-	174,116	25,193	885,673
Transportation	387,260	-	79,824	23,284	490,368
	<u>2,627,839</u>	<u>1,500</u>	<u>395,265</u>	<u>111,016</u>	<u>3,135,620</u>
Other expenditures:					
Facilities acquisition	-	-	365,424	-	365,424
Long-term debt:					
Principal	-	1,120,000	-	-	1,120,000
Interest and fiscal charges	-	458,525	-	-	458,525
AEA flowthrough	440,446	-	-	-	440,446
	<u>440,446</u>	<u>1,578,525</u>	<u>365,424</u>	<u>-</u>	<u>2,384,395</u>
Total expenditures	<u>10,112,145</u>	<u>1,580,025</u>	<u>787,631</u>	<u>446,105</u>	<u>12,925,906</u>
Excess (deficiency) of revenues over (under) expenditures	<u>668,621</u>	<u>(857,859)</u>	<u>463,713</u>	<u>28,492</u>	<u>302,967</u>

## SIOUX CENTER COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2012

	General	Debt Service	Capital Projects	Nonmajor Governmental	Total
	\$	\$	\$	\$	\$
Other financing sources (uses):					
Sales of materials and equipment	1,447	-	-	-	1,447
Operating transfers in	-	789,635	-	-	789,635
Operating transfers out	-	-	(789,635)	-	(789,635)
Total other financing sources (uses)	<u>1,447</u>	<u>789,635</u>	<u>(789,635)</u>	<u>-</u>	<u>1,447</u>
Net change in fund balances	670,068	(68,224)	(325,922)	28,492	304,414
Fund balances beginning of year	<u>1,343,261</u>	<u>94,716</u>	<u>846,716</u>	<u>263,978</u>	<u>2,548,671</u>
Fund balances end of year	<u><u>2,013,329</u></u>	<u><u>26,492</u></u>	<u><u>520,794</u></u>	<u><u>292,470</u></u>	<u><u>2,853,085</u></u>

## SIOUX CENTER COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2012

	\$	\$
<b>Net change in fund balances - total governmental funds (Exhibit E)</b>		304,414
<i>Amounts reported for governmental activities in the Statement of Activities are different because:</i>		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures, loss on disposal of capital assets and depreciation expense in the current year are as follows:		
Expenditures for capital assets	351,208	
Loss on disposal of capital assets	(728)	
Depreciation expense	<u>(506,791)</u>	(156,311)
Income surtaxes not collected for several months after the District's fiscal year ends are not considered "available" revenues in the governmental funds and are included as deferred revenues. They are, however, recorded as revenues in the Statement of Activities.		(30,221)
Bond issue costs are reported as an expense in the governmental fund financial statements, but are capitalized and amortized over the life of the bonds in the government-wide financial statements.		(4,944)
Repayment of long-term liability principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.		1,120,000
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.		3,987
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:		
Termination benefits	84,200	
Compensated absences	<u>3,852</u>	<u>88,052</u>
<b>Changes in net assets of governmental activities (Exhibit B)</b>		<u><u>1,324,977</u></u>

## SIOUX CENTER COMMUNITY SCHOOL DISTRICT

Statement of Net Assets  
Proprietary Funds

June 30, 2012

	Nonmajor Enterprise Funds
	<u>\$</u>
<b>Assets</b>	
Cash and cash equivalents	23,818
Inventories	10,729
Capital assets, net of accumulated depreciation	<u>52,512</u>
<b>Total assets</b>	<u>87,059</u>
<b>Liabilities</b>	
Deferred revenue	<u>7,931</u>
<b>Net assets</b>	
Invested in capital assets	52,512
Unrestricted	<u>26,616</u>
<b>Total net assets</b>	<u><u>79,128</u></u>

## SIOUX CENTER COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2012

	Nonmajor Enterprise Funds
	<u>\$</u>
Operating revenues:	
Local sources:	
Charges for service	<u>247,101</u>
Operating expenses:	
Salaries	173,006
Benefits	43,688
Purchased services	4,798
Supplies	285,508
Depreciation	14,218
Total operating expenses	<u>521,218</u>
Operating income (loss)	<u>(274,117)</u>
Non-operating revenues:	
State sources	4,840
Federal sources	234,326
Interest income	217
Total non-operating revenues	<u>239,383</u>
Income (loss) before contributions	(34,734)
Capital contributions	<u>9,685</u>
Change in net assets	(25,049)
Net assets beginning of year	<u>104,177</u>
Net assets end of year	<u><u>79,128</u></u>

## SIOUX CENTER COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows  
Proprietary Funds

Year ended June 30, 2012

	Nonmajor Enterprise Funds
	<u>\$</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	248,505
Cash payments to employees for services	(216,696)
Cash payments to suppliers for goods or services	(254,067)
Net cash used by operating activities	<u>(222,258)</u>
Cash flows from non-capital financing activities:	
State grants received	4,840
Federal grants received	195,340
Net cash provided by non-capital financing activities	<u>200,180</u>
Cash flows from capital and related financing activities	<u>-</u>
Cash flows from investing activities:	
Interest on investments	<u>217</u>
Net increase (decrease) in cash and cash equivalents	(21,861)
Cash and cash equivalents at beginning of year	<u>45,679</u>
Cash and cash equivalents at end of year	<u><u>23,818</u></u>
<b>Reconciliation of operating income (loss) to net cash used by operating activities:</b>	
Operating income (loss)	(274,117)
Adjustments to reconcile operating income (loss) to net cash used by operating activities:	
Commodities used	39,473
Depreciation	14,218
Decrease (increase) in inventories	(2,090)
Decrease (increase) in accounts receivable	562
(Decrease) increase in accounts payable	(1,144)
(Decrease) increase in salaries and benefits payable	(2)
(Decrease) increase in deferred revenue	842
Net cash used by operating activities	<u><u>(222,258)</u></u>

**Non-cash investing, capital and financing activities:**

During the year ended June 30, 2012, the District received \$39,473 of federal commodities.

During the year ended June 30, 2012, the School Nutrition Fund received \$9,685 of equipment that was purchased by other funds.

SIOUX CENTER COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Assets  
Fiduciary Funds

June 30, 2012

	Private Purpose Trust Scholarship
	<u>\$</u>
<b>Assets</b>	
Cash and pooled investments	12,657
<b>Liabilities</b>	<u>-</u>
<b>Net Assets</b>	
Reserved for scholarships	<u><u>12,657</u></u>

## SIOUX CENTER COMMUNITY SCHOOL DISTRICT

Statement of Changes in Fiduciary Net Assets  
Fiduciary Funds

Year ended June 30, 2012

	Private Purpose Trust Scholarship
	<u>\$</u>
Additions:	
Local sources:	
Gifts and contributions	1,000
Interest	<u>65</u>
Total additions	1,065
Deductions	
Support services:	
Scholarships awarded	<u>1,500</u>
Change in net assets	(435)
Net assets beginning of year	<u>13,092</u>
Net assets end of year	<u><u>12,657</u></u>

# SIOUX CENTER COMMUNITY SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2012

### 1. Summary of Significant Accounting Policies

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

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

#### A. Reporting Entity

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

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

#### B. Basis of Presentation

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

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

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

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

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

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

Fund Financial Statements – Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as non-major 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 revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

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

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

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

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

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

#### D. Assets, Liabilities and Fund Equity

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

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

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

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

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

Property tax revenue recognized in these funds became due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 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, furniture and equipment and intangibles, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
	\$
Land	2,500
Buildings	50,000
Improvements other than buildings	50,000
Intangibles	100,000
Furniture and equipment:	
School Nutrition Fund equipment	1,000
Other furniture and equipment	2,500

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	40-65 years
Improvements other than buildings	15-40 years
Intangibles	3-10 years
Furniture and equipment	5-15 years

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

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

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

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

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation hours for subsequent use. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2012. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

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

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

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

Assigned – Amounts the Board of Education or Administration intend to use for specific purposes.

Unassigned – All amounts not included in other classifications.

## 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 did not exceed the amounts budgeted.

## 2. **Cash and Pooled Investments**

The District's deposits in banks at June 30, 2012 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

At June 30, 2012, the District had investments in the Iowa Schools Joint Investment Trust which are valued at an amortized cost of \$979 pursuant to Rule 2a-7 under the investment Company Act of 1940. The investment in the Iowa Schools Joint Investment Trust was rated AAAM by Standard & Poor's Financial Services.

## 3. **Interfund Transfers**

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

<u>Transfer To</u>	<u>Transfer From</u>	<u>Amount</u>
		\$
Debt Service Fund	Capital Projects Fund	789,635

This transfer moved revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

## 4. **Capital Assets**

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

	<u>Balance Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance End of Year</u>
	\$	\$	\$	\$
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Construction in progress	37,490	-	37,490	-
Land	150,978	-	-	150,978
Total capital assets not being depr.	<u>188,468</u>	<u>-</u>	<u>37,490</u>	<u>150,978</u>
Capital assets being depreciated:				
Buildings	20,277,556	169,153	-	20,446,709
Improvements other than buildings	255,946	54,397	-	310,343
Equipment	1,481,355	165,148	2,600	1,643,903
Total capital assets being deprec.	<u>22,014,857</u>	<u>388,698</u>	<u>2,600</u>	<u>22,400,955</u>

Less accumulated depreciation for:				
Buildings	3,177,343	399,507	-	3,576,850
Improvements other than buildings	107,758	8,095	-	115,853
Equipment	802,881	99,189	1,872	900,198
Total accumulated depreciation	<u>4,087,982</u>	<u>506,791</u>	<u>1,872</u>	<u>4,592,901</u>
Total capital assets being depreciated, net	<u>17,926,875</u>	<u>(118,093)</u>	<u>728</u>	<u>17,808,054</u>
Governmental activities capital assets, net	<u>18,115,343</u>	<u>(118,093)</u>	<u>38,218</u>	<u>17,959,032</u>
<b>Business type activities:</b>				
Furniture and equipment	239,410	9,685	-	249,095
Less accumulated depreciation	<u>182,365</u>	<u>14,218</u>	<u>-</u>	<u>196,583</u>
Business type activities capital assets, net	<u>57,045</u>	<u>(4,533)</u>	<u>-</u>	<u>52,512</u>

Depreciation expense was charged to the following functions:

	Amount
	\$
Governmental activities:	
Instruction:	
Regular	5,462
Special	193
Other	11,019
Support services:	
Student services	203
Instructional staff services	13,708
Administration services	4,243
Operation and maintenance of plant services	6,973
Transportation	<u>57,388</u>
Unallocated depreciation	<u>407,602</u>
Total depreciation expense – governmental activities	<u>506,791</u>
Business type activities:	
Food services	<u>14,218</u>

## 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	10,390,000	-	440,000	9,950,000	450,000
Sales tax revenue bonds	1,390,000	-	455,000	935,000	475,000
Capital loan notes	1,675,000	-	225,000	1,450,000	230,000
Compensated absences	29,423	9,931	13,783	25,571	11,051
Termination benefits	313,400	-	84,200	229,200	79,200
<b>Total</b>	<b>13,797,823</b>	<b>9,931</b>	<b>1,217,983</b>	<b>12,589,771</b>	<b>1,245,251</b>

#### Termination Benefits

The District periodically offers an early retirement benefit to employees of the School District. The Superintendent is responsible for determining the need for an early retirement plan that is beneficial to the School District and individual employees. The District offered an early retirement benefit for the years ended June 30, 2008 through 2011.

Eligible employees must have completed at least twenty years of full-time service to the District and must have reached the age of fifty-five on or before June 30, 2011. The application for early retirement is subject to approval by the Board of Education.

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

At June 30, 2012, the District has obligations to fourteen participants with a total liability of \$229,200. Actual early retirement expenditures for the year ended June 30, 2012 totaled \$84,200.

#### General Obligation Bonds

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

Year Ending June 30,	Bond Issue of May, 2009			
	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
2013	3.500	100,000	339,682	439,682
2014	3.500	100,000	336,183	436,183
2015	3.625	290,000	332,683	622,683
2016	3.750	300,000	322,170	622,170
2017	4.00	320,000	310,920	630,920
2018-2022	4.000	2,030,000	1,350,000	3,380,000
2023-2027	4.100-4.350	3,425,000	812,635	4,237,635
2028-2029	4.400-4.450	1,620,000	108,630	1,728,630
<b>Total</b>		<b>8,185,000</b>	<b>3,912,903</b>	<b>12,097,903</b>

Refunding Bond Issue of September 2010

<u>Year Ending June 30,</u>	<u>Interest Rates</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
	%	\$	\$	\$
2013	1.00	350,000	32,807	382,807
2014	1.25	350,000	29,308	379,308
2015	1.60	145,000	24,932	169,932
2016	1.90	150,000	22,613	172,613
2017	2.150	150,000	19,762	169,762
2018-2021	2.40-3.00	620,000	43,260	663,260
Total		<u>1,765,000</u>	<u>172,682</u>	<u>1,937,682</u>

Revenue Bonds

Details of the District's June 30, 2012, statewide sales, services and use tax revenue bonded indebtedness are as follows:

<u>May, 2010 Refunding Issue</u>				
<u>Year Ending June 30,</u>	<u>Interest Rates</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
	%	\$	\$	\$
2013	3.0	475,000	22,650	497,650
2014	3.0	460,000	5,175	465,175
Total		<u>935,000</u>	<u>27,825</u>	<u>962,825</u>

The District has pledged future statewide sales, services and use tax revenues to repay the \$1,835,000 bonds issued in May, 2010. The bonds were issued for the purpose of refinancing previously issued bonds that funded the costs of school renovations. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2014. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require nearly 60 percent of the statewide sales, services and use tax revenues. For the current year, \$491,525 of principal and interest was paid on the bonds. The total principal and interest remaining to be paid on the notes is \$962,825. For the current year total statewide sales and services tax revenues were \$851,047.

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

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

Capital Loan Notes

The District issued \$1,900,000 of capital loan notes during the year ended June 30, 2010. These notes and the interest will be paid from the physical plant and equipment property tax levy. Details of the capital loan notes are as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
2013	2.25	230,000	39,236	269,236
2014	2.50	230,000	34,060	264,060
2015	2.50	240,000	28,310	268,310
2016	2.65	240,000	22,310	262,310
2017	3.00	250,000	15,950	265,950
2018	3.25	260,000	8,450	268,450
		<u>1,450,000</u>	<u>148,316</u>	<u>1,598,316</u>

During fiscal year 2012, \$267,610 of principal and interest were paid on the notes.

## 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 that are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 5.38% of their annual salary and the District is required to contribute 8.07% of annual covered salary. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2012, 2011, and 2010 were \$513,959, \$438,923, and \$405,318 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 and prescription drug benefits for retirees and their spouses. There are 146 active and 4 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug coverage is provided through a fully-insured plan. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

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

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

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

	\$
Annual required contribution	25,382
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost	<u>25,382</u>
Contributions made	<u>25,382</u>
Increase in net OPEB obligation	-
Net OPEB obligation beginning of year	<u>-</u>
Net OPEB obligation end of year	<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 \$25,382 to the medical plan. Plan members eligible for benefits contributed \$21,445, or 46% 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:

<u>Year Ended</u>	<u>Annual OPEB Cost</u> \$	<u>Percentage of Annual OPEB Cost Contributed</u> %	<u>Net OPEB Obligation</u> \$
June 30, 2010	25,382	100%	-
June 30, 2011	25,382	100%	-
June 30, 2012	25,382	100%	-

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 \$260,911, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$260,911. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$3,609,000, and the ratio of the UAAL to covered payroll was 7.2%. 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. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information in the section following the Notes to Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

As of the July 1, 2009 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions includes a 4.0% discount rate based on the District's funding policy. The projected annual medical trend rate is 10.0%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 1% each year until reaching the 5% ultimate trend rate.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Turnover rates were based on Scale T-8 of the Actuary's Pension Handbook.

The salary increase rate was assumed to be 3% per year. The UAAL is being amortized as a level dollar amount on an open basis over 30 years.

**8. Risk Management**

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

**9. Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$440,446 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. Operating Leases**

The District has entered into an operating lease for copiers. Future minimum lease payments under the operating lease over the next year are as follows:

	<u>Copiers</u>
	\$
2013	10,962

**11. Categorical Funding**

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

<u>Program</u>	<u>Amount</u>
	\$
Limited English proficiency	42,558
Returning dropout and dropout prevention	10,221
Teacher salary supplement	1,657
Core curriculum	6,438
Educator quality, professional development	1,665
Market factor	13,875
Nonpublic textbooks	3,382
	<u>79,796</u>

REQUIRED SUPPLEMENTARY INFORMATION

SIOUX CENTER COMMUNITY SCHOOL DISTRICT

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

Required Supplementary Information

Year ended June 30, 2012

	Governmental Fund Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
				Original	Final	
	\$	\$	\$	\$	\$	\$
Revenues:						
Local sources	7,502,492	247,318	7,749,810	7,568,848	7,568,848	180,962
State sources	5,264,893	4,840	5,269,733	5,360,684	5,360,684	(90,951)
Federal sources	461,488	234,326	695,814	524,000	524,000	171,814
Total revenues	<u>13,228,873</u>	<u>486,484</u>	<u>13,715,357</u>	<u>13,453,532</u>	<u>13,453,532</u>	<u>261,825</u>
Expenditures/Expenses:						
Instruction	7,405,891	-	7,405,891	8,114,126	8,114,126	708,235
Support services	3,135,620	15,749	3,151,369	4,019,644	4,019,644	868,275
Non-instructional programs	-	505,469	505,469	511,529	511,529	6,060
Other expenditures	2,384,395	-	2,384,395	2,578,884	2,578,884	194,489
Total expenditures/expenses	<u>12,925,906</u>	<u>521,218</u>	<u>13,447,124</u>	<u>15,224,183</u>	<u>15,224,183</u>	<u>1,777,059</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	302,967	(34,734)	268,233	(1,770,651)	(1,770,651)	2,038,884
Other financing sources (uses) net	<u>1,447</u>	<u>9,685</u>	<u>11,132</u>	<u>-</u>	<u>-</u>	<u>11,132</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures/expenses	304,414	(25,049)	279,365	(1,770,651)	(1,770,651)	2,050,016
Balance beginning of year	<u>2,548,671</u>	<u>104,177</u>	<u>2,652,848</u>	<u>2,328,439</u>	<u>2,328,439</u>	<u>324,409</u>
Balance end of year	<u><u>2,853,085</u></u>	<u><u>79,128</u></u>	<u><u>2,932,213</u></u>	<u><u>557,788</u></u>	<u><u>557,788</u></u>	<u><u>2,374,425</u></u>

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

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

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

SIOUX CENTER 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	-	260,911	260,911	0.0%	3,465,000	7.5%
2011	July 1, 2009	-	260,911	260,911	0.0%	3,756,000	6.9%
2012	July 1, 2009	-	260,911	260,911	0.0%	3,609,000	7.2%

See Note 7 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

SUPPLEMENTARY INFORMATION

## SIOUX CENTER COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet  
Nonmajor Governmental Funds

June 30, 2012

	Special Revenue Funds		Total
	Management Levy	Activity Fund	
	\$	\$	\$
<b>Assets</b>			
Cash and pooled investments	71,321	219,595	290,916
Receivables:			
Property tax:			
Delinquent	1,079	-	1,079
Succeeding year	221,999	-	221,999
Accounts	-	470	470
Due from other governments	5	-	5
<b>Total assets</b>	<b>294,404</b>	<b>220,065</b>	<b>514,469</b>
<b>Liabilities &amp; Fund Balances</b>			
Liabilities:			
Deferred revenue:			
Succeeding year property tax	221,999	-	221,999
Fund balances:			
Restricted for:			
Management levy purposes	72,405	-	72,405
Student activities	-	220,065	220,065
Total fund balances	72,405	220,065	292,470
<b>Total liabilities and fund balances</b>	<b>294,404</b>	<b>220,065</b>	<b>514,469</b>

## SIOUX CENTER COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2012

	<u>Special Revenue Funds</u>		<u>Total</u>
	<u>Management</u>	<u>Student</u>	
	<u>Levy</u>	<u>Activity</u>	
	\$	\$	\$
Revenues:			
Local sources:			
Local tax	200,405	-	200,405
Other	10,329	263,800	274,129
State sources	63	-	63
Total revenues	<u>210,797</u>	<u>263,800</u>	<u>474,597</u>
Expenditures:			
Current:			
Instruction:			
Regular	83,573	-	83,573
Other	-	251,516	251,516
Support services:			
Administration	62,539	-	62,539
Operation and maintenance of plant	25,193	-	25,193
Transportation	23,284	-	23,284
Total expenditures	<u>194,589</u>	<u>251,516</u>	<u>446,105</u>
Net change in fund balances	16,208	12,284	28,492
Fund balances beginning of year	<u>56,197</u>	<u>207,781</u>	<u>263,978</u>
Fund balances end of year	<u><u>72,405</u></u>	<u><u>220,065</u></u>	<u><u>292,470</u></u>

## SIOUX CENTER COMMUNITY SCHOOL DISTRICT

Combining Schedule of Net Assets  
Nonmajor Enterprise Funds

June 30, 2012

	Nonmajor Enterprise Funds		
	School Nutrition	Community Education	Total
	\$	\$	\$
<b>Assets</b>			
Cash and cash equivalents	23,453	365	23,818
Inventories	10,729	-	10,729
Capital assets, net of accumulated depreciation	52,512	-	52,512
<b>Total assets</b>	<u>86,694</u>	<u>365</u>	<u>87,059</u>
<b>Liabilities</b>			
Deferred revenue	7,931	-	7,931
<b>Net assets</b>			
Invested in capital assets	52,512	-	52,512
Unrestricted	26,251	365	26,616
<b>Total net assets</b>	<u>78,763</u>	<u>365</u>	<u>79,128</u>

## SIOUX CENTER COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2012

	Nonmajor Enterprise Funds		
	School Nutrition	Community Education	Total
	\$	\$	\$
Operating revenues:			
Local sources:			
Charges for service	247,101	-	247,101
Operating expenses:			
Salaries	173,006	-	173,006
Benefits	43,688	-	43,688
Purchased services	4,798	-	4,798
Supplies	285,508	-	285,508
Depreciation	14,218	-	14,218
Total operating expenses	521,218	-	521,218
Operating income (loss)	(274,117)	-	(274,117)
Non-operating revenues:			
State sources	4,840	-	4,840
Federal sources	234,326	-	234,326
Interest income	215	2	217
Total non-operating revenues	239,381	2	239,383
Income (loss) before contributions	(34,736)	2	(34,734)
Capital contributions	9,685	-	9,685
Change in net assets	(25,051)	2	(25,049)
Net assets beginning of year	103,814	363	104,177
Net assets end of year	78,763	365	79,128

## SIOUX CENTER COMMUNITY SCHOOL DISTRICT

Combining Schedule of Cash Flows  
Nonmajor Enterprise Funds

Year ended June 30, 2012

	Nonmajor Enterprise Funds		
	School Nutrition	Community Education	Total
	\$	\$	\$
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	248,505	-	248,505
Cash payments to employees for services	(216,696)	-	(216,696)
Cash payments to suppliers for goods or services	(254,067)	-	(254,067)
Net cash used by operating activities	<u>(222,258)</u>	<u>-</u>	<u>(222,258)</u>
Cash flows from non-capital financing activities:			
State grants received	4,840	-	4,840
Federal grants received	195,340	-	195,340
Net cash provided by non-capital financing activities	<u>200,180</u>	<u>-</u>	<u>200,180</u>
Cash flows from capital and related financing activities	<u>-</u>	<u>-</u>	<u>-</u>
Cash flows from investing activities:			
Interest on investments	<u>215</u>	<u>2</u>	<u>217</u>
Net increase (decrease) in cash and cash equivalents	(21,863)	2	(21,861)
Cash and cash equivalents at beginning of year	<u>45,316</u>	<u>363</u>	<u>45,679</u>
Cash and cash equivalents at end of year	<u><u>23,453</u></u>	<u><u>365</u></u>	<u><u>23,818</u></u>
<b>Reconciliation of operating income (loss) to net cash used by operating activities:</b>			
Operating income (loss)	(274,117)	-	(274,117)
Adjustments to reconcile operating income (loss) to net cash used by operating activities:			
Commodities used	39,473	-	39,473
Depreciation	14,218	-	14,218
Decrease (increase) in inventories	(2,090)	-	(2,090)
Decrease (increase) in accounts receivable	562	-	562
(Decrease) increase in accounts payable	(1,144)	-	(1,144)
(Decrease) increase in salaries and benefits payable	(2)	-	(2)
(Decrease) increase in deferred revenue	842	-	842
Net cash used by operating activities	<u><u>(222,258)</u></u>	<u><u>-</u></u>	<u><u>(222,258)</u></u>

## SIOUX CENTER COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet  
Capital Project Accounts

June 30, 2012

Assets	Capital Projects			Total
	Construction	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	
	\$	\$	\$	
Cash and pooled investments	-	120,514	314,138	434,652
Receivables:				
Property tax:				
Delinquent	-	-	1,848	1,848
Succeeding year	-	-	549,527	549,527
Due from other governments	-	135,001	8	135,009
<b>Total assets</b>	<b>-</b>	<b>255,515</b>	<b>865,521</b>	<b>1,121,036</b>
<b>Liabilities &amp; Fund Balances</b>				
Liabilities:				
Accounts payable	-	1,218	49,497	50,715
Deferred revenue:				
Succeeding year property tax	-	-	549,527	549,527
Total liabilities	-	1,218	599,024	600,242
Fund balances:				
Restricted for:				
Debt service	-	84,675	-	84,675
School infrastructure	-	169,622	-	169,622
Physical plant and equipment	-	-	266,497	266,497
Total fund balances	-	254,297	266,497	520,794
<b>Total liabilities and fund balances</b>	<b>-</b>	<b>255,515</b>	<b>865,521</b>	<b>1,121,036</b>

## SIOUX CENTER COMMUNITY SCHOOL DISTRICT

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances  
Capital Project Accounts

Year ended June 30, 2012

	Capital Projects			Total
	Construction	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	-	851,047	396,809	1,247,856
Other	-	944	2,434	3,378
State sources	-	-	110	110
Total revenues	-	851,991	399,353	1,251,344
Expenditures:				
Current:				
Instruction:				
Regular instruction	-	-	26,942	26,942
Support services:				
Instructional staff services	-	135,051	6,274	141,325
Operation and maintenance of plant	-	96,001	78,115	174,116
Transportation services	-	79,824	-	79,824
Other expenditures:				
Facilities acquisition	55,650	107,486	202,288	365,424
Total expenditures	55,650	418,362	313,619	787,631
Excess (deficiency) of revenues over (under) expenditures	(55,650)	433,629	85,734	463,713
Other financing sources (uses):				
Operating transfers out	-	(491,525)	(298,110)	(789,635)
Net change in fund balance	(55,650)	(57,896)	(212,376)	(325,922)
Fund balances beginning of year	55,650	312,193	478,873	846,716
Fund balance end of year	-	254,297	266,497	520,794

## SIOUX CENTER COMMUNITY SCHOOL DISTRICT

## Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2012

<u>Account</u>	<u>Balance Beginning of Year</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Intra-Fund Transfers</u>	<u>Balance End of Year</u>
	\$	\$	\$	\$	\$
Drama-musical	9,279	1,335	938	-	9,676
Speech	866	3,472	774	-	3,564
Vocal music	6,633	20,581	16,541	-	10,673
Middle School vocal music	386	2,084	1,114	-	1,356
Instrumental music	6,959	18,520	13,368	-	12,111
Middle School music	16,465	26,461	31,250	-	11,676
Athletics	94,058	110,847	108,872	3,906	99,939
Training room	3,906	-	-	(3,906)	-
Special education olympics	3,362	119	450	-	3,031
Middle School annual	2,778	2,650	2,657	-	2,771
8th grade	1,449	7	377	-	1,079
Music trailer account	292	1	-	-	293
Class of 2012	5,870	-	5,870	-	-
Class of 2013	-	11,966	8,228	-	3,738
Future Farmers of America	9,823	44,829	43,030	-	11,622
Donations	3,806	24	-	-	3,830
National Honor Society	377	-	377	-	-
Birthday book club	919	1,316	1,827	-	408
Student council	6,891	2,593	2,350	-	7,134
Spanish club	349	3	-	-	352
Annual	11,229	4,762	4,595	-	11,396
Dance team	17,792	12,196	8,124	-	21,864
Math club	1,336	4	714	-	626
Mock trial	1,692	10	-	-	1,702
Jets	1,193	8	-	-	1,201
Students Opposed to Drugs and Alcohol	71	-	60	-	11
General activity	-	12	-	-	12
<b>Total</b>	<b>207,781</b>	<b>263,800</b>	<b>251,516</b>	<b>-</b>	<b>220,065</b>

## SIOUX CENTER COMMUNITY SCHOOL DISTRICT

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

For the Last Nine Years

	Modified Accrual Basis								
	2012	2011	2010	2009	2008	2007	2006	2005	2004
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revenues:									
Local sources:									
Local tax	6,472,685	6,110,547	5,975,968	5,142,010	4,471,376	4,441,159	4,125,737	4,032,901	3,993,412
Tuition	508,405	489,314	339,164	374,112	329,720	334,630	271,109	325,860	316,551
Other	521,402	477,433	546,991	479,248	446,410	466,366	538,024	452,524	421,343
Intermediate sources	-	-	-	-	-	-	-	300	178
State sources	5,264,893	4,921,836	4,350,334	5,178,985	4,832,906	4,477,436	4,161,053	3,801,699	3,421,797
Federal sources	461,488	614,691	903,270	431,395	317,849	249,547	334,251	317,436	296,966
Total revenues	<u>13,228,873</u>	<u>12,613,821</u>	<u>12,115,727</u>	<u>11,605,750</u>	<u>10,398,261</u>	<u>9,969,138</u>	<u>9,430,174</u>	<u>8,930,720</u>	<u>8,450,247</u>
Expenditures:									
Instruction:									
Regular	4,404,720	4,179,915	4,114,531	4,068,133	3,875,852	3,721,225	3,414,494	3,200,301	3,092,609
Special	1,432,488	1,315,488	1,221,436	1,173,420	1,267,177	1,321,988	1,593,770	1,458,155	1,349,439
Other	1,568,683	1,613,900	1,611,849	1,388,113	1,285,838	1,243,699	787,333	678,930	647,088
Support services:									
Student	262,567	299,506	294,734	295,399	253,656	255,493	407,640	274,578	297,250
Instructional staff	576,091	521,166	444,192	320,927	360,410	340,069	193,131	260,001	301,914
Administration	920,921	887,857	894,122	890,843	910,301	876,365	887,405	805,532	765,526
Operation and maintenance	885,673	792,490	761,533	678,811	653,808	649,268	559,984	506,281	476,504
Transportation	490,368	430,747	518,614	366,319	336,965	428,413	332,840	339,995	349,719
Central support	-	-	-	-	-	-	-	14,744	1,631
Non-instructional programs	-	-	-	-	-	-	265	160	179
Other expenditures:									
Facilities acquisition	365,424	994,905	8,089,766	1,630,413	372,851	1,974,601	980,254	1,402,516	212,732
Long-term debt:									
Principal	1,120,000	3,465,000	2,611,420	909,036	878,036	834,036	459,037	303,589	245,863
Interest and other charges	458,525	581,807	568,270	248,230	285,064	266,166	227,678	164,096	223,243
AEA flowthrough	440,446	465,672	458,122	414,317	379,417	358,613	337,438	314,331	307,902
Total expenditures	<u>12,925,906</u>	<u>15,548,453</u>	<u>21,588,589</u>	<u>12,383,961</u>	<u>10,859,375</u>	<u>12,269,936</u>	<u>10,181,269</u>	<u>9,723,209</u>	<u>8,271,599</u>

See accompanying independent auditor's report.

## SIOUX CENTER COMMUNITY SCHOOL DISTRICT

## Schedule of Expenditures of Federal Awards

Year ended June 30, 2012

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Grant Number</u>	<u>Expenditures</u> \$
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Education:			
School Nutrition Cluster Programs:			
School Breakfast Program	10.553	FY12	21,986
National School Lunch Program (non-cash)	10.555	FY12	39,473
National School Lunch Program	10.555	FY12	171,822
Special Milk Program for Children	10.556	FY12	1,045
			<u>234,326</u>
U.S. Department of Education:			
Iowa Department of Education:			
Title I Grants to Local Educational Agencies	84.010	FY12	111,446
Safe and Drug Free Schools and Communities - State Grants	84.186	FY12	758
Advanced Placement Program	84.330	FY12	116
Improving Teacher Quality State Grants	84.367	FY12	38,634
Grants for State Assessments and Related Activities	84.369	FY12	6,682
Education Jobs Fund	84.410	FY12	149,838
Northwest Area Education Agency:			
Special Education - Grants to States	84.027	FY12	75,931
Career and Technical Education - Basic Grants to States	84.048	FY12	8,064
English Language Acquisition Grants	84.365	FY12	9,995
			<u>635,790</u>
Total			<u>635,790</u>

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

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

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

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Sioux Center Community School District as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated February 15, 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 Sioux Center Community School District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Sioux Center Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Sioux Center Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Sioux Center Community School District's internal control over financial reporting.

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

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

### Compliance and Other Matters

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

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 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.

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

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

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

February 15, 2013

Independent Auditor's Report on Compliance with Requirements That Could Have a Direct  
and Material Effect on Each Major Program and on Internal Control over Compliance  
in Accordance with OMB Circular A-133

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

Compliance

We have audited Sioux Center Community School District's compliance with the types of compliance requirements described in the (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of Sioux Center Community School District's major federal programs for the year ended June 30, 2012. Sioux Center Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Sioux Center Community School District's management. Our responsibility is to express an opinion on Sioux Center Community School District's compliance based on our audit.

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

In our opinion, Sioux Center Community School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

### Internal Control Over Compliance

Management of Sioux Center Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Sioux Center Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Sioux Center Community School District's internal control over compliance.

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in Part III of the accompanying Schedule of Findings and Questioned Costs as item 12-III-A to be a material weakness.

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

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

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

February 15, 2013

SIoux CENTER COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2012

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

- (a) Unqualified opinions were issued on the financial statements.
- (b) Material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) A material weakness in internal control over the major programs was disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed an audit finding which is required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
  - Child Nutrition Cluster
    - CFDA Number 10.553 – School Breakfast Program
    - CFDA Number 10.555 – National School Lunch Program
    - CFDA Number 10.556 – Special Milk Program for Children
  - CFDA Number 84.410 – Education Jobs Fund
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Sioux Center Community School District did not qualify as a low-risk auditee.

SIoux CENTER COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2012

Part II: Findings Related to the Financial Statements:

Internal Control Deficiencies:

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

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

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

Conclusion: Response accepted.

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

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

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

Conclusion: Response accepted.

Instances of Noncompliance:

No matters were reported.

SIoux CENTER COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2012

Part III: Findings and Questioned Costs for Federal Awards:

Instances of Noncompliance:

No matters were reported.

Internal Control Deficiencies:

CFDA Number 10.553: School Breakfast Program  
CFDA Number 10.555: National School Lunch Program and  
CFDA Number 10.556: Special Milk Program for Children  
Federal Award Year: 2012  
U.S. Department of Agriculture  
Passed through the Iowa Department of Education

CFDA Number 84.410: Education Jobs Fund  
Federal Award Year 2012  
U.S. Department of Education  
Passed through the Iowa Department of Education

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

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

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

Conclusion: Response accepted.

SIOUX CENTER COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2012

Part IV: Other Findings Related to Required Statutory Reporting:

- 12-IV-A Certified Budget: Expenditures for the year ended June 30, 2012 did not exceed the amounts budgeted.
- 12-IV-B Questionable Expenditures: No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- 12-IV-C Travel Expenses: No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- 12-IV-D Business Transactions: Business transactions between the District and District officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	
Tim Gesink, Board Member, Officer at local bank	School banking	
Regina Schildhouse, school employee, Co-owner of Centre Music	Band instrument repairs and supplies	5,274

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

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

Conclusion: Response accepted.

- 12-IV-E Bond Coverage: Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of bond coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- 12-IV-F Board Minutes: No transactions requiring board approval that had not been approved by the board were noted.
- 12-IV-G Certified Enrollment: No variances in the basic enrollment data certified to the Department of Education were noted.
- 12-IV-H Supplementary Weighting: No variances regarding supplementary weighting certified to the Department of Education were noted.

SIOUX CENTER COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2012

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

- 12-IV-I     Deposits and Investments: No instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.
  
- 12-IV-J     Certified Annual Report: The Certified Annual Report was certified to the Iowa Department of Education timely.
  
- 12-IV-K     Categorical Funding: No instances were noted of categorical funding being used to supplant rather than supplement other funds.
  
- 12-IV-L     Statewide Sales, Services and Use Tax: No instances were noted of categorical funding being used to supplant rather than supplement other funds.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2012, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

	\$	\$
Beginning balance		312,193
Revenues/transfers in:		
Statewide sales, services and use tax revenue	851,047	
Interest	944	851,991
Expenditures/transfers out:		
School infrastructure construction	107,486	
Equipment	224,560	
Other	86,316	
Transfers to debt service fund	491,525	909,887
Ending balance		254,297

For the year ended June 30, 2012, the District reduced the following levies as a result of the moneys received under Chapter 423E of 423F of the Code of Iowa:

	Rate of Levy Reduction Per \$1,000 of Taxable Valuation	Property Tax Dollars Reduced
	\$	\$
Debt service levy	.25995	100,000