

SIDNEY COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2013

Contents

		<u>Page</u>
Officials		3
Independent Auditor's Report		5-6
Management's Discussion and Analysis (MD&A)		7-15
Basic Financial Statements:	<u>Exhibit</u>	
Government-wide Financial Statements:		
Statement of Net Position	A	18
Statement of Activities	B	19
Governmental Fund Financial Statements:		
Balance Sheet	C	20
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position	D	21
Statement of Revenues, Expenditures and Changes in Fund Balances	E	22
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	F	23
Nonmajor Proprietary Fund Financial Statements:		
Statement of Net Position	G	24
Statement of Revenues, Expenses and Changes in Fund Net Position	H	25
Statement of Cash Flows	I	26
Statement of Changes in Fiduciary Net Position	J	27
Notes to Financial Statements		28-40
Required Supplementary Information:		
Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances - Budget and Actual - All Governmental Funds and Proprietary Fund		42
Notes to Required Supplementary Information - Budgetary Reporting		43
Schedule of Funding Progress for the Retiree Health Plan		44
Supplementary Information:	<u>Schedule</u>	
Nonmajor Governmental Funds:		
Combining Balance Sheet	1	46
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	2	47
Capital Project Accounts:		
Combining Balance Sheet	3	48
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	4	49
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	5	50
Schedule of Revenues by Source and Expenditures by Function - All Governmental Fund Types	6	51
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>		52-53
Schedule of Findings		54-58

Sidney Community School District

Officials

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

SIDNEY COMMUNITY SCHOOLS

NOLTE, CORNMAN & JOHNSON P.C.
Certified Public Accountants
(a professional corporation)
117 West 3rd Street North, Newton, Iowa 50208-3040
Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the Sidney Community School District:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Sidney Community School District, Sidney, Iowa, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Sidney Community School District as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

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 7 through 15 and 42 through 44 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of 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 information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Sidney Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2012 (which are not presented herein) and expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 6, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the 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 basic financial statements or to the basic 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.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 21, 2014 on our consideration of Sidney Community School District's internal control over financial reporting and on 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 in considering Sidney Community School District's internal control over financial reporting and compliance.


NOLTE, CORNMAN & JOHNSON, P.C.

March 21, 2014
Newton, Iowa

MANAGEMENT'S DISCUSSION AND ANALYSIS

Sidney Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2013. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2013 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$4,360,424 in fiscal year 2012 to \$4,414,616 in fiscal 2013, and General Fund expenditures increased from \$4,583,161 in fiscal 2012 to \$4,690,942 in fiscal 2013. This resulted in a decrease in the District's General Fund balance from \$319,255 in fiscal 2012 to a balance of \$42,929 in fiscal 2013.
- The increase in General Fund revenues was attributable to an increase in funding from local sources in fiscal 2013. The increase in expenditures was due to an increase in expenditures in the instruction functional area.
- Overall, the District's net position decreased \$273,708 in governmental activities and \$2,598 in business type activities.

USING THIS ANNUAL REPORT

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

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

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

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

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

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

Supplementary Information provides detailed information about the nonmajor governmental funds.

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

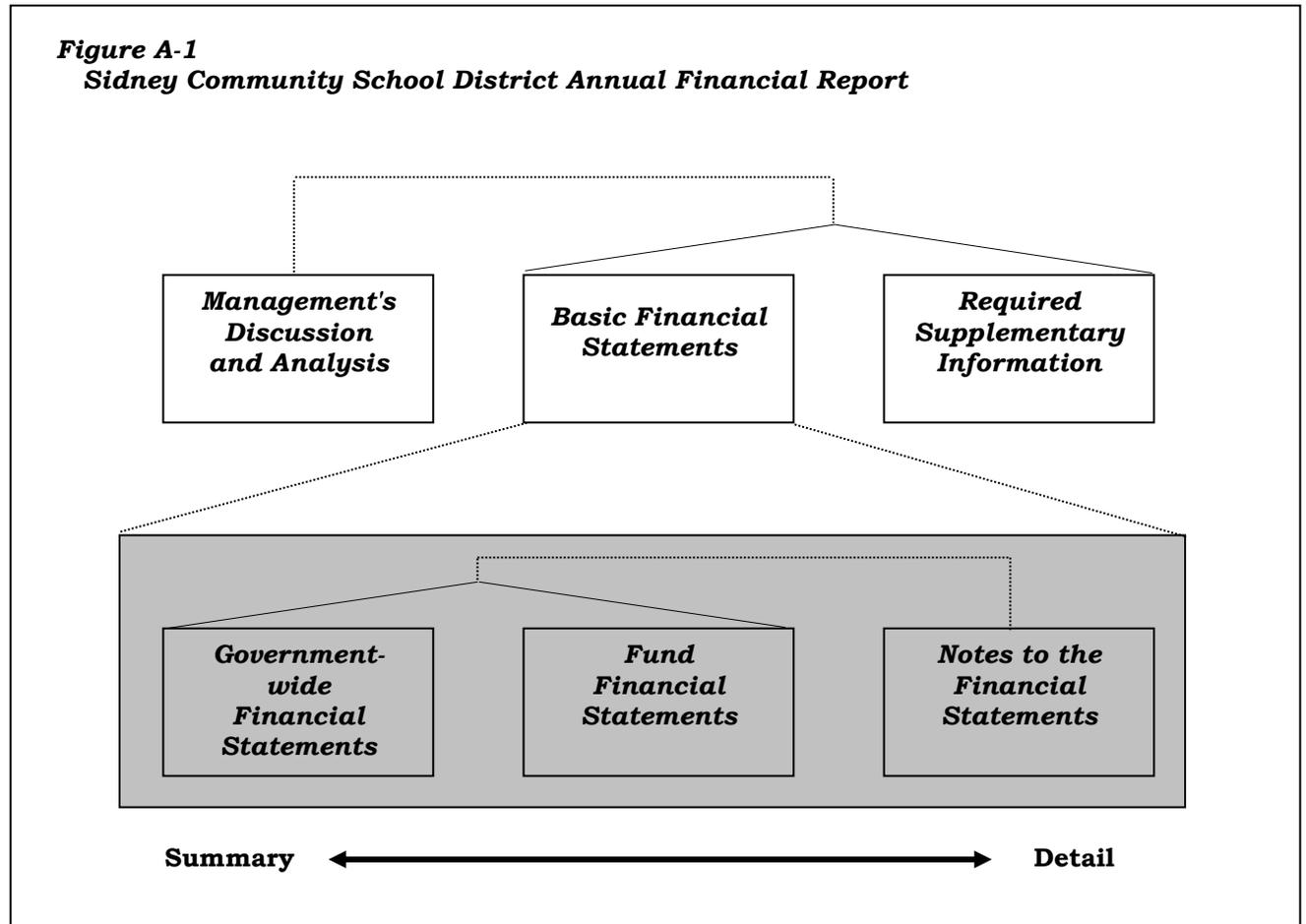


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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

REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

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

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

The required financial statements for the governmental funds include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances.

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

The required financial statements for the proprietary funds include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Net Position and a Statement of Cash Flows.

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

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

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

The required financial statements for fiduciary funds include a Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position.

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 position at June 30, 2013 compared to June 30, 2012.

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2013	2012	2013	2012	2013	2012	2012-13
Current and other assets	\$ 3,057,274	2,768,698	32,919	29,281	3,090,193	2,797,979	10.44%
Capital assets	3,029,512	3,167,989	22,918	25,902	3,052,430	3,193,891	-4.43%
Total assets	6,086,786	5,936,687	55,837	55,183	6,142,623	5,991,870	2.52%
Long-term obligations	1,350,449	1,319,774	142	663	1,350,591	1,320,437	2.28%
Other liabilities	2,455,550	2,062,418	11,804	8,031	2,467,354	2,070,449	19.17%
Total liabilities	3,805,999	3,382,192	11,946	8,694	3,817,945	3,390,886	12.59%
Net position:							
Investment in capital assets, net of related debt	2,069,512	1,890,904	22,918	25,902	2,092,430	1,916,806	9.16%
Restricted	432,982	261,085	-	-	432,982	261,085	65.84%
Unrestricted	(221,707)	402,506	20,973	20,587	(200,734)	423,093	-147.44%
Total net position	\$ 2,280,787	2,554,495	43,891	46,489	2,324,678	2,600,984	-10.62%

The District's combined net position decreased by 10.62%, or \$276,306, from the prior year. The District's net position was somewhat evenly disbursed between restricted net position, unrestricted net position, and invested in capital assets, net of related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net position represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position increased \$171,897, or 65.84%. This increase in restricted net position was largely a result of the District's increase in the Capital Projects: Statewide Sales, Services and Use Tax fund balance.

Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements - decreased \$623,827, or 147.44%. This decrease in unrestricted net position was largely a result of the District's decrease in the General Fund balance.

Figure A-4 shows the changes in net position for the year ended June 30, 2013 compared to June 30, 2012.

	Figure A-4 Changes of Net Position						
	Governmental Activities		Business Type Activities		Total District		Total Change
	2013	2012	2013	2012	2013	2012	2012-13
Revenues:							
Program revenues:							
Charges for services	\$ 991,199	765,700	78,092	71,582	1,069,291	837,282	27.71%
Operating grants, contributions and restricted interest	409,624	495,278	113,753	113,633	523,377	608,911	-14.05%
Capital grants, contributions and restricted interest	3,693	-	-	-	3,693	-	100.00%
General revenues:							
Property tax	1,430,247	1,227,960	-	-	1,430,247	1,227,960	16.47%
Income surtax	155,070	179,765	-	-	155,070	179,765	-13.74%
Statewide sales, services and use tax	296,345	266,104	-	-	296,345	266,104	11.36%
Unrestricted state grants	1,900,553	1,953,757	-	-	1,900,553	1,953,757	-2.72%
Nonspecific program federal grants	-	1,241	-	-	-	1,241	-100.00%
Unrestricted investment earnings	4,450	3,351	76	4	4,526	3,355	34.90%
Other	72,184	22,282	-	-	72,184	22,282	223.96%
Total revenues	<u>5,263,365</u>	<u>4,915,438</u>	<u>191,921</u>	<u>185,219</u>	<u>5,455,286</u>	<u>5,100,657</u>	<u>6.95%</u>
Program expenses:							
Governmental activities:							
Instructional	3,437,537	3,257,040	-	-	3,437,537	3,257,040	5.54%
Support services	1,829,829	1,474,418	-	-	1,829,829	1,474,418	24.11%
Non-instructional programs	-	-	194,519	214,033	194,519	214,033	-9.12%
Other expenses	269,707	272,088	-	-	269,707	272,088	-0.88%
Total expenses	<u>5,537,073</u>	<u>5,003,546</u>	<u>194,519</u>	<u>214,033</u>	<u>5,731,592</u>	<u>5,217,579</u>	<u>9.85%</u>
Change in net position	(273,708)	(88,108)	(2,598)	(28,814)	(276,306)	(116,922)	-136.32%
Beginning net position	<u>2,554,495</u>	<u>2,642,603</u>	<u>46,489</u>	<u>75,303</u>	<u>2,600,984</u>	<u>2,717,906</u>	<u>-4.30%</u>
Ending net position	<u>\$ 2,280,787</u>	<u>2,554,495</u>	<u>43,891</u>	<u>46,489</u>	<u>2,324,678</u>	<u>2,600,984</u>	<u>-10.62%</u>

In fiscal 2013, property tax, income surtax, statewide sales, services and use tax and unrestricted state grants account for 71.86% of the revenue from governmental activities while charges for services and operating grants and contributions account for 99.96% of the revenue from business type activities.

The District's total revenues were approximately \$5.46 million, of which approximately \$5.26 million was for governmental activities and approximately \$0.19 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 6.95% increase in revenues and a 9.85% increase in expenses. Property tax increased \$202,287 to fund the increase in expenses. The increase in expenses is related to increases in negotiated salaries and benefits.

Governmental Activities

Revenues for governmental activities were \$5,263,365 and expenses were \$5,537,073 for the year ended June 30, 2013.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, and other expenses, for the year ended June 30, 2013 compared to the year ended June 30, 2012.

	Total Cost of Services			Net Cost of Services		
	2013	2012	Change 2012-13	2013	2012	Change 2012-13
Instruction	\$ 3,437,537	3,257,040	5.54%	2,311,570	2,176,062	6.23%
Support services	1,829,829	1,474,418	24.11%	1,691,218	1,435,227	17.84%
Other expenses	269,707	272,088	-0.88%	129,769	131,279	-1.15%
Totals	<u>\$ 5,537,073</u>	<u>5,003,546</u>	<u>10.66%</u>	<u>4,132,557</u>	<u>3,742,568</u>	<u>10.42%</u>

For the year ended June 30, 2013:

- The portion of the cost financed by users of the District's programs was \$991,199.
- Federal and state government subsidized certain programs with operating grants and contributions totaling \$409,624.
- The net cost portion of governmental activities was financed with \$1,430,247 in property tax, \$155,070 in income surtax, \$296,345 in statewide sales, services and use tax, \$1,900,553 in unrestricted state grants, \$4,450 in interest income and \$72,184 in other general revenues.

Business Type Activities

Revenues of the Districts business type activities were \$191,921 and expenses were \$194,519. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for services, federal and state reimbursements and other income including investment income.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported combined fund balances of \$431,705, compared to last year's ending fund balance in governmental funds of \$537,061. The primary reason for the decrease in combined fund balances at the end of fiscal 2013 is due to decreases in state and federal revenue sources and increases in current instruction expenditures in the General Fund.

Governmental Fund Highlights

- The District's General Fund financial position is the product of many factors. An increase in property taxes, tuition revenues and revenues for services to other schools increased General Fund revenues. Increased salary and benefits costs were the main contributing factor in the increase in fund expenditures. This resulted in a decrease in General Fund balance from \$319,255 in 2012 to \$42,929 in fiscal 2013.
- The District's Debt Service Fund balance decreased from a deficit \$7,265 in fiscal 2012 to a deficit of \$7,308 in fiscal 2013.
- The Capital Projects Accounts balance increased from \$123,473 in fiscal 2012 to a balance of \$276,500 in fiscal 2013. The main reason for the increase was due to the increase in sales tax received in fiscal 2013 as compared to fiscal 2012.

Proprietary Fund Highlights

School Nutrition Fund net position decreased from \$46,489 at June 30, 2012 to \$43,891 at June 30, 2013, representing a decrease of 5.59%.

BUDGETARY HIGHLIGHTS

The District's revenues were \$125,001 more than budgeted revenues, a variance of 2.34%. The most significant variance resulted from the District receiving more from local sources than originally anticipated.

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

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

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2013, the District had invested \$3,052,430, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers and audio-visual equipment and transportation equipment. (See Figure A-6) More detailed information about the District's capital assets is presented in Note 6 to the financial statements. Depreciation expense for the year was \$144,956.

The original cost of the District's capital assets was \$6,767,499. Governmental funds accounted for \$6,658,271, with the remainder of \$109,228 accounted for in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the machinery and equipment category. The District's machinery and equipment totaled \$115,588 at June 30, 2013 compared to \$152,700 at June 30, 2012. This decrease resulted from depreciation expense during the year.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2013	2012	2013	2012	2013	2012	2012-13
Land	\$ 7,500	7,500	-	-	7,500	7,500	0.00%
Buildings	2,920,006	3,023,560	-	-	2,920,006	3,023,560	-3.42%
Land improvements	9,336	10,131	-	-	9,336	10,131	-7.85%
Machinery and equipment	92,670	126,798	22,918	25,902	115,588	152,700	-24.30%
Total	\$ 3,029,512	3,167,989	22,918	25,902	3,052,430	3,193,891	-4.43%

Long-Term Debt

At June 30, 2013, the District had \$1,350,591 in general obligation and other long-term debt outstanding. This represents an increase of 2.28% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 7 to the financial statements.

The District had total outstanding General Obligation Bonds payable of \$960,000 at June 30, 2013.

As of June 30, 2013, the District had two computer leases payable from the Capital Projects: Statewide Sales, Services and Use Tax Fund of \$331,138.

The District had total outstanding Net OPEB liability of \$59,311 at June 30, 2013.

Figure A-7
Outstanding Long-Term Obligations

	Governmental Activities		Business type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2013	2012	2013	2012	2013	2012	2012-13
General obligation bonds	\$ 960,000	1,205,000	-	-	960,000	1,205,000	-20.33%
Laptop leases	331,138	72,085	-	-	331,138	72,085	359.37%
Net OPEB obligation	59,311	42,689	142	663	59,453	43,352	37.14%
Total	\$ 1,350,449	1,319,774	142	663	1,350,591	1,320,437	2.28%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

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

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

SIDNEY COMMUNITY SCHOOLS

BASIC FINANCIAL STATEMENTS

SIDNEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2013

	Governmental Activities	Business Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 771,866	31,886	803,752
Receivables:			
Property tax:			
Delinquent	23,359	-	23,359
Succeeding year	1,456,078	-	1,456,078
Income surtax	164,046	-	164,046
Accounts	4,705	-	4,705
Due from other governments	637,220	-	637,220
Inventories	-	1,033	1,033
Capital assets, net of accumulated depreciation	3,029,512	22,918	3,052,430
TOTAL ASSETS	6,086,786	55,837	6,142,623
LIABILITIES			
Warrants in excess of bank balance	11,613	-	11,613
Accounts payable	231,841	241	232,082
Line of credit	300,000	-	300,000
Salaries and benefits payable	450,086	9,484	459,570
Accrued interest payable	2,447	-	2,447
Deferred revenue:			
Succeeding year property tax	1,456,078	-	1,456,078
Other	3,485	-	3,485
Unearned revenue		2,079	2,079
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	245,000	-	245,000
Computer leases payable	145,675	-	145,675
Portion due after one year:			
General obligation bonds payable	715,000	-	715,000
Computer leases payable	185,463	-	185,463
Net OPEB liability	59,311	142	59,453
TOTAL LIABILITIES	3,805,999	11,946	3,817,945
NET POSITION			
Invested in capital assets, net of related debt	2,069,512	22,918	2,092,430
Restricted for:			
Categorical funding	33,919	-	33,919
Management levy purposes	72,975	-	72,975
Student activities	46,609	-	46,609
School infrastructure	279,479	-	279,479
Unrestricted	(221,707)	20,973	(200,734)
TOTAL NET POSITION	\$ 2,280,787	43,891	2,324,678

SEE NOTES TO FINANCIAL STATEMENTS.

SIDNEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2013

	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Govern- mental Activities	Business Type Activities	Total
Functions/Programs:							
Governmental activities:							
Instruction:							
Regular	\$ 1,933,584	579,018	56,181	-	(1,298,385)	-	(1,298,385)
Special	971,866	139,314	66,819	-	(765,733)	-	(765,733)
Other	532,087	139,623	145,012	-	(247,452)	-	(247,452)
	<u>3,437,537</u>	<u>857,955</u>	<u>268,012</u>	<u>-</u>	<u>(2,311,570)</u>	<u>-</u>	<u>(2,311,570)</u>
Support services:							
Student	68,418	-	-	-	(68,418)	-	(68,418)
Instructional staff	518,124	-	-	-	(518,124)	-	(518,124)
Administration	513,271	97,028	1,674	-	(414,569)	-	(414,569)
Operation and maintenance of plant	387,479	-	-	3,693	(383,786)	-	(383,786)
Transportation	342,537	36,216	-	-	(306,321)	-	(306,321)
	<u>1,829,829</u>	<u>133,244</u>	<u>1,674</u>	<u>3,693</u>	<u>(1,691,218)</u>	<u>-</u>	<u>(1,691,218)</u>
Long-term debt interest	21,925	-	-	-	(21,925)	-	(21,925)
Other expenditures:							
AEA flowthrough	139,938	-	139,938	-	-	-	-
Depreciation(unallocated)*	107,844	-	-	-	(107,844)	-	(107,844)
	<u>247,782</u>	<u>-</u>	<u>139,938</u>	<u>-</u>	<u>(107,844)</u>	<u>-</u>	<u>(107,844)</u>
Total governmental activities	5,537,073	991,199	409,624	3,693	(4,132,557)	-	(4,132,557)
Business type activities:							
Non-instructional programs:							
Nutrition services	194,519	78,092	113,753	-	-	(2,674)	(2,674)
Total	\$ 5,731,592	1,069,291	523,377	3,693	(4,132,557)	(2,674)	(4,135,231)
General Revenues:							
Local tax for:							
General purposes					\$ 1,164,490	-	1,164,490
Debt service					265,757	-	265,757
Income surtax					155,070	-	155,070
Statewide sales, services and use tax					296,345	-	296,345
Unrestricted state grants					1,900,553	-	1,900,553
Unrestricted investment earnings					4,450	76	4,526
Other					72,184	-	72,184
Total general revenues					<u>3,858,849</u>	<u>76</u>	<u>3,858,925</u>
Change in net position					(273,708)	(2,598)	(276,306)
Net position beginning of year					2,554,495	46,489	2,600,984
Net position end of year					<u>\$ 2,280,787</u>	<u>43,891</u>	<u>2,324,678</u>

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

SEE NOTES TO FINANCIAL STATEMENTS.

SIDNEY COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2013

	General	Debt Service	Capital Projects	Nonmajor	Total
ASSETS					
Cash and pooled investments	\$ 476,256	-	166,220	120,970	763,446
Receivables:					
Property tax:					
Delinquent	17,413	4,305	-	1,641	23,359
Succeeding year	1,061,418	265,300	29,360	100,000	1,456,078
Income surtax	164,046	-	-	-	164,046
Accounts	4,005	-	-	700	4,705
Due from other funds	-	-	59,276	-	59,276
Due from other governments	581,067	-	56,153	-	637,220
TOTAL ASSETS	\$ 2,304,205	269,605	311,009	223,311	3,108,130
LIABILITIES AND FUND BALANCES					
Liabilities:					
Due to other funds	\$ 59,276	-	-	-	59,276
Warrants in excess of bank balances	-	11,613	-	-	11,613
Accounts payable	222,965	-	5,149	3,727	231,841
Line of credit	300,000	-	-	-	300,000
Salaries and benefits payable	450,086	-	-	-	450,086
Deferred revenue:					
Succeeding year property tax	1,061,418	265,300	29,360	100,000	1,456,078
Income surtax	164,046	-	-	-	164,046
Other	3,485	-	-	-	3,485
Total liabilities	2,261,276	276,913	34,509	103,727	2,676,425
Fund balances:					
Restricted for:					
Categorical funding	33,919	-	-	-	33,919
Management levy purposes	-	-	-	72,975	72,975
Student activities	-	-	-	46,609	46,609
School infrastructure	-	-	279,479	-	279,479
Unassigned:					
General	9,010	-	-	-	9,010
Debt service	-	(7,308)	-	-	(7,308)
Physical plant and equipment	-	-	(2,979)	-	(2,979)
Total fund balances	42,929	(7,308)	276,500	119,584	431,705
TOTAL LIABILITIES AND FUND BALANCES	\$ 2,304,205	269,605	311,009	223,311	3,108,130

SEE NOTES TO FINANCIAL STATEMENTS.

SIDNEY COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET POSITION
 JUNE 30, 2013

Total fund balances of governmental funds(page 20) \$ 431,705

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. 3,029,512

Blending of the Internal Service Funds to be reflected on an entity-wide basis. 8,420

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. (2,447)

Accounts receivable income surtax, is not yet available to finance expenditures of the current fiscal period. 164,046

Long-term liabilities, including general obligation bonds payable, computer leases payable and other postemployment benefits payable are not due and payable in the current period and, therefore, are not reported in the funds. (1,350,449)

Net position of governmental activities(page 18) \$ 2,280,787

SEE NOTES TO FINANCIAL STATEMENTS.

SIDNEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2013

	General	Debt Service	Capital Projects	Nonmajor	Total
Revenues:					
Local sources:					
Local tax	\$ 1,221,244	265,757	296,346	100,181	1,883,528
Tuition	682,588	-	-	-	682,588
Other	217,933	-	60,938	123,699	402,570
State sources	2,162,891	-	-	-	2,162,891
Federal sources	129,960	-	3,693	-	133,653
Total revenues	4,414,616	265,757	360,977	223,880	5,265,230
Expenditures:					
Current:					
Instruction:					
Regular	1,886,627	-	16,367	-	1,902,994
Special	975,321	-	-	-	975,321
Other	411,306	-	-	120,970	532,276
	3,273,254	-	16,367	120,970	3,410,591
Support services:					
Student	67,759	-	-	-	67,759
Instructional staff	106,602	-	411,160	-	517,762
Administration	514,870	500	1,975	-	517,345
Operation and maintenance of plant	278,495	-	36,631	72,697	387,823
Transportation	310,024	-	-	12,227	322,251
	1,277,750	500	449,766	84,924	1,812,940
Long-term debt:					
Principal	-	308,873	-	-	308,873
Interest and fiscal charges	-	21,170	-	-	21,170
	-	330,043	-	-	330,043
Other expenditures:					
AEA flowthrough	139,938	-	-	-	139,938
Total expenditures	4,690,942	330,543	466,133	205,894	5,693,512
Excess(Deficiency) of revenues over(under) expenditures	(276,326)	(64,786)	(105,156)	17,986	(428,282)
Other financing sources(uses):					
Transfer in	-	64,743	-	-	64,743
Transfer out	-	-	(64,743)	-	(64,743)
Proceeds from computer leases	-	-	322,926	-	322,926
Total other financing sources(uses)	-	64,743	258,183	-	322,926
Change in fund balances	(276,326)	(43)	153,027	17,986	(105,356)
Fund balances beginning of year	319,255	(7,265)	123,473	101,598	537,061
Fund balances end of year	\$ 42,929	(7,308)	276,500	119,584	431,705

SEE NOTES TO FINANCIAL STATEMENTS.

SIDNEY COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 YEAR ENDED JUNE 30, 2013

Change in fund balances - total governmental funds(page 22) \$ (105,356)

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

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

Capital outlay	\$ 3,495	
Depreciation expense	<u>(141,972)</u>	(138,477)

Proceeds from issuing long-term liabilities provide current financial resources to governmental fund, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.

Issued	(322,926)	
Repaid	<u>308,873</u>	(14,053)

Net change in the Internal Service Funds charged back against expenditures made for self-funded insurance at an entity-wide basis. 3,420

Income surtax accounts receivable is not available to finance expenditures of the current year period in the governmental funds. (1,865)

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. (755)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.
 Other postemployment benefits (16,622)

Change in net position of governmental activities(page 19) \$ (273,708)

SEE NOTES TO FINANCIAL STATEMENTS.

SIDNEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
NONMAJOR PROPRIETARY FUNDS
JUNE 30, 2013

	Business Type	
	Activities: Enterprise Fund School Nutrition	Governmental Activities: Internal Service Fund
Assets		
Cash and pooled investments	\$ 31,886	8,420
Inventories	1,033	-
Capital assets, net of accumulated depreciation	22,918	-
Total assets	55,837	8,420
Liabilities		
Accounts payable	241	-
Salaries and benefits payable	9,484	-
Unearned revenue	2,079	-
Net OPEB liability	142	-
Total liabilities	11,946	-
Net Position		
Invested in capital assets	22,918	-
Unrestricted	20,973	8,420
Total net position	\$ 43,891	8,420

SEE NOTES TO FINANCIAL STATEMENTS.

SIDNEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
NONMAJOR PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2013

	Business Type Activities: Enterprise Fund School Nutrition	Governmental Activities: Internal Service Fund
Operating revenues:		
Local sources:		
Charges for services	\$ 78,092	-
Miscellaneous revenue	-	29,734
Total operating revenues	<u>78,092</u>	<u>29,734</u>
Operating expenses:		
Non-instructional programs:		
Salaries	63,769	-
Benefits	10,961	26,314
Services	670	-
Supplies	116,135	-
Depreciation	2,984	-
Total operating expenses	<u>194,519</u>	<u>26,314</u>
Operating income(loss)	<u>(116,427)</u>	<u>3,420</u>
Non-operating revenues:		
State sources	1,821	-
Federal sources	111,932	-
Interest on investments	76	-
Total non-operating revenues	<u>113,829</u>	<u>-</u>
Change in net position	(2,598)	3,420
Net position beginning of year	<u>46,489</u>	<u>5,000</u>
Net position end of year	<u>\$ 43,891</u>	<u>8,420</u>

SEE NOTES TO FINANCIAL STATEMENTS.

SIDNEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
NONMAJOR PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2013

	Business Type	
	Enterprise Fund	Governmental Activities Internal Service Fund
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 78,417	-
Cash received from miscellaneous operating activities	-	29,734
Cash payments to employees for services	(72,018)	(26,314)
Cash payments to suppliers for goods or services	(105,568)	-
Net cash provided by(used by) operating activities	<u>(99,169)</u>	<u>3,420</u>
Cash flows from non-capital financing activities:		
State grants received	1,821	-
Federal grants received	102,127	-
Net cash provided by non-capital financing activities	<u>103,948</u>	<u>-</u>
Cash flows from investing activities:		
Interest on investments	76	-
Net increase in cash and cash equivalents	4,855	3,420
Cash and cash equivalents at beginning of year	<u>27,031</u>	<u>5,000</u>
Cash and cash equivalents at end of year	<u>\$ 31,886</u>	<u>8,420</u>
Reconciliation of operating income(loss) to net cash provided by(used by) operating activities:		
Operating income(loss)	\$ (116,427)	3,420
Adjustments to reconcile operating income(loss) to net cash provided by(used by) operating activities:		
Commodities used	9,805	-
Depreciation	2,984	-
Decrease in inventories	1,217	-
Increase in accounts payable	215	-
Increase in salaries and benefits payable	3,233	-
Decrease in net OPEB liability	(521)	-
Increase in unearned revenue	325	-
Net cash provided by(used by) operating activities	<u>\$ (99,169)</u>	<u>3,420</u>
Non-cash investing, capital and related financing activities:		

During the year ended June 30, 2013, the District received \$9,805 of federal commodities.

SEE NOTES TO FINANCIAL STATEMENTS.

SIDNEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2013

	Private Purpose Trust
	Scholarship
Additions:	
Local sources:	
Donations	\$ 1,800
	1,800
Deductions:	
Instruction:	
Regular:	
Scholarships awarded	1,800
	1,800
Change in net position	-
Net position beginning of year	-
Net position end of year	\$ -

SEE NOTES TO FINANCIAL STATEMENTS.

SIDNEY COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

(1) Summary of Significant Accounting Policies

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

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

A. Reporting Entity

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

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

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Position 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 Position presents the District's nonfiduciary assets and liabilities, with the difference reported as net position. Net position is reported in three categories:

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

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

Unrestricted net position consists of net position not meeting the definition of the two preceding categories. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

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

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

The District reports the following major governmental funds:

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

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

The 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 reports the following nonmajor proprietary funds:

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

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

D. Assets, Liabilities and Fund Balances

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

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

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2011 assessed property valuations; is for the tax accrual period July 1, 2012 through June 30, 2013 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2012.

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

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

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

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

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

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

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

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

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

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

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

Fund Balances - 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.

Unassigned - All amounts not included in other spendable classifications.

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

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2013, expenditures exceeded the amounts budgeted in the instruction, support services, non-instructional and other expenditures functions and in total.

(2) Cash and Pooled Investments

The District's deposits at June 30, 2013 were entirely covered by federal depository insurance, collateralized with securities or letters of credit held by the District or the District's agent in the District's name, or by multiple financial institution collateral pool in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

At June 30, 2013, the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$205,993 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Iowa Schools Joint Investment Trust was rated AAA by Standard & Poor's Financial Services.

(3) On Demand Line of Credit

During the year ended June 30, 2013, the District entered into an agreement with Great Western Bank, whereas the District may borrow funds when necessary to provide temporary financing during periods of low cash flows. The line of credit was issued with an interest rate at 3.50%. Details of the District's activity for the year ended June 30, 2013 is as follows:

Fund	Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year	Interest Paid
General	\$ -	300,000	-	300,000	9,708

(4) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2013 is as follows:

Transfer to	Transfer from	Amount
	Capital Projects:	
	Statewide Sales, Services	
Debt Service	and Use Tax	\$ 64,743

The transfer from Capital Projects: Statewide Sales, Services and Use Tax Fund to the Debt Service Fund was needed for principal and interest payments on the District's Apple computer leases.

(5) **Due From and Due to Other Funds**

The detail of interfund receivables and payables at June 30, 2013 is as follows:

Receivable Fund	Payable Fund	Amount
Capital Projects:	General	
Statewide Sales, Services and Use Tax		\$ 59,276

The General Fund is repaying the Capital Projects: Statewide Sales, Services and Use Tax Fund for Microsoft settlement money not moved before year end.

(6) **Capital Assets**

Capital assets activity for the year ended June 30, 2013 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 7,500	-	-	7,500
Total capital assets not being depreciated	7,500	-	-	7,500
Capital assets being depreciated:				
Buildings	5,346,323	3,495	-	5,349,818
Land improvements	193,934	-	-	193,934
Machinery and equipment	1,107,019	-	-	1,107,019
Total capital assets being depreciated	6,647,276	3,495	-	6,650,771
Less accumulated depreciation for:				
Buildings	2,322,763	107,049	-	2,429,812
Land improvements	183,803	795	-	184,598
Machinery and equipment	980,221	34,128	-	1,014,349
Total accumulated depreciation	3,486,787	141,972	-	3,628,759
Total capital assets being depreciated, net	3,160,489	(138,477)	-	3,022,012
Governmental activities capital assets, net	\$ 3,167,989	(138,477)	-	3,029,512
Business type activities:				
Machinery and equipment	\$ 109,228	-	-	109,228
Less accumulated depreciation	83,326	2,984	-	86,310
Business type activities capital assets, net	\$ 25,902	(2,984)	-	22,918

Depreciation expense was charged to the following functions:

Governmental activities:

Instruction:

Regular \$ 9,193

Other 2,594

Support services:

Operation and maintenance of plant 2,891

Transportation 19,450

34,128

Unallocated depreciation 107,844

Total depreciation expense - governmental activities \$ 141,972

Business type activities:

Food services operations \$ 2,984

(7) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2013 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 1,205,000	-	245,000	960,000	245,000
Computer leases	72,085	322,926	63,873	331,138	145,675
Net OPEB liability	42,689	16,622	-	59,311	-
Total	\$ 1,319,774	339,548	308,873	1,350,449	390,675
Business type activities:					
Net OPEB liability	\$ 663	-	521	142	-

General Obligation Bonds

Details of the District's June 30, 2013 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of February 28, 2011				
	Interest Rates	Principal	Interest	Total	
2014	1.35 %	\$ 245,000	17,728	262,728	
2015	1.70	250,000	14,420	264,420	
2016	2.05	210,000	10,170	220,170	
2017	2.30	255,000	5,865	260,865	
Total		\$ 960,000	48,183	1,008,183	

Computer Leases

The District entered into two lease agreements with Apple, Inc. for the lease of computers. The principal and interest payments are paid from the Statewide Sales, Services and Use Tax Fund. Details of the District's June 30, 2013 computer lease indebtedness is as follows:

Year Ending June 30,	Computer Lease of May 27, 2011			Computer Lease of May 1, 2013			Total				
	Interest Rates	Principal	Interest Total	Interest Rates	Principal	Interest Total	Principal	Interest	Total		
2014	5.55 %	\$ 8,212	428	8,640	1.79 %	\$ 137,463	5,374	142,837	145,675	5,802	151,477
2015		-	-	-	1.79	91,910	3,314	95,224	91,910	3,314	95,224
2016		-	-	-	1.79	93,553	1,671	95,224	93,553	1,671	95,224
Total		<u>\$ 8,212</u>	<u>428</u>	<u>8,640</u>		<u>\$ 322,926</u>	<u>10,359</u>	<u>333,285</u>	<u>\$ 331,138</u>	<u>10,787</u>	<u>341,925</u>

(8) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a

publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 5.78% of their annual covered salary and the District is required to contribute 8.67% of annual covered salary. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2013, 2012 and 2011 were \$238,803, \$218,257 and \$175,131, respectively, equal to the required contributions for each year.

(9) Other Postemployment Benefits(OPEB)

Plan Description - The District operates a single-employer health benefit plan which provides medical benefits for employees, retirees and their spouses. There are 43 active and 2 members in the plan. Retired participants must be age 55 or older at age of retirement.

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

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

Annual OPEB Cost and Net OPEB Obligation - The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC

represents a level of funding which, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2013, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 19,379
Interest on net OPEB obligation	1,084
Adjustment to annual required contribution	(2,297)
Annual OPEB cost	<u>18,166</u>
Contributions made	<u>(2,065)</u>
Increase in net OPEB obligation	16,101
Net OPEB obligation beginning of year	<u>43,352</u>
Net OPEB obligation end of year	<u>\$ 59,453</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, 2013.

For the year ended June 30, 2013, the District contributed \$2,065 to the medical plan. Plan members eligible for the plan contributed \$3,382 or 62.09% 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, 2013 are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2011	\$ 42,127	68.84%	\$ 30,127
2012	42,225	68.68%	43,352
2013	18,166	11.37%	59,453

Funded Status and Funding Progress - As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2012 through June 30, 2013, the actuarial accrued liability was \$140,867 with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$140,867. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$2,116,627 and the ratio of the UAAL to covered payroll was 6.66%. As of June 30, 2013, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. The Schedule of Funding Progress, presented as Required Supplementary Information in the section

following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

As of the July 1, 2012 actuarial valuation date, the Actuarial Cost Method was used. The actuarial assumptions include a 2.50% discount rate based on the District's funding policy. The projected annual health care cost trend rate is 6.00%.

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

Projected claim costs of the medical plan are \$376 per month for retirees less than age 65. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(10) Risk Management

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

(11) 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 \$139,938 for the year ended June 30, 2013 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(12) Deficit Unassigned/Unrestricted Net Position Balances

The Capital Projects: Physical Plant and Equipment Levy Fund had a deficit unassigned fund balance of \$2,979 at June 30, 2013. The Debt Service Fund had a deficit unassigned fund balance of \$7,308 at June 30, 2013. The District also had a deficit unrestricted net position balance in the governmental activities of \$221,707.

(13) Categorical Funding

The District's restricted fund balance for categorical funding at June 30, 2013 is comprised of the following programs:

Program	Amount
LEP Weighting	\$ 7,834
Home School Assistance Program	12,030
Four Year Old Preschool State Aid	14,055
Total	<u>\$ 33,919</u>

(14) Budget Overexpenditure

Per the Code of Iowa, expenditures may not legally exceed budgeted appropriations at the functional area level. During the year ended June 30, 2013, expenditures in the instruction, support services, non-instructional programs, other expenditures functional areas, as well as the budget in total, exceeded the amounts budgeted.

REQUIRED SUPPLEMENTARY INFORMATION

SIDNEY COMMUNITY SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENDITURES/EXPENSES
 AND CHANGES IN BALANCES -
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
 AND PROPRIETARY FUNDS
 REQUIRED SUPPLEMENTARY INFORMATION
 YEAR ENDED JUNE 30, 2013

	Governmental	Proprietary	Total	Budgeted Amounts		Final to
	Fund Types	Fund Type		Original	Final	Actual
	Actual	Actual				Actual
Revenues:						
Local sources	\$ 2,968,686	78,168	3,046,854	2,718,779	2,718,779	328,075
State sources	2,162,891	1,821	2,164,712	2,240,371	2,240,371	(75,659)
Federal sources	133,653	111,932	245,585	373,000	373,000	(127,415)
Total revenues	5,265,230	191,921	5,457,151	5,332,150	5,332,150	125,001
Expenditures/Expenses:						
Instruction	3,410,591	-	3,410,591	3,201,000	3,201,000	(209,591)
Support services	1,812,940	-	1,812,940	1,515,800	1,515,800	(297,140)
Non-instructional programs	-	194,519	194,519	185,000	185,000	(9,519)
Other expenditures	469,981	-	469,981	242,994	242,994	(226,987)
Total expenditures/expenses	5,693,512	194,519	5,888,031	5,144,794	5,144,794	(743,237)
Excess(Deficiency) of revenues over(under) expenditures/expenses	(428,282)	(2,598)	(430,880)	187,356	187,356	(618,236)
Other financing sources, net	322,926	-	322,926	4,000	4,000	318,926
Excess(Deficiency) of revenues and other financing sources over(under) expenditures/expenses	(105,356)	(2,598)	(107,954)	191,356	191,356	(299,310)
Balances beginning of year	537,061	46,489	583,550	918,164	918,164	(334,614)
Balances end of year	\$ 431,705	43,891	475,596	1,109,520	1,109,520	(633,924)

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SIDNEY COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2013

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

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

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

During the year ended June 30, 2013 expenditures in the instruction, support services, non-instructional programs, other expenditures, as well as the total budget, exceeded the amounts budgeted.

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

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	-	\$ 373,000	373,000	0.00%	\$ 1,914,906	19.48%
2011	July 1, 2009	-	373,000	373,000	0.00%	1,766,157	21.12%
2012	July 1, 2009	-	373,000	373,000	0.00%	2,158,654	17.28%
2013	July 1, 2012	-	140,867	140,867	0.00%	2,116,627	6.66%

See Note 9 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SUPPLEMENTARY INFORMATION

SIDNEY COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2013

	Special Revenue		
	Manage- ment Levy	Student Activity	Total
ASSETS			
Cash and pooled investments	\$ 71,334	49,636	120,970
Receivables:			
Property tax:			
Delinquent	1,641	-	1,641
Succeeding year	100,000	-	100,000
Accounts	-	700	700
TOTAL ASSETS	\$ 172,975	50,336	223,311
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	-	3,727	3,727
Deferred revenue:			
Succeeding year property tax	100,000	-	100,000
Total liabilities	100,000	3,727	103,727
Fund balances:			
Restricted for:			
Management levy purposes	72,975	-	72,975
Student activities	-	46,609	46,609
Total fund balances	72,975	46,609	119,584
TOTAL LIABILITIES AND FUND BALANCES	\$ 172,975	50,336	223,311

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SIDNEY COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2013

	Special Revenue		
	Manage- ment Levy	Student Activity	Total
Revenues:			
Local sources:			
Local tax	\$ 100,181	-	100,181
Other	2,783	120,916	123,699
Total revenues	102,964	120,916	223,880
Expenditures:			
Current:			
Instruction:			
Other	-	120,970	120,970
Support services:			
Operation and maintenance of plant	72,697	-	72,697
Transportation	12,227	-	12,227
Total expenditures	84,924	120,970	205,894
Change in fund balances	18,040	(54)	17,986
Fund balances beginning of year	54,935	46,663	101,598
Fund balances end of year	\$ 72,975	46,609	119,584

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SIDNEY COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 CAPITAL PROJECT ACCOUNTS
 JUNE 30, 2013

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
ASSETS			
Cash and pooled investments	\$ 169,199	(2,979)	166,220
Receivables:			
Property tax:			
Succeeding year	-	29,360	29,360
Due from other funds	59,276	-	59,276
Due from other governments	56,153	-	56,153
TOTAL ASSETS	\$ 284,628	26,381	311,009
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 5,149	-	5,149
Deferred revenue:			
Succeeding year property tax	-	29,360	29,360
Total liabilities	5,149	29,360	34,509
Fund balances:			
Restricted for:			
School infrastructure	279,479	-	279,479
Unassigned:			
Physical plant and equipment	-	(2,979)	(2,979)
Total fund balances	279,479	(2,979)	276,500
TOTAL LIABILITIES AND FUND BALANCES	\$ 284,628	26,381	311,009

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SIDNEY COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 CAPITAL PROJECT ACCOUNTS
 YEAR ENDED JUNE 30, 2013

	Capital Projects		Total
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	
REVENUES:			
Local sources:			
Local tax	\$ 296,346	-	296,346
Other	60,938	-	60,938
Federal sources	3,693	-	3,693
Total revenues	360,977	-	360,977
EXPENDITURES:			
Current:			
Instruction:			
Regular	16,367	-	16,367
Support services:			
Instructional staff	411,160	-	411,160
Administration	1,975	-	1,975
Operation and maintenance of plant	36,631	-	36,631
Total expenditures	466,133	-	466,133
Deficiency of revenues under expenditures	(105,156)	-	(105,156)
Other financing sources(uses):			
Transfer out	(64,743)	-	(64,743)
Proceeds from computer leases	322,926	-	322,926
Total other financing sources(uses)	258,183	-	258,183
Change in fund balances	153,027	-	153,027
Fund balance beginning of year	126,452	(2,979)	123,473
Fund balance end of year	\$ 279,479	(2,979)	276,500

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SIDNEY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
YEAR ENDED JUNE 30, 2013

Account	Balance Beginning of Year	Revenues	Expendi- tures	Intrafund Transfers	Balance End of Year
Daisy Hummel Memorial	\$ 330	-	-	-	330
Drama Club	79	2,290	1,836	(50)	483
Vocal Music	181	5	-	-	186
Swing Choir/Jazz Band	118	-	-	-	118
JH Athletics	578	3,557	2,500	(1,190)	445
JH Girls Basketball	-	-	85	85	-
Golf	-	699	1,207	508	-
Boys Basketball	-	8,747	7,010	(1,737)	-
Football	-	23,167	17,845	(5,150)	172
Baseball	582	2,400	3,314	332	-
Boys Track	-	751	1,866	1,115	-
Wrestling	-	807	4,215	3,408	-
Girls Basketball	-	4,762	5,997	1,235	-
Volleyball	-	3,774	4,188	414	-
Softball	613	2,594	3,864	657	-
Girls Track	-	600	2,308	1,708	-
Art Club	341	843	268	-	916
FFA	-	-	22	22	-
FCCLA	245	221	330	-	136
Honor Society	374	546	561	-	359
Student Council HS	1,300	1,601	729	-	2,172
Student Council JH	2,077	430	-	-	2,507
Business Club	779	10,812	9,803	50	1,838
Band Projects	799	-	539	-	260
BB Cheerleaders	-	350	91	-	259
Class of 2010	180	-	-	(180)	-
Class of 2011	561	-	-	(561)	-
Class of 2012	-	-	18	18	-
Class of 2013	1,745	1,518	4,911	1,648	-
Class of 2014	-	10,451	5,232	-	5,219
Sidewalk Project	15,205	-	50	-	15,155
FB Cheerleaders	43	2,047	2,070	-	20
WR Cheerleaders	76	1,956	1,954	-	78
Athletics Pop Machine	708	8,933	8,858	451	1,234
Elementary Activities	14,774	22,737	26,237	-	11,274
Industrial Arts	-	-	180	180	-
Interest	52	53	-	-	105
Elementary Pop Machine	238	213	-	(451)	-
Plays	2,683	3,542	2,882	-	3,343
Athletic Season	2,002	510	-	(2,512)	-
Total	\$ 46,663	120,916	120,970	-	46,609

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Modified Accrual Basis									
	Years Ended June 30,									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Revenues:										
Local sources:										
Local tax	\$ 1,883,528	1,643,243	1,598,580	1,615,977	1,734,649	1,743,519	1,773,618	1,758,105	1,633,214	1,675,765
Tuition	682,588	521,521	440,127	364,338	205,035	185,330	203,497	146,025	124,819	104,926
Other	402,570	272,818	168,272	180,369	209,693	224,151	281,439	260,332	285,964	151,977
Intermediate sources	-	2,500	-	-	-	2,368	-	-	-	-
State sources	2,162,891	2,214,220	2,163,704	1,763,359	2,117,573	2,086,935	1,862,149	1,801,552	1,649,337	1,579,256
Federal sources	133,653	230,550	419,861	591,159	256,394	207,350	183,410	170,584	196,792	149,207
Total	\$ 5,265,230	4,884,852	4,790,544	4,515,202	4,523,344	4,449,653	4,304,113	4,136,598	3,890,126	3,661,131
Expenditures:										
Current:										
Instruction:										
Regular	\$ 1,902,994	1,836,727	1,616,985	1,781,265	1,630,114	1,548,722	1,549,988	1,451,545	1,383,753	1,378,326
Special	975,321	938,030	963,691	371,106	666,773	647,232	612,881	488,056	442,290	432,934
Other	532,276	465,694	448,248	533,116	318,744	303,080	222,333	311,437	298,717	279,155
Support services:										
Student	67,759	141,995	152,445	133,380	159,861	139,589	129,148	134,148	113,912	108,455
Instructional staff	517,762	148,555	209,375	408,167	171,791	99,592	108,393	133,909	78,533	72,056
Administration	517,345	498,668	495,380	541,494	397,125	396,570	379,710	370,155	455,720	400,681
Operation and maintenance of plant	387,823	331,708	241,742	362,356	297,942	309,554	305,048	288,372	278,940	245,471
Transportation	322,251	341,806	255,030	242,484	190,068	180,541	185,875	257,805	149,636	162,110
Non-instructional programs										
Capital outlay	-	60,575	91,235	79,700	59,378	35,959	57,008	39,740	240,802	646,678
Long-term debt:										
Principal	308,873	242,351	985,396	337,717	251,835	206,020	2,250,395	158,207	135,000	130,000
Interest and other charges	21,170	23,768	50,480	62,023	68,857	73,336	191,631	196,603	205,650	220,241
Other expenditures:										
AEA flow-through	139,938	140,809	158,235	147,831	138,325	131,204	115,493	109,205	108,712	110,293
Total	\$ 5,693,512	5,170,686	5,668,242	5,000,639	4,350,813	4,071,399	6,107,903	3,939,182	3,891,665	4,186,400

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

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

Telephone (641) 792-1910

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

To the Board of Education of the Sidney Community School District:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Sidney Community School District as of and for the year ended June 30, 2013, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 21, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Sidney Community School District's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Sidney Community School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Sidney Community School District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified a deficiency in internal control we consider to be a material weakness.

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 described in Part I of the accompanying Schedule of Findings as items I-A-13 to be a material weakness.

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2013 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Sidney Community School District's Responses to Findings

Sidney Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. Sidney Community School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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


NOLTE, CORNMAN & JOHNSON, P.C.

March 21, 2014
Newton, Iowa

SIDNEY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2013

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

I-A-13 Segregation of Duties - One important aspect of internal accounting control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. One individual may perform two or more functions in each of the following areas for the District.

- 1) Cash - initiating cash receipt and disbursement transactions and handling and recording cash.
- 2) Investments - investing, detailed recordkeeping, custody of investments and reconciling earnings.
- 3) Receipts - collecting, recording, depositing, journalizing, posting and reconciling.
- 4) Disbursements - purchase order processing, check preparation, mailing and recording.
- 5) Inventories - ordering, receiving, issuing and storing.
- 6) Capital assets - purchasing, recording and reconciling.
- 7) Payroll - recording approved pay rates and deductions, recordkeeping, preparation, posting and distribution.
- 8) Financial reporting - preparing, reconciling and approving.
- 9) School lunch program - collecting, recording, journalizing, posting, reconciling, purchase order processing, check preparation, mailing and recording.

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

Response - The District continues to review our procedures and implement additional controls where possible.

Conclusion - Response acknowledged.

SIDNEY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2013

Part II: Other Findings Related to Statutory Reporting:

II-A-13 Certified Budget - District disbursements for the year ended June 30, 2013 exceeded the certified budget amounts in the instruction, support services, non-instructional programs and other expenditures functions and the total budget.

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

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

Conclusion - Response accepted.

II-B-13 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.

II-C-13 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

II-D-13 Business Transactions - Business transactions between the District and District officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Randy Bishop, Board Member Owns Bishop Plumbing & Heating	Repairs/Supplies	\$269

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

II-E-13 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

II-F-13 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

II-G-13 Certified Enrollment - We noted a variance in the basic enrollment data certified to the Department of Education. The number of students certified to the Iowa Department of Education was overstated by 2.0 students.

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

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

Conclusion - Response accepted.

- II-H-13 Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- II-I-13 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- II-J-13 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.
- II-K-13 Categorical Funding - No instances were noted of categorical funding being used to supplant rather than supplement other funds.
- II-L-13 Statewide Sales, Services and Use Tax - We noted during our audit the District paid for computer repairs of \$24,596 from the Capital Projects: Statewide Sales, Services and Use Tax Fund which do not appear to be in compliance with Chapter 423F.3 of the Code of Iowa. According to the District's revenue purpose statement, the District can use statewide sales, services and use tax for physical plant and equipment levy(PPEL) type expenditures.

Chapter 298.3(2) (f) of the Code of Iowa discusses the allowability of building repairs with PPEL fund monies, but does not specifically include equipment repairs. Since Iowa school districts operate under Dillon's Rule, which states that each fund is allowed to be used for the purposes authorized in the Code and no other, it would appear that the computer repairs being from the Capital Projects: Statewide Sales, Services and Use Tax Fund would not be allowable.

Additionally, the following from Iowa Administrative Code 281 Chapter 98.64(3) specifically disallows equipment maintenance from PPEL:

Inappropriate expenditures in the PPEL fund include the following:

- a. student construction
- b. salaries and benefits
- c. travel
- d. supplies
- e. facility, vehicle or equipment maintenance
- f. printing costs or media services
- g. Any other purpose not expressly authorized in the Iowa Code.

The District has referenced the Declaratory Order issued by the Iowa Department of Education to the Auditor of State dated March 1, 2011, which discusses the difference of repairs and maintenance in regards to technology equipment as their support for the allowability of the previously mentioned expenditures for computers. This Declaratory ruling enumerates what types of maintenance costs are allowable.

Recommendation - Per Chapter 256.9(16) of the Code of Iowa, the Iowa Department of Education is the cognizant agent of the District and has the right to interpret the Code of Iowa with regard to the District. The District should request the Iowa Department of Education to clarify whether the above mentioned expenditures would be allowable from the Capital Projects: Statewide Sales, Services and Use Tax Fund.

We believe that the District needs to have the Board of Directors approve the repayment of \$24,596 from the General Fund to the Capital Projects: Statewide Sales, Services and Use Tax Fund as a correction for the unallowable computer expenditures, however, we acknowledge the District's position in regards to the Declaratory Order dated March 1, 2011 and recommend that the District seek clarification from the Iowa Department of Education.

Response - We believe that the expenses are allowable per the Declaratory ruling dated March 1, 2011, however, we will submit a request for clarification of the allowability of the expenditures to the Department of Education. The Declaratory Ruling clearly identifies that maintenance is allowable. It would appear reasonable that maintenance would be repairs necessary for continued use of the computers.

Conclusion - Response acknowledged.

Pursuant to Chapter 423F.3 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Reports (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2013, the following includes the amounts the District reported for the statewide sales, services and use tax revenue in the District's CAR including adjustments identified during the fiscal year 2013 audit:

Beginning balance		\$ 126,452
Revenues:		
Sales tax revenues	\$ 296,346	
Other local revenues	60,938	
Proceeds from computer lease	322,926	
Federal revenues	3,693	683,903
		<u>810,355</u>
Expenditures/transfer out:		
Equipment	\$ 410,943	
Other	55,190	
Transfer to other funds:		
Debt service fund	64,743	530,876
		<u>530,876</u>
Ending balance		<u>\$ 279,479</u>

For the year ended June 30, 2013 the District did not reduce any levies as a result of the monies received under Chapter 423E or 423F of the Code of Iowa.

II-M-13 Financial Condition - We noted the Capital Projects: Physical Plant and Equipment Levy Fund had a deficit unassigned fund balance of \$2,979. We also noted the Debt Service fund had a deficit unassigned fund balance of \$7,308. The District also had a deficit unrestricted net position balance in the governmental activities of \$221,707.

Recommendation - The District should continue to monitor these funds and investigate alternatives to eliminate the deficits.

Response - The District has levied cash for the Physical Plant and Equipment Levy Fund to avoid having a deficit. The Debt Service Fund had a deficit due to just making our bond payment. Deficit was corrected.

Conclusion - Response accepted.

I-N-13 Student Activity Fund - In accordance with 298A.8 of the Code of Iowa and Iowa Administrative Code 281-12.6(1), the purpose of the Student Activity Fund is to account for financial transactions related to the cocurricular and extracurricular activities offered as a part of the education program for students. More specific examples of these instances of questioned items and recommendations are as follows:

Library Books: We noted library books being purchased through the Student Activity Fund.

Recommendation - Library books are considered instructional materials that should be purchased from the General Fund. Additionally, Chapter 279.28 of the Code of Iowa states that library books should be purchased from the General Fund.

Response - The District will move the Elementary Activities account to the General Fund to prevent this issue in the future.

Conclusion - Response accepted.

Administratively Maintained Accounts: We noted during our audit that the District had an Athletic Pop Machine and an Elementary Pop Machine accounts in the Student Activity Fund.

Recommendation - These accounts are not student run organizations and do not appear to be extracurricular in nature. The fact that the pop machine accounts are supported by the Student Activity Fund does not in essence make them a 'student extracurricular club.' In order to purchase pop from these accounts in the Student Activity Fund, the board should approve/declare that the profits from the pop sales are used as a fundraiser for a specific organization otherwise, these transactions should be recorded in the General Fund. The pop accounts appear to be more profit making and not just providing a service.

Response - The Athletic Pop Machine fund is used as a fundraiser for the athletic programs. With regard to the Elementary Pop Machine account we will evaluate the purpose of the club. Currently, the sales are closely mirrored to the costs, more to provide a beverage service than for a profit motive. We will however, evaluate the purpose and make a designation of which student activity club will receive the profits. We feel these accounts are student ran and extracurricular in nature and the board is comfortable leaving these in the Activity Fund.

Conclusion - Response acknowledged. We would recommend that the District identify which clubs these profits are to benefit in order for the funds to remain in the Student Activity Fund.