



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

State Capitol Building
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

David A. Vaudt, CPA
Auditor of State

NEWS RELEASE

FOR RELEASE _____ April 3, 2012

Contact: Andy Nielsen
515/281-5834

Auditor of State David A. Vaudt today released an audit report on Sibley-Ocheyedan Community School District in Sibley, Iowa.

The District's revenues totaled \$9,599,058 for the year ended June 30, 2011, a 4.0% increase over the prior year. Revenues included \$3,406,209 in local tax, charges for service of \$938,013, operating grants, contributions and restricted interest of \$1,589,375, income surtax of \$258,884, statewide sales, services and use tax of \$505,339, unrestricted state grants of \$2,801,165 and other general revenues of \$100,073.

Expenses for District operations totaled \$8,881,606, a 2.4% increase over the prior year. Expenses included \$5,209,198 for instruction, \$2,477,898 for support services and \$794,774 for other expenditures.

Vaudt reported on the use of gifted and talented program funding for certain unallowable expenditures for the period July 1, 2006 through June 30, 2011. The District made corrective entries as of June 30, 2011 to properly report the dollars restricted for the gifted and talented program. Because of the misuse of gifted and talented funding, a copy of this report has also been filed with the Osceola County Attorney pursuant to Chapter 11.53 of the Code of Iowa.

A copy of the audit report is available for review in the District Secretary's Office, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/1130-5994-B00F.pdf>.

###

SIBLEY-OCHEYEDAN COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2011

Table of Contents

		<u>Page</u>
Officials		3
Independent Auditor’s Report		5-6
Management’s Discussion and Analysis		7-15
Basic Financial Statements:	<u>Exhibit</u>	
Government-wide Financial Statements:		
Statement of Net Assets	A	18-19
Statement of Activities	B	20-21
Governmental Fund Financial Statements:		
Balance Sheet	C	22
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Assets	D	23
Statement of Revenues, Expenditures and Changes in Fund Balances	E	24
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to the Statement of Activities	F	25
Proprietary Fund Financial Statements:		
Statement of Net Assets	G	26
Statement of Revenues, Expenses and Changes in Fund Net Assets	H	27
Statement of Cash Flows	I	28-29
Fiduciary Fund Financial Statements:		
Statement of Fiduciary Net Assets	J	30
Statement of Changes in Fiduciary Net Assets	K	31
Notes to Financial Statements		32-46
Required Supplementary Information:		
Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances - Budget and Actual – All Governmental Funds and Proprietary Fund		48-49
Notes to Required Supplementary Information – Budgetary Reporting		50
Schedule of Funding Progress for the Retiree Health Plan		51
Schedule of Funding Progress for the Supplemental Pension Plan		52
Other Supplementary Information:	<u>Schedule</u>	
Nonmajor Governmental Funds:		
Combining Balance Sheet	1	54
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	2	55
Capital Project Accounts:		
Combining Balance Sheet	3	56
Combining Schedule of Revenues, Expenditures and Changes in Balances	4	57
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	5	58-59
Schedule of Revenues by Source and Expenditures by Function - All Governmental Funds	6	60-61
Schedule of Expenditures of Federal Awards	7	62
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>		63-64
Independent Auditor’s Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133		67-68
Schedule of Findings and Questioned Costs		69-82
Staff		83

Sibley-Ocheyedan Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
Kyle Grimes	President	2011
Keith Newman	Vice President	2013
Paul Feldkamp	Board Member	2011
Jose Alvarado	Board Member	2013
Tracy Van Diepen	Board Member	2013
School Officials		
Dr. John Phillips	Superintendent	2011
LaDonn K. Hartzell	District Secretary/Treasurer and Business Manager	Indefinite
Stephen Avery	Attorney	Indefinite

Sibley-Ocheyedan Community School District



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

David A. Vaudt, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

Independent Auditor's Report

To the Board of Education of
Sibley-Ocheyedan Community School District:

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

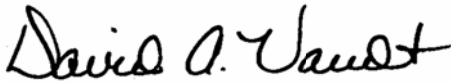
We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Sibley-Ocheyedan Community School District at June 30, 2011, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated March 22, 2012 on our consideration of Sibley-Ocheyedan Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis, Budgetary Comparison Information and the Schedules of Funding Progress for the Retiree Health and Supplemental Pension Plans on pages 7 through 15 and 48 through 52 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Sibley-Ocheyedan Community School District's basic financial statements. The financial statements for the seven years ended June 30, 2010 (which are not presented herein) were audited by other auditors who expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 7, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

March 22, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

2011 FINANCIAL HIGHLIGHTS

During fiscal year 2011, beginning net assets for governmental activities were restated (increased) by \$220,984 to correct errors in reporting prior year income surtax receivable. To facilitate and enhance comparability in this discussion and analysis, fiscal year 2010 amounts have been revised to reflect the change as if they had been made in the prior year.

- General Fund revenues increased from \$7,736,810 in fiscal year 2010 to \$7,968,769 in fiscal year 2011. General Fund expenditures increased from \$7,106,824 in fiscal year 2010 to \$7,279,450 in fiscal year 2011. The District's General Fund balance increased from \$608,843 at the end of fiscal year 2010 to \$1,234,534 at the end of fiscal year 2011, an increase of 102.8%.
- The fiscal year 2011 General Fund revenue increase was attributable to increases in property tax and state grant revenue. The increase in expenditures was due primarily to an increase in negotiated salaries and benefits.

USING THIS ANNUAL REPORT

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

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

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Sibley-Ocheyedan 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 Sibley-Ocheyedan Community School District's operations in more detail than the government-wide financial statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Sibley-Ocheyedan Community School District acts solely as an agent or custodian for the benefit of those outside of the 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 Schedules of Funding Progress for the Retiree Health and Supplemental Pension Plans.

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

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

Figure A-1
Sibley-Ocheyedan Community School District Annual Financial Report

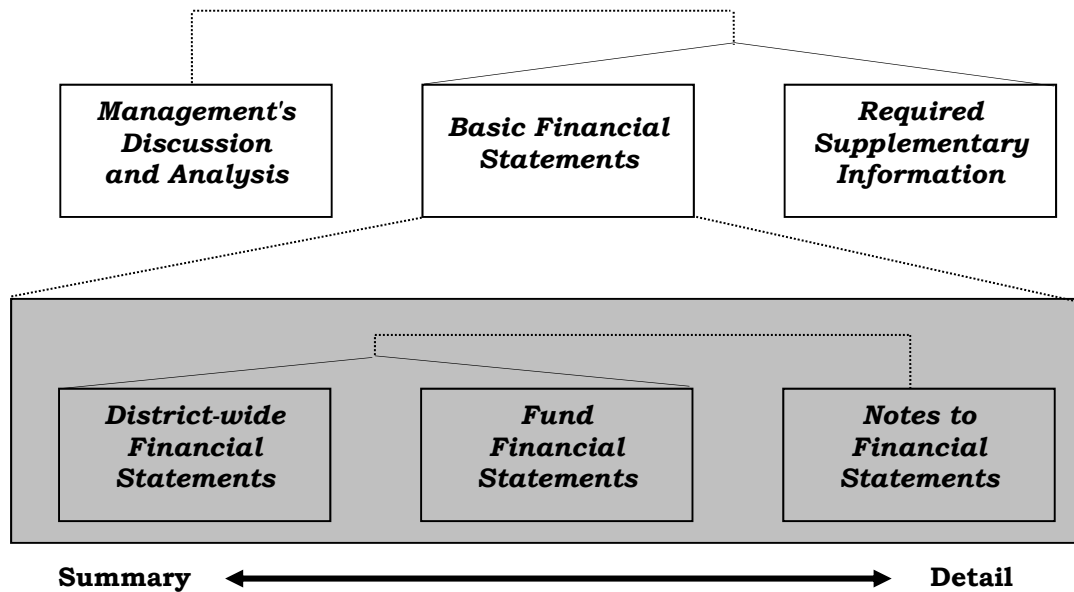


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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

REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show 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, the Special Revenue Funds, the Debt Service Fund and the Capital Projects Fund.

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

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

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

- 3) *Fiduciary funds:* The District is the trustee, or fiduciary, for assets that belong to others. These funds include the Private-Purpose Trust Fund. This fund accounts for outside donations for scholarships for individual students.

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2011	2010	2011	2010	2011	2010	2010-2011
Current and other assets	\$ 5,842	5,583	93	56	5,935	5,639	5.2%
Capital assets	7,326	7,579	33	26	7,359	7,605	3.2%
Total assets	13,168	13,162	126	82	13,294	13,244	3.8%
Long-term liabilities	2,736	3,180	14	-	2,750	3,180	-13.5%
Other liabilities	3,996	4,247	22	7	4,018	4,254	-5.5%
Total liabilities	6,732	7,427	36	7	6,768	7,434	-9.0%
Net assets:							
Invested in capital assets, net of related debt	4,845	4,794	33	26	4,878	4,820	1.2%
Restricted	612	509	-	-	612	509	20.2%
Unrestricted	979	432	57	49	1,036	481	115.4%
Total net assets	\$ 6,436	5,735	90	75	6,526	5,810	12.3%

The District's combined net assets increased 12.3%, or approximately \$716,000, from the prior year. The largest portion of the District's net assets is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets.

Restricted net assets represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased approximately \$103,000, or 20.2%, over the prior year.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased approximately \$555,000, or 115.4%. This increase in unrestricted net assets was primarily due to an increased balance held in the General Fund at year end.

Figure A-4 shows the changes in net assets for the year ended June 30, 2011 compared to the year ended June 30, 2010.

Figure A-4							
Changes in Net Assets							
(Expressed in Thousands)							
	Governmental		Business Type		Total		Total
	Activities	2010	Activities	2010	District	2010	Change
	2011	2010	2011	2010	2011	2010	2010-2011
Revenues:							
Program revenues:							
Charges for service	\$ 696	715	242	267	938	982	-4.5%
Operating grants, contributions and restricted interest	1,416	1,677	173	170	1,589	1,847	-14.0%
General revenues:							
Property tax	3,406	3,017	-	-	3,406	3,017	12.9%
Income surtax	259	255	-	-	259	255	1.6%
Statewide sales, services and use tax	505	494	-	-	505	494	2.2%
Unrestricted state grants	2,801	2,613	-	-	2,801	2,613	7.2%
Other	100	32	-	-	100	32	212.5%
Total revenues	<u>9,183</u>	<u>8,803</u>	<u>415</u>	<u>437</u>	<u>9,598</u>	<u>9,240</u>	<u>3.9%</u>
Program expenses:							
Instruction	5,209	5,340	-	-	5,209	5,340	-2.5%
Support services	2,478	2,300	-	-	2,478	2,300	7.7%
Non-instructional programs	-	-	400	404	400	404	-1.0%
Other expenses	795	626	-	-	795	626	27.0%
Total expenses	<u>8,482</u>	<u>8,266</u>	<u>400</u>	<u>404</u>	<u>8,882</u>	<u>8,670</u>	<u>2.4%</u>
Increase in net assets	701	537	15	33	716	570	25.6%
Net assets beginning of year, as restated	5,735	5,198	75	42	5,810	5,240	10.9%
Net assets end of year	<u>\$ 6,436</u>	<u>5,735</u>	<u>90</u>	<u>75</u>	<u>6,526</u>	<u>5,810</u>	<u>12.3%</u>

In fiscal year 2011, property tax and unrestricted state grants accounted for 68% of governmental activities revenue while charges for service and operating grants, contributions and restricted interest accounted for 100% of business type activities revenue.

The District's total revenues were approximately \$9.6 million, of which approximately \$9.2 million was for governmental activities and \$.4 million was for business type activities.

Governmental Activities

Revenues for governmental activities were \$9,183,314 and expenses were \$8,481,870 for the year ended June 30, 2011. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues.

The following table presents the total and net cost of the District's major governmental activities, instruction, support services and other expenses, for the year ended June 30, 2011 compared to the year ended June 30, 2010.

Figure A-5						
Total and Net Cost of Governmental Activities						
(Expressed in Thousands)						
	Total Cost of Services			Net Cost of Services		
	2011	2010	Change 2010-2011	2011	2010	Change 2010-2011
Instruction	\$ 5,209	5,340	-2.5%	3,442	3,334	3.2%
Support services	2,478	2,300	7.7%	2,466	2,247	9.7%
Other expenses	795	626	27.0%	463	293	58.0%
Total	<u>\$ 8,482</u>	<u>8,266</u>	<u>2.6%</u>	<u>6,371</u>	<u>5,874</u>	<u>8.5%</u>

For the year ended June 30, 2011:

- The cost financed by users of the District's programs was \$695,867.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,415,816.
- The net cost of governmental activities was financed with \$4,170,432 in property and other taxes, including income surtax and statewide sales, services and use tax, and \$2,801,165 in unrestricted state grants.

Business Type Activities

Revenues for business type activities during the year ended June 30, 2011 were \$415,744, representing a 4.9% decrease from the prior year, and expenses totaled \$399,736, a 1.3% decrease from the prior year. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

As previously noted, Sibley-Ocheyedan 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 \$1,613,696, well above last year's ending fund balances of \$1,132,623.

Governmental Fund Highlights

- The General Fund balance increased from \$608,843 to \$1,234,534. Local tax and state revenues increased approximately \$257,000 (8.5%) and \$301,000 (8.5%), respectively, while expenditures increased only approximately \$173,000, or 2.4%.
- The Capital Projects Fund balance decreased approximately \$100,000 due to continued expenditures related to the energy savings project.

Proprietary Fund Highlights

School Nutrition Fund net assets increased from \$74,205 at June 30, 2010 to \$90,213 at June 30, 2011. Revenues from Federal sources increased while expenses decreased.

BUDGETARY HIGHLIGHTS

The District's total revenues were \$696,852 less than total budgeted revenues, a variance of 6.8%, due primarily to the District receiving less from state sources than originally anticipated.

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

Expenditures for the year ended June 30, 2011 exceeded the certified budget amount in the other expenditures functional area.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2011, the District had invested approximately \$7.4 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment, and transportation equipment. (See Figure A-6) This represents a net decrease of 3.2% from last year. More detailed information about the District's capital assets is presented in Note 5 to the financial statements. Depreciation expense for the year was \$419,917.

The original cost of the District's capital assets was \$13,962,029. Governmental funds account for \$13,886,793, with the remainder of \$75,236 accounted for in the Proprietary, School Nutrition Fund.

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2011	2010	2011	2010	2011	2010	2010-2011
Land	\$ 25	25	-	-	25	25	0.0%
Construction in progress	-	1,539	-	-	-	1,539	-100.0%
Buildings	7,050	5,692	-	-	7,050	5,692	23.9%
Improvements other than buildings	58	70	-	-	58	70	-17.1%
Furniture and equipment	193	253	34	26	227	279	-18.6%
Total	\$ 7,326	7,579	34	26	7,360	7,605	-3.2%

Long-Term Debt

At June 30, 2011, the District had \$2,479,951 in total long-term debt outstanding. This represents a decrease of approximately 15.1% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 6 to the financial statements.

	Total District		Total Change
	June 30,		June 30,
	2011	2010	2010-2011
General obligation bonds/notes	\$ 2,065	2,400	-14.0%
Revenue bonds	400	525	-23.8%
Capital lease payable	15	-	100.0%
Total	\$ 2,480	2,925	-15.2%

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 which could significantly affect its financial health in the future:

- The District's certified enrollment has been decreasing.
- The District will need to replace/repair the high school gym floor due to cupping of the floor.

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 LaDonn Hartzell, District Secretary/Treasurer and Business Manager, Sibley-Ocheyedan Community School District, 120 11th Avenue NE, Sibley, Iowa, 51249.

Sibley-Ocheyedan Community School District

Basic Financial Statements

Sibley-Ocheyedan Community School District

Statement of Net Assets

June 30, 2011

	Governmental Activities	Business Type Activities	Total
Assets			
Cash and cash equivalents	\$ 1,977,631	86,495	2,064,126
Receivables:			
Property tax:			
Delinquent	68,477	-	68,477
Succeeding year	3,196,000	-	3,196,000
Accounts	9,082	327	9,409
Due from other governments	591,593	-	591,593
Inventories	-	6,304	6,304
Capital assets, net of accumulated depreciation	7,325,632	33,692	7,359,324
Total assets	13,168,415	126,818	13,295,233
Liabilities			
Accounts payable	38,694	1,514	40,208
Salaries and benefits payable	611,902	1,303	613,205
Due to other governments	54,640	-	54,640
Accrued interest payable	7,944	-	7,944
Unearned revenue:			
Succeeding year property tax	3,196,000	-	3,196,000
Other	87,180	19,628	106,808
Long-term liabilities:			
Portion due within one year:			
General obligation bonds/notes	345,000	-	345,000
Revenue bonds	130,000	-	130,000
Capital lease purchase agreement	4,359	-	4,359
Portion due after one year:			
General obligation bonds/notes	1,720,000	-	1,720,000
Revenue bonds	270,000	-	270,000
Capital lease purchase agreement	10,592	-	10,592
Net OPEB liability	221,840	14,160	236,000
Net pension liability	34,000	-	34,000
Total liabilities	6,732,151	36,605	6,768,756

Sibley-Ocheyedan Community School District

Statement of Net Assets

June 30, 2011

	Governmental Activities	Business Type Activities	Total
Net assets			
Invested in capital assets, net of related debt	4,845,681	33,692	4,879,373
Restricted for:			
Categorical funding	274,413	-	274,413
Debt service	20,471	-	20,471
Management levy purposes	1,671	-	1,671
Student activities	93,390	-	93,390
School infrastructure	173,396	-	173,396
Physical plant and equipment levy purposes	48,290	-	48,290
Unrestricted	978,952	56,521	1,035,473
Total net assets	\$ 6,436,264	90,213	6,526,477

See notes to financial statements.

Sibley-Ocheyedan Community School District

Statement of Activities

Year ended June 30, 2011

	Expenses	Program Revenues	
		Charges for Service	Operating Grants, Contributions and Restricted Interest
Functions/Programs:			
Governmental activities:			
Instruction:			
Regular instruction	\$ 3,108,958	256,839	682,062
Special instruction	857,308	133,719	143,198
Other instruction	1,242,932	293,332	258,417
	<u>5,209,198</u>	<u>683,890</u>	<u>1,083,677</u>
Support services:			
Student	273,809	-	-
Instructional staff	269,689	-	-
Administration	732,435	-	-
Operation and maintenance of plant	793,238	5,898	-
Transportation	408,727	6,079	-
	<u>2,477,898</u>	<u>11,977</u>	<u>-</u>
Other expenditures:			
Facilities acquisition	23,802	-	-
Long-term debt interest	102,376	-	-
AEA flowthrough	332,139	-	332,139
Depreciation (unallocated)*	336,457	-	-
	<u>794,774</u>	<u>-</u>	<u>332,139</u>
Total governmental activities	8,481,870	695,867	1,415,816
Business type activities:			
Non-instructional programs:			
Food service operations	399,736	242,146	173,559
Total	<u>\$ 8,881,606</u>	<u>938,013</u>	<u>1,589,375</u>

General Revenues:

Property tax levied for:
General purposes
Debt service
Capital outlay
Income surtax
Statewide sales, services and use tax
Unrestricted state grants
Other
Total general revenues
Change in net assets
Net assets beginning of year, as restated
Net assets end of year

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

See notes to financial statements.

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business Type Activities	Total
(2,170,057)	-	(2,170,057)
(580,391)	-	(580,391)
(691,183)	-	(691,183)
(3,441,631)	-	(3,441,631)
(273,809)	-	(273,809)
(269,689)	-	(269,689)
(732,435)	-	(732,435)
(787,340)	-	(787,340)
(402,648)	-	(402,648)
(2,465,921)	-	(2,465,921)
(23,802)	-	(23,802)
(102,376)	-	(102,376)
-	-	-
(336,457)	-	(336,457)
(462,635)	-	(462,635)
(6,370,187)	-	(6,370,187)
-	15,969	15,969
(6,370,187)	15,969	(6,354,218)
\$ 3,260,152	-	3,260,152
72,259	-	72,259
73,798	-	73,798
258,884	-	258,884
505,339	-	505,339
2,801,165	-	2,801,165
100,034	39	100,073
7,071,631	39	7,071,670
701,444	16,008	717,452
5,734,820	74,205	5,809,025
\$ 6,436,264	90,213	6,526,477

Sibley-Ocheyedan Community School District

Balance Sheet
Governmental Funds

June 30, 2011

	General	Capital Projects	Nonmajor	Total
Assets				
Cash and pooled investments	\$ 1,820,832	21,163	135,636	1,977,631
Receivables:				
Property tax:				
Delinquent	60,982	1,458	6,037	68,477
Succeeding year	2,598,000	69,000	529,000	3,196,000
Accounts	5,228	-	3,854	9,082
Interfund loan	-	28,000	-	28,000
Due from other governments	373,349	218,244	-	591,593
Total assets	\$ 4,858,391	337,865	674,527	5,870,783
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 31,464	-	7,230	38,694
Salaries and benefits payable	611,902	-	-	611,902
Due to other governments	54,640	-	-	54,640
Interfund loan payable	-	28,000	-	28,000
Deferred revenue:				
Succeeding year property tax	2,598,000	69,000	529,000	3,196,000
Other	327,851	-	-	327,851
Total liabilities	3,623,857	97,000	536,230	4,257,087
Fund balances:				
Restricted for:				
Categorical funding	274,413	-	-	274,413
Debt service	-	19,179	9,236	28,415
Management levy purposes	-	-	35,671	35,671
Student activities	-	-	93,390	93,390
School infrastructure	-	173,396	-	173,396
Physical plant and equipment	-	48,290	-	48,290
Unassigned	960,121	-	-	960,121
Total fund balances	1,234,534	240,865	138,297	1,613,696
Total liabilities and fund balances	\$ 4,858,391	337,865	674,527	5,870,783

See notes to financial statements.

Sibley-Ocheyedan Community School District

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

June 30, 2011

Total fund balances of governmental funds (page 22) \$ 1,613,696

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. 7,325,632

Other long-term assets are not available to pay current year expenditures and, therefore, are deferred in the governmental funds. 240,671

Accrued interest payable on long-term liabilities is not due and payable in the current year and, therefore, is not reported as a liability in the governmental (7,944)

Long-term liabilities, including bonds and notes payable, capital lease purchase agreement payable, net OPEB liability and net pension liability, are not due and payable in the current year and, therefore, are not reported in the governmental funds. (2,735,791)

Net assets of governmental activities (page 19) \$ 6,436,264

See notes to financial statements.

Exhibit E

Sibley-Ocheyedan Community School District

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

Year ended June 30, 2011

	General	Capital Projects	Nonmajor	Total
Revenues:				
Local sources:				
Local tax	\$ 3,270,258	579,137	301,350	4,150,745
Tuition	296,961	-	-	296,961
Other	114,014	19,079	295,292	428,385
State sources	3,808,346	-	-	3,808,346
Federal sources	479,190	-	-	479,190
Total revenues	7,968,769	598,216	596,642	9,163,627
Expenditures:				
Current:				
Instruction:				
Regular	3,051,596	47,960	125,449	3,225,005
Special	820,208	-	-	820,208
Other	905,218	6,409	320,834	1,232,461
	4,777,022	54,369	446,283	5,277,674
Support services:				
Student	264,709	-	1,000	265,709
Instructional staff	259,794	-	2,815	262,609
Administration	704,275	-	3,520	707,795
Operation and maintenance of plant	614,436	84,477	107,169	806,082
Transportation	322,800	-	16,397	339,197
	2,166,014	84,477	130,901	2,381,392
Other expenditures:				
Facilities acquisition	-	140,690	-	140,690
Long-term debt:				
Principal	-	-	460,000	460,000
Interest and fiscal charges	-	-	112,019	112,019
AEA flowthrough	332,139	-	-	332,139
	332,139	140,690	572,019	1,044,848
Total expenditures	7,275,175	279,536	1,149,203	8,703,914
Excess (deficiency) of revenues over (under) expenditures	693,594	318,680	(552,561)	459,713
Other financing sources (uses):				
Capital lease purchase agreement	21,360	-	-	21,360
Operating transfers in	-	-	508,374	508,374
Operating transfers out	(89,263)	(419,111)	-	(508,374)
Total other financing sources (uses)	(67,903)	(419,111)	508,374	21,360
Net change in fund balances	625,691	(100,431)	(44,187)	481,073
Fund balances beginning of year, as restated	608,843	341,296	182,484	1,132,623
Fund balances end of year	\$ 1,234,534	240,865	138,297	1,613,696

See notes to financial statements.

Sibley-Ocheyedan 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, 2011

Net change in fund balances - total governmental funds (page 24) \$481,073

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. Depreciation expense exceeded capital outlay expenditures in the current year, as follows:

Expenditures for capital assets	\$ 170,649	
Depreciation expense	(414,641)	(243,992)

In the Statement of Activities, the loss on the disposition of capital assets is reported, whereas the governmental funds report the proceeds from the disposition as an increase in financial resources. (9,168)

Certain revenues not collected for several months after year end are not considered available revenue and are deferred in the governmental funds. 19,687

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year repayments exceeded issues, as follows:

Issued	(21,360)	
Repaid	466,409	445,049

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 governmental funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. 9,643

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Early retirement	226,251	
Net OPEB liability	(193,099)	
Net pension liability	(34,000)	(848)

Change in net assets of governmental activities (page 21) \$701,444

See notes to financial statements.

Sibley-Ocheyedan Community School District

Statement of Net Assets
Proprietary Fund

June 30, 2011

	<u>School Nutrition</u>
Assets	
Cash and cash equivalents	\$ 86,495
Accounts receivable	327
Inventories	6,304
Capital assets, net of accumulated depreciation	33,692
Total assets	<u>126,818</u>
Liabilities	
Accounts payable	1,514
Salaries and benefits payable	1,303
Unearned revenue	19,628
Net OPEB liability	14,160
Total liabilities	<u>36,605</u>
Net Assets	
Invested in capital assets	33,692
Unrestricted	56,521
Total net assets	<u>\$ 90,213</u>

See notes to financial statements.

Sibley-Ocheyedan Community School District

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

Year ended June 30, 2011

	<u>School Nutrition</u>
Operating revenues:	
Local sources:	
Charges for service	\$ 242,146
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	129,158
Benefits	56,458
Purchased services	4,069
Supplies	204,775
Depreciation	5,276
Total operating expenses	<u>399,736</u>
Operating loss	<u>(157,590)</u>
Non-operating revenues:	
State sources	3,439
Federal sources	170,120
Interest income	39
Total non-operating revenues	<u>173,598</u>
Increase in net assets	16,008
Net assets beginning of year	<u>74,205</u>
Net assets end of year	<u>\$ 90,213</u>

See notes to financial statements.

Exhibit I

Sibley-Ocheyedan Community School District

Statement of Cash Flows
Proprietary Fund

Year ended June 30, 2011

	<u>School</u> <u>Nutrition</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 256,933
Cash paid to employees for services	(172,479)
Cash paid to suppliers for goods or services	(180,631)
Net cash used by operating activities	<u>(96,177)</u>
Cash flows from non-capital financing activities:	
State grants received	3,439
Federal grants received	142,939
Net cash provided by non-capital financing activities	<u>146,378</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	<u>(13,306)</u>
Cash flows from investing activities:	
Interest on investments	<u>39</u>
Net increase in cash and cash equivalents	36,934
Cash and cash equivalents beginning of year	<u>49,561</u>
Cash and cash equivalents end of year	<u>\$ 86,495</u>

Sibley-Ocheyedan Community School District

Statement of Cash Flows
Proprietary Fund

Year ended June 30, 2011

	<u>School</u> <u>Nutrition</u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (157,590)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Commodities used	27,181
Depreciation	5,276
Increase in inventories	(177)
Increase in accounts receivable	(130)
Decrease in accounts payable	(837)
Increase in salaries and benefits payable	1,023
Increase in unearned revenue	14,917
Increase in net OPEB liability	14,160
Net cash used by operating activities	<u>\$ (96,177)</u>

Non-cash investing, capital and related financing activities:

During the year ended June 30, 2011, the District received \$27,181 of federal commodities.

See notes to financial statements.

Sibley-Ocheyedan Community School District

Statement of Fiduciary Net Assets
Fiduciary Fund

June 30, 2011

	<u>Private Purpose</u> <u>Trust</u> <u>Scholarship</u>
Assets	
Cash and pooled investments	\$ 15,673
Liabilities	
None	<u>-</u>
Net assets	
Reserved for scholarships	<u>\$ 15,673</u>

See notes to financial statements.

Sibley-Ocheyedan Community School District

Statement of Changes in Fiduciary Net Assets
Fiduciary Fund

Year ended June 30, 2011

	<u>Private Purpose Trust Scholarship</u>
Additions:	
Local sources:	
Interest income	\$ 143
Deductions:	
Instruction:	
Regular:	
Scholarships awarded	<u>350</u>
Change in net assets	(207)
Net assets beginning of year	<u>15,880</u>
Net assets end of year	<u>\$ 15,673</u>

See notes to financial statements.

Sibley-Ocheyedan Community School District

Notes to Financial Statements

June 30, 2011

(1) Summary of Significant Accounting Policies

Sibley-Ocheyedan Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The geographic area served includes the Cities of Sibley and Ocheyedan, Iowa and the predominate agricultural territory in Osceola 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, Sibley-Ocheyedan 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 District has no component units which meet the Governmental Accounting Standards Board criteria.

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

B. Basis of Presentation

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

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

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

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

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

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

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

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

The District reports the following major proprietary fund:

The Enterprise, School Nutrition Fund is used to account for the food service operations of the District.

The District also reports a fiduciary fund which focuses on net assets and changes in net assets. The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements which require income earned to be used to benefit individuals through scholarship awards.

C. Measurement Focus and Basis of Accounting

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

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

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

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and 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 the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

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

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

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

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

D. Assets, Liabilities and Fund Equity

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

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

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

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

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

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

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

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

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

Asset Class	Amount
Land	\$ 2,000
Buildings	10,000
Improvements other than buildings	10,000
Intangibles	25,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	5,000

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

Asset Class	Estimated Useful Lives (In Years)
Buildings	20-50
Improvements other than buildings	5-20
Intangibles	5-10
Furniture and equipment	5-15

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 year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred revenue consists of unspent grant proceeds as well as property tax receivable and other receivables not collected within sixty days after year end.

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

Compensated Absences – District employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use. Employees are not paid for unused vacation benefits when employment with the District ends.

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

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

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

Unassigned – All amounts not included in the preceding classifications.

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

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. Expenditures for the year ended June 30, 2011 exceeded the certified budget amount in the other expenditures functional area.

(2) Cash and Pooled Investments

The District's deposits in banks at June 30, 2011 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

At June 30, 2011, the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$1,190 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit risk - The investment in the Iowa Schools Joint Investment Trust was rated AAAM by Standard and Poor's Ratings Services.

(3) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2011 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	General	\$ 89,263
	Capital Projects	<u>491,111</u>
Total		<u>\$580,374</u>

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

(4) Intrafund Loan

The detail of intrafund loans at June 30, 2011 is as follows:

<u>Receivable Account</u>	<u>Payable Account</u>	<u>Amount</u>
Capital Projects, Physical Plant and Equipment Levy	Capital Projects, Statewide Sales, Services and Use Tax	\$ 28,000

The Capital Projects, Statewide Sales, Services and Use Tax Account is repaying the Capital Projects, Physical Plant and Equipment Levy Account for a loan made for cashflow purposes. The interfund loan was repaid in its entirety in August 2011.

(5) **Capital Assets**

Capital assets activity for the year ended June 30, 2011 was as follows:

	Balance Beginning of year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 25,000	-	-	25,000
Construction in progress	1,539,398	116,888	(1,656,286)	-
Total capital assets not being depreciated	1,564,398	116,888	(1,656,286)	25,000
Capital assets being depreciated:				
Buildings	10,683,321	1,687,401	-	12,370,722
Improvements other than buildings	270,829	-	-	270,829
Furniture and equipment	1,220,494	22,646	(22,898)	1,220,242
Intangible assets	-	-	-	-
Total capital assets being depreciated	12,174,644	1,710,047	(22,898)	13,861,793
Less accumulated depreciation for:				
Buildings	4,991,842	329,056	-	5,320,898
Improvements other than buildings	200,478	12,105	-	212,583
Furniture and equipment	967,930	73,480	(13,730)	1,027,680
Intangible assets	-	-	-	-
Total accumulated depreciation	6,160,250	414,641	(13,730)	6,561,161
Total capital assets being depreciated, net	6,014,394	1,295,406	(9,168)	7,300,632
Governmental activities capital assets, net	\$ 7,578,792	1,412,294	(1,665,454)	7,325,632
Business type activities:				
Furniture and equipment	\$ 64,943	13,306	(3,013)	75,236
Less accumulated depreciation	39,281	5,276	(3,013)	41,544
Business type activities capital assets, net	\$ 25,662	8,030	-	33,692

Depreciation expense was charged to the following functions:

Governmental activities:	
Instruction:	
Regular	\$ 7,815
Support services:	
Operation and maintenance of plant	12,367
Transportation	58,002
	<u>78,184</u>
Unallocated	336,457
Total depreciation expense - governmental activities	<u>\$ 414,641</u>
Business type activities:	
Food service operations	<u>\$ 5,276</u>

(6) Long-Term Liabilities

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

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
General obligation bonds/notes	\$ 2,400,000	-	335,000	2,065,000	345,000
Revenue bonds	525,000	-	125,000	400,000	130,000
Capital lease purchase agreement	-	21,360	6,409	14,951	4,359
Early retirement	226,251	-	226,251	-	-
Net OPEB liability	28,741	257,019	63,920	221,840	-
Net pension liability	-	34,000	-	34,000	-
Total	\$ 3,179,992	312,379	756,580	2,735,791	479,359
Business type activities:					
Net OPEB liability	\$ -	18,240	4,080	14,160	-

During the year ended June 30, 2011, the District implemented GASB Statement No. 27, Accounting for Pensions by State and Local Governmental Employers, and GASB Statement No. 50, Pension Disclosures – an Amendment of GASB Statements No. 25 and 27, and revised the July 1, 2009 OPEB actuarial valuation report to include the District’s explicit OPEB benefit. The early retirement liability is now recorded based on actuarial valuations and is reflected in the net OPEB and net pension liabilities.

General Obligation Bonds/Notes

Details of the District’s June 30, 2011 general obligation bond/note indebtedness are as follows:

Year Ending June 30,	Refunding Bonds Issued May 15, 2008			Notes issued December 18, 2008		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2012	3.18%	\$ 295,000	42,804	3.50%	50,000	37,113
2013	3.48	305,000	32,538	3.50	50,000	35,363
2014	3.48	310,000	21,924	3.50	55,000	33,612
2015	3.48	320,000	11,136	4.25	55,000	31,688
2016	-	-	-	4.25	60,000	29,350
2017-2021	-	-	-	5.50	330,000	106,012
2022-2024	-	-	-	5.50	235,000	23,750
Total		\$ 1,230,000	108,402		835,000	296,888
Year Ending June 30,	Total					
	Principal	Interest	Total			
2012	345,000	79,917	424,917			
2013	355,000	67,901	422,901			
2014	365,000	55,536	420,536			
2015	375,000	42,824	417,824			
2016	60,000	29,350	89,350			
2017-2021	330,000	106,012	436,012			
2022-2024	235,000	23,750	258,750			
	2,065,000	405,290	2,470,290			

Revenue Bonds

Details of the District's June 30, 2011 statewide sales, services and use tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Bond Issued Jun 23, 2008			
	Interest Rates	Principal	Interest	Total
2012	3.70%	\$ 130,000	15,408	145,408
2013	3.85	135,000	10,598	145,598
2014	4.00	135,000	5,400	140,400
Total		\$ 400,000	31,406	431,406

The District has pledged future statewide sales, services and use tax revenues to repay the \$760,000 of bonds issued in June 2008. The bonds were issued for the purpose of financing a portion of the costs of implementing energy conservation measures, including installation of a building control system and to improve, repair and remodel existing school buildings. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2014. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require nearly 30% of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the bonds is \$431,406. For the current year, \$144,908 principal and interest was paid on the bonds and total statewide sales, services and use tax revenues were \$505,339.

The resolution providing for the issuance of the statewide sales, services and use tax revenue bonds includes the following provisions:

- a) All proceeds from the statewide sales, services and use tax shall be placed in a revenue account.
- b) Monies in the revenue account shall be disbursed to make deposits into a sinking account to pay the principal and interest on the revenue bonds for the fiscal year.

The District did not comply with all of the revenue bond provisions during the year ended June 30, 2011. The required sinking account was not established by the District.

Capital Lease Purchase Agreement

On July 21, 2010, the District entered into a four year capital lease purchase agreement to purchase a belt sander and saw. The lease bears interest at 13.7% per annum and is payable in four annual installments of \$6,409, beginning July 31, 2010. The future minimum lease payments required are as follows:

Year Ending June 30,	Amount
2012	\$ 6,409
2013	6,409
2014	6,408
Total minimum lease payments	19,226
Less amount representing interest	4,275
Present value of net minimum lease payments	\$ 14,951

(7) Pension and Retirement Benefits

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

Plan members are required to contribute 4.50% of their annual covered salary and the District is required to contribute 6.95% of annual covered salary. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2011, 2010 and 2009 were \$319,803, \$303,332 and \$302,429, respectively, equal to the required contributions for each year.

(8) Other Postemployment Benefits (OPEB)

Plan Description - The District operates a single-employer retiree health benefit plan which provides medical and prescription drug benefits for employees and retirees and their spouses. There are 73 active and 14 retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Certified teaching staff who retired during fiscal years 2002 through 2005 receive health coverage of up to \$550 per month until age 65 while certified teaching staff who retired in fiscal year 2007 and later receive coverage of up to \$550 per month for 60 months. All other retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees, which results 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, 2011, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 282,000
Interest on net OPEB obligation	3,000
Adjustment to annual required contribution	<u>(9,741)</u>
Annual OPEB cost	275,259
Contributions made	<u>(68,000)</u>
Increase in net OPEB obligation	207,259
Net OPEB obligation beginning of year	<u>28,741</u>
Net OPEB obligation end of year	<u>\$ 236,000</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, 2011.

For the year ended June 30, 2011, the District contributed \$68,000 to the medical plan. Plan members eligible for benefits did not contribute to 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, 2011 are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2010	\$ 48,033	40.2%	\$ 28,741
2011	275,259*	24.7%	236,000 *

* Annual OPEB cost and net OPEB obligation increased due to inclusion of the District's explicit OPEB, previously excluded.

Funded Status and Funding Progress - As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2010 through June 30, 2011, the actuarial accrued liability was approximately \$1,113,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,113,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$4,692,000 and the ratio of the UAAL to covered payroll was 23.7%. As of June 30, 2011, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

As of the July 1, 2009 actuarial valuation date, the frozen entry age actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6%. An inflation rate of 0% is assumed for purposes of this computation.

Mortality rates are from the 94 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the 2006 Society of Actuaries Study.

Projected claim costs of the medical plan range from \$371 to \$509 per month for single coverage and \$921 to 1,267 for family coverage for retirees less than age 65. The UAAL is being amortized as a level dollar cost using a closed group method over 30 years. A salary increase rate was not assumed because benefits under the level dollar method are not related to salary levels.

(9) Supplemental Pension Plan

The District implemented GASB Statement No. 27, Accounting for Pensions by State and Local Governmental Employers, and GASB Statement No. 50, Pension Disclosures – an Amendment of GASB Statements No. 25 and 27, during the year ended June 30, 2011.

Plan Description – The District offers a supplemental pension (early retirement incentive) for all certified teaching staff who attain age 55, submit an application to the Superintendent, receive Board approval and retire by June 30 of the same year.

There are 69 active members in the plan as of June 30, 2011. The pension benefit is defined as 1% of the retiree’s annual contract for every year the retiree worked for the District.

Funding Policy – Payments under the plan are made on a pay-as-you-go basis. There are no invested plan assets accumulated for payment of future benefits. The District makes the contributions from the Special Revenue, Management Levy Fund.

Annual Pension Cost and Net Pension Obligation – The District’s annual pension cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 27, as amended by GASB Statement No. 50. The ARC represents a level of funding which, if paid on an ongoing basis, is projected to cover normal costs 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 pension cost for the year ended June 30, 2011, the amount actually contributed to the plan and changes in the District’s net pension obligation:

Annual required contribution	\$ 49,000
Pension payments made	(15,000)
Increase in net pension obligation	<u>34,000</u>
Net pension obligation beginning of year	-
Net pension obligation end of year	<u><u>\$ 34,000</u></u>

For calculation of the net pension obligation, the actuary has set the transition day as July 1, 2010. The end of year net pension 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, 2011.

For the year ended June 30, 2011, the District contributed \$15,000 to the pension plan. The District’s annual pension cost, the percentage of annual pension cost contributed to the plan and the net pension obligation as of June 30, 2011 are summarized as follows:

Year Ended June 30,	Annual Pension Cost	Percentage of Annual Pension Cost Contributed	Net Pension Obligation
2011	\$ 49,000	30.6%	\$ 34,000

Funded Status and Funding Progress – As of July 1, 2010, the most recent actuarial valuation date for the period July 1, 2010 through June 30, 2011, the actuarial accrued liability was approximately \$376,000 with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of approximately \$376,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$3,200,000 and the ratio of the UAAL to covered payroll as 11.8%. As of June 30, 2011, there were no trust fund assets.

Actuarial Methods and Assumptions – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and employee retirement age. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Finding Progress for the Supplemental Pension Plan, presented as Required Supplementary Information in the section following the Notes to Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are 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, 2010 actuarial valuation date, the aggregate actuarial cost method as a percent of pay was used. The actuarial assumptions include a 2.5% discount rate based on the District's funding policy. The salary increase rate was assumed to be 3% per year. The actuarial assumptions used for mortality rates, employee termination by age and group, employee retirement by age and group and others are similar to or identical to the GASB Statement No. 45 assumptions used to determine the OPEB. The remaining amortization period at June 30, 2011 is 29 years.

(10) Risk Management

The 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 \$332,139 for the year ended June 30, 2011 and is recorded in the General Fund by making a memorandum adjusting entry to the financial statements.

(12) Operating Lease

The District entered into a lease on January 13, 2009 to lease copier equipment. The lease has been classified as an operating lease and, accordingly, all rents are charged to expense as incurred. The lease expires January 13, 2014.

The following is a schedule of future payments required under the operating lease which has an initial or remaining non-cancelable lease term in excess of one year as of June 30, 2011:

Year Ending June 30,	Amount
2012	\$ 25,836
2013	25,836
2014	12,918
Total	\$ 64,590

(13) Accounting Change/Restatement

Beginning net assets for governmental activities has been restated to correct errors in reporting prior year income surtax receivable. The restatement increased the beginning net assets, as follows:

	Amount
Net assets June 30, 2010, as previously reported	\$ 5,513,836
Income surtax receivable not previously recognized as revenue	220,984
Net assets July 1, 2010, as restated	\$ 5,734,820

Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, was implemented during the year ended June 30, 2011. The effect of fund type reclassifications is as follows:

	Capital Projects	Special Revenue, Physical Plant and Equipment Levy
Balances June 30, 2010, as previously reported	\$ 302,179	39,117
Change in fund type classification per implementation of GASB Statement No. 54	39,117	(39,117)
Balances July 1, 2010, as restated	\$ 341,296	-

Required Supplementary Information

Sibley-Ocheyedan Community School District

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

Required Supplementary Information

Year ended June 30, 2011

	Governmental Funds Actual	Proprietary Fund Actual	Total Actual
Revenues:			
Local sources	\$ 4,876,091	242,185	5,118,276
State sources	3,808,346	3,439	3,811,785
Federal sources	479,190	170,120	649,310
Total revenues	9,163,627	415,744	9,579,371
Expenditures/Expenses:			
Instruction	5,281,949	-	5,281,949
Support services	2,381,392	-	2,381,392
Non-instructional programs	-	399,736	399,736
Other expenditures	1,044,848	-	1,044,848
Total expenditures/expenses	8,708,189	399,736	9,107,925
Excess(deficiency) of revenues over (under) expenditures/expenses	455,438	16,008	471,446
Other financing sources, net	25,635	-	25,635
Excess (deficiency) of revenues and other financing sources over (under) expenditures/expenses and other financing uses	481,073	16,008	497,081
Balances beginning of year	1,132,623	74,205	1,206,828
Balances end of year	\$ 1,613,696	90,213	1,703,909

See accompanying independent auditor's report.

Original/ Final Budgeted Amounts	Final to Actual Variance
5,311,593	(193,317)
4,529,630	(717,845)
435,000	214,310
10,276,223	(696,852)
6,471,762	1,189,813
3,205,350	823,958
562,428	162,692
819,643	(225,205)
11,059,183	1,951,258
(782,960)	1,254,406
-	25,635
(782,960)	1,280,041
782,960	423,868
-	1,703,909

Sibley-Ocheyedan Community School District

Notes to Required Supplementary Information – Budgetary Reporting

Year ended June 30, 2011

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

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

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

Expenditures for the year ended June 30, 2011 exceeded the certified budgeted amount in the other expenditures functional area.

Sibley-Ocheyedan Community School District

Schedule of Funding Progress for the
Retiree Health Plan
(In Thousands)

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-aj/c)
2010	Jul 1, 2009	-	\$ 443	443	0.0%	\$ 4,626	9.6%
2011	Jul 1, 2009	-	1,113	1,113	0.0	4,692	23.7

See Note 8 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.

Sibley-Ocheyedan Community School District

Schedule of Funding Progress for the
Supplemental Pension Plan
(In Thousands)

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)
2011	Jul 1, 2010	-	\$ 376	376	0.0%	\$ 3,200	11.8%

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

See accompanying independent auditor's report.

Other Supplementary Information

Schedule 1

Sibley-Ocheyedan Community School District

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2011

	<u>Special Revenue</u>			
	<u>Manage-</u>	<u>Student</u>	<u>Debt</u>	
	<u>ment</u>	<u>Activity</u>	<u>Service</u>	<u>Total</u>
	<u>Levy</u>			
Assets				
Cash and pooled investments	\$ 31,062	96,691	7,883	135,636
Receivables:				
Property tax:				
Delinquent	4,609	-	1,428	6,037
Succeeding year	225,000	-	304,000	529,000
Accounts	-	3,854	-	3,854
Total assets	\$ 260,671	100,545	313,311	674,527
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ -	7,155	75	7,230
Deferred revenue:				
Succeeding year property tax	225,000	-	304,000	529,000
Total liabilities	<u>225,000</u>	<u>7,155</u>	<u>304,075</u>	<u>536,230</u>
Fund balances:				
Restricted for:				
Debt service	-	-	9,236	9,236
Management levy purposes	35,671	-	-	35,671
Student activities	-	93,390	-	93,390
Total fund balances	<u>35,671</u>	<u>93,390</u>	<u>9,236</u>	<u>138,297</u>
Total liabilities and fund balances	\$ 260,671	100,545	313,311	674,527

See accompanying independent auditor's report.

Sibley-Ocheyedan Community School District
Combining Schedule of Revenues, Expenditures
and Changes in Fund Balances
Nonmajor Governmental Funds

Year ended June 30, 2011

	Special Revenue			Total
	Manage- ment Levy	Student Activity	Debt Service	
Revenues:				
Local sources:				
Local tax	\$ 229,091	-	72,259	301,350
Other	100	295,192	-	295,292
Total revenues	229,191	295,192	72,259	596,642
Expenditures:				
Current:				
Instruction:				
Regular	125,449	-	-	125,449
Other	6,358	314,476	-	320,834
Support services:				
Student	1,000	-	-	1,000
Instructional staff	2,815	-	-	2,815
Administration	3,520	-	-	3,520
Operation and maintenance of plant	107,169	-	-	107,169
Transportation	16,397	-	-	16,397
Other expenditures:				
Long-term debt:				
Principal	-	-	460,000	460,000
Interest and other charges	-	-	112,019	112,019
Total expenditures	262,708	314,476	572,019	1,149,203
Deficiency of revenues under expenditures	(33,517)	(19,284)	(499,760)	(552,561)
Other financing sources:				
Operating transfers in	-	-	508,374	508,374
Excess (deficiency) of revenues and other financing sources over (under) expenditures	(33,517)	(19,284)	8,614	(44,187)
Fund balances beginning of year, as restated	69,188	112,674	622	182,484
Fund balances end of year	\$ 35,671	93,390	9,236	138,297

See accompanying independent auditor's report.

Schedule 3

Sibley-Ocheyedan Community School District

Combining Balance Sheet
Capital Project Accounts

June 30, 2011

	Capital Projects		
	Statewide	Physical	
	Sales, Services	Plant and	
	and Use Tax	Equipment	Total
		Levy	
Assets			
Cash and pooled investments	\$ 2,331	18,832	21,163
Receivables:			
Property tax:			
Delinquent	-	1,458	1,458
Succeeding year	-	69,000	69,000
Interfund loan	-	28,000	28,000
Due from other governments	218,244	-	218,244
Total assets	\$ 220,575	117,290	337,865
Liabilities and Fund Balances			
Liabilities:			
Interfund loan payable	\$ 28,000	-	28,000
Deferred revenue:			
Succeeding year property tax	-	69,000	69,000
Total liabilities	28,000	69,000	97,000
Fund balances:			
Restricted for:			
Debt service	19,179	-	19,179
School infrastructure	173,396	-	173,396
Physical plant and equipment	-	48,290	48,290
Total fund balances	192,575	48,290	240,865
Total liabilities and fund balances	\$ 220,575	117,290	337,865

See accompanying independent auditor's report.

Sibley-Ocheyedan Community School District
Combining Schedule of Revenues, Expenditures
and Changes in Fund Balances

Capital Project Accounts

Year ended June 30, 2011

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ 505,339	73,798	579,137
Other	220	18,859	19,079
Total revenues	505,559	92,657	598,216
Expenditures:			
Current:			
Instruction:			
Regular	29,915	18,045	47,960
Other	6,409	-	6,409
Support services:			
Operation and maintenance of plant	53,011	31,466	84,477
Other expenditures:			
Facilities acquisition	106,717	33,973	140,690
Total expenditures	196,052	83,484	279,536
Excess of revenues over expenditures	309,507	9,173	318,680
Other financing uses:			
Operating transfers out	(419,111)	-	(419,111)
Excess (deficiency) of revenues over (under) expenditures and other financing uses	(109,604)	9,173	(100,431)
Fund balances beginning of year, as restated	302,179	39,117	341,296
Fund balances end of year	\$ 192,575	48,290	240,865

See accompanying independent auditor's report.

Schedule 5

Sibley-Ocheyedan Community School District

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2011

Account	Balance Beginning of Year	Revenues and Interfund Transfers	Expendi- tures	Intra- Fund Transfers	Balance End of Year
Basketball	\$ 1,717	8,668	9,111	(750)	524
Cross Country	1,295	714	781	-	1,228
Football	1,053	11,010	9,332	(1,500)	1,231
Golf	920	275	877	-	318
Track	60	2,961	6,354	3,335	2
Baseball	170	8	3,826	3,815	167
Wrestling	4	7,128	7,885	760	7
Girls Basketball	794	5,867	3,810	(1,500)	1,351
Girls Softball	642	120	3,555	3,083	290
Girls Track	14	-	125	112	1
Girls Volleyball	-	3,141	3,003	-	138
Girls Golf	714	370	208	-	876
Weightlifting	13	-	-	-	13
Dance Team	3,446	1,025	1,270	-	3,201
Cheerleaders	1,557	1,290	1,710	-	1,137
Co-ed Athletics	149	-	-	-	149
Cross Country	518	1,635	1,797	-	356
Boys Basketball	611	1,846	2,312	-	145
Boys Football	1,449	7,953	7,942	-	1,460
Boys Baseball	129	434	205	-	358
Boys Track	1,586	-	1,219	-	367
Boys Golf	1,199	375	-	-	1,574
Boys Wrestling	165	115	280	-	-
Girls Basketball	672	4,470	4,704	-	438
Girls Volleyball	3,003	125	1,767	-	1,361
Girls Softball	292	-	255	-	37
Girls Track	613	1,089	1,462	-	240
Girls Golf	994	650	400	-	1,244
Concessions	63	15,358	13,174	-	2,247
Athletics	5,320	2,112	8,166	778	44
Student Assistance	1,031	-	-	-	1,031
International Club	3,471	1,045	1,347	-	3,169
Pep Club	1,799	-	1,799	-	-

Sibley-Ocheyedan Community School District

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2011

Account	Balance Beginning of Year	Revenues and Interfund Transfers	Expendi- tures	Intra- Fund Transfers	Balance End of Year
Art Club	2,418	533	431	-	2,520
Science Club	9	350	-	-	359
Industrial Tech Club	-	6,035	3,587	-	2,448
Speech Club	5,745	649	2,738	-	3,656
Quill Club	64	-	-	-	64
Drama Club	2,717	-	-	-	2,717
Smoothie Café	46	-	-	-	46
High School Activity	11,364	20,631	14,743	(12,000)	5,252
Future Farmers of America	32,630	110,631	123,555	-	19,706
Band	82	5,924	9,221	3,280	65
Band Resale	710	6,912	7,910	316	28
Vocal Music	1	7,582	6,483	271	1,371
Middle School Activities	8,206	21,631	22,391	-	7,446
National Honor Society	1,618	992	2,265	-	345
High School Student Leadership	1,014	2,108	1,977	-	1,145
Annual Club	1,447	9,625	8,223	-	2,849
Elementary Activities	4,212	15,493	4,947	-	14,758
Class of 2010	2	-	-	-	2
Class of 2011	2,984	-	2,744	-	240
Class of 2012	1,942	4,850	4,585	-	2,207
Class of 2013	-	1,462	-	-	1,462
Total	\$ 112,674	295,192	314,476	-	93,390

See accompanying independent auditor's report.

Sibley-Ocheyedan Community School District

Schedule of Revenues by Source and Expenditures by Function -
All Governmental Funds

For the Last Eight Years

	Modified Accrual Basis			
	2011	2010	2009	2008
Revenues:				
Local sources:				
Local tax	\$ 4,150,745	3,751,485	3,613,910	3,222,773
Tuition	296,961	328,210	273,957	251,630
Other	428,385	446,877	461,457	524,755
State sources	3,808,346	3,507,678	4,435,413	4,420,383
Federal sources	479,190	743,282	231,027	239,551
Total	\$ 9,163,627	8,777,532	9,015,764	8,659,092
Expenditures:				
Instruction:				
Regular	\$ 3,225,005	3,143,148	3,138,026	3,238,813
Special	820,208	1,106,025	1,391,602	1,259,281
Other	1,236,736	915,486	821,885	785,195
Support services:				
Student	265,709	270,603	264,265	287,663
Instructional staff	262,609	153,184	170,012	174,299
Administration	707,795	749,817	820,030	836,214
Operation and maintenance of plant	806,082	734,281	780,494	699,473
Transportation	339,197	285,159	293,804	297,702
Other expenditures:				
Facilities acquisition	140,690	969,199	970,280	873,761
Long-term debt:				
Principal	460,000	425,000	380,000	245,000
Interest and other charges	112,019	144,314	95,683	113,209
AEA flowthrough	332,139	332,779	310,801	294,935
Total	\$ 8,708,189	9,228,995	9,436,882	9,105,545

See accompanying independent auditor's report.

2007	2006	2005	2004
3,146,175	3,057,682	3,166,335	2,909,796
184,206	252,136	226,228	168,361
462,940	441,271	402,033	535,133
2,876,109	3,892,147	3,672,039	3,445,911
230,034	309,049	254,119	244,550
6,899,464	7,952,285	7,720,754	7,303,751
2,972,147	2,965,110	2,848,585	3,088,736
1,091,078	954,725	690,073	799,427
924,693	862,477	891,442	677,601
199,600	172,466	220,483	198,888
319,025	210,667	222,105	174,239
805,178	725,969	604,896	317,775
834,642	892,056	748,234	933,046
390,150	377,711	434,252	284,364
302,002	50,379	202,571	332,131
235,000	225,000	210,000	200,000
111,865	121,428	130,351	138,044
282,816	275,616	270,801	271,598
8,468,196	7,833,604	7,473,793	7,415,849

Schedule 7

Sibley-Ocheyedan Community School District

Schedule of Expenditures of Federal Awards

Year ended June 30, 2011

Grantor/Program	CFDA Number	Grant Number	Expendi- tures
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Education:			
School Nutrition Cluster Programs:			
School Breakfast Program	10.553	FY11	22,239
National School Lunch Program	10.555	FY11	147,881 *
			170,120
U.S. Department of Education:			
Iowa Department of Education:			
Title I, Part A Cluster:			
Title I Grants to Local Educational Agencies	84.010	FY11	85,132
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	FY11	49,708
			134,840
Career and Technical Education -- Basic Grants to States	84.048	FY11	5,592
English Language Acquisition Grants	84.365	FY11	4,211
Improving Teacher Quality State Grants	84.367	FY11	33,115
Grants for State Assessments and Related Activities	84.369	FY11	3,736
State Fiscal Stabilization Cluster:			
ARRA - State Fiscal Stabilization Fund (SFSF)- Education State Grants, Recovery Act	84.394	FY11	44,234
ARRA - State Fiscal Stabilization Fund (SFSF)- Government Services, Recovery Act	84.397	FY11	35,540
			79,774
Education Jobs Fund	84.410	FY11	69,901
Area Education Agency #4:			
Special Education Cluster:			
Special Education _ Grants to States	84.027	FY11	40,892
ARRA - Special Education Grants to States, Recovery Act	84.391	FY11	42,882
			83,774
Total			\$ 585,063

* Includes \$27,181 of non-cash awards.

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

See accompanying independent auditor's report.



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

David A. Vaudt, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

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
Sibley-Ocheyedan Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Sibley-Ocheyedan Community School District as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 22, 2012. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

The management of Sibley-Ocheyedan Community School District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Sibley-Ocheyedan Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Sibley-Ocheyedan Community School District's internal control over financial reporting.

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

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

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-C-11 through II-E-11 to be significant deficiencies.

Compliance and Other Matters

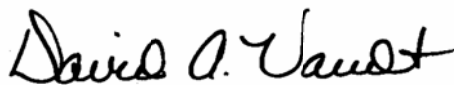
As part of obtaining reasonable assurance about whether Sibley-Ocheyedan Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could 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 IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2011 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.

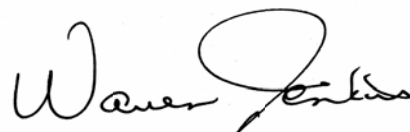
Sibley-Ocheyedan Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the District's responses, we did not audit Sibley-Ocheyedan Community School District's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

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

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Sibley-Ocheyedan 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.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

March 22, 2012

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

Sibley-Ocheyedan Community School District



OFFICE OF AUDITOR OF STATE

STATE OF IOWA

David A. Vaudt, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

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

To the Board of Education of
Sibley-Ocheyedan Community School District:

Compliance

We have audited Sibley-Ocheyedan Community School District's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of Sibley-Ocheyedan Community School District's major federal programs for the year ended June 30, 2011. Sibley-Ocheyedan Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Sibley-Ocheyedan Community School District's management. Our responsibility is to express an opinion on Sibley-Ocheyedan Community School District's compliance based on our audit.

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

In our opinion, Sibley-Ocheyedan Community School District complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

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


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

A deficiency in the District's internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control over compliance described in Part III of the accompanying Schedule of Findings and Questioned Costs as item III-A-11 to be a material weakness.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in Part III of the accompanying Schedule of Findings and Questioned Costs as items III-B-11 and III-C-11 to be significant deficiencies.

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

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



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

March 22, 2012

Sibley-Ocheyedan Community School District

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

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

- (a) Unqualified opinions were issued on the financial statements.
- (b) Significant deficiencies and material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) A material weakness and significant deficiencies in internal control over the major programs were disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
 - Clustered programs:
 - School Nutrition Cluster:
 - CFDA Number 10.553 – School Breakfast Program
 - CFDA Number 10.555 – National School Lunch Program
 - Title I, Part A Cluster:
 - CFDA Number 84.010 – Title I Grants to Local Educational Agencies
 - CFDA Number 84.389 – ARRA – Title I Grants to Local Educational Agencies, Recovery Act
 - Special Education Cluster:
 - CFDA Number 84.027 – Special Education - Grants to States
 - CFDA Number 84.391 – ARRA – Special Education – Grants to States, Recovery Act
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Sibley-Ocheyedan Community School District did not qualify as a low-risk auditee.

Sibley-Ocheyedan Community School District

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

Part II: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

II-A-11 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees and officials to prevent an individual employee from handling duties which are incompatible. For the District, one individual has control over each of the following areas:

- (1) Collecting, recording, depositing, journalizing, posting and reconciling receipts and reconciling bank accounts. An independent review of receipt codings is not performed, deposits are not reconciled to the general ledger and source documents are not initialed by the preparer.
- (2) Check preparation and recording cash disbursements.
- (3) Approving pay rates and deductions, preparing and approving payroll input and preparing payroll checks.
- (4) Detailed recordkeeping of investments with no independent review.

In addition, mail is not opened by a person other than accounting personnel and a list of receipts is not prepared by the mail opener. Also, the petty cash fund is not verified by a surprise count.

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 currently available staff, including elected officials. Evidence of review of reconciliations and financial transactions should be indicated by the signature or initials of the independent reviewer and the date of the review.

Response – The District understands the nature of the weakness and the necessity for oversight and review procedures. The District has reviewed its procedures and has implemented changes. The superintendent will review reconciliations and financial transactions and will initial and date the reviews.

Conclusion – Response accepted.

II-B-11 Financial Reporting – During the audit, we identified a material unrecorded intrafund loan between the Capital Projects, Physical Plant and Equipment and Statewide Sales, Services and Use Tax Accounts. We also identified material amounts of funds on hand for the District's Gifted and Talented and Dropout Prevention programs incorrectly recorded as unrestricted, rather than restricted, fund balances in the General Fund. Also, although income surtax was recorded as a receivable at June 30, 2010, the amount was deferred and, therefore, not recognized as revenue in the governmental activities. Adjustments were subsequently made by the District to properly record these amounts in the financial statements.

Sibley-Ocheyedan Community School District

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

Recommendation – The District should implement procedures to ensure all intrafund loans, restricted funds and income surtax are properly recorded.

Response – The District understands the nature of the weakness and the necessity for ensuring all intrafund loans, restricted funds and income surtax are properly recorded. The District will have Board approval of all intrafund loans.

Conclusion – Response accepted.

II-C-11 Computer Systems – During our review of internal control, the existing control activities in the District's computer systems were evaluated in order to determine activities, from a control standpoint, were designed to provide reasonable assurance regarding the achievement of objectives in the reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations. The following weaknesses in the District's computer systems were noted:

The District does not have written policies for:

- Requiring the maintenance of password privacy and confidentiality.
- Requiring passwords to be changed at least every 60-90 days. The District's software does not require users to change log-ins/passwords periodically.
- Usage of the internet.
- Requiring an anti-virus program on computers.
- Security awareness program.
- Personal use of computer equipment and software.
- Restricting physical access to computer facilities to authorized personnel.

Also, the District does not have a written disaster recovery plan.

Recommendation – The District should develop written policies addressing the above items in order to improve the District's control over computer systems. A written disaster recovery plan should be developed. At a minimum, the plan should identify computer equipment needed for temporary processing and paper supplies, such as checks, warrants, purchase orders, etc., which should be located off-site. Additionally, copies of user documentation and the disaster recovery plan should be maintained at an off-site location.

Sibley-Ocheyedan Community School District

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

Response – The District understands the nature of the weakness and the necessity for changes in existing policies. The District is developing policies for the following: require the maintenance of password privacy, require password changes, acceptable usage of the internet, security awareness program, require an anti-virus program on computers and restricting physical access to computer facilities. The District is also developing a written disaster recovery plan.

Conclusion – Response accepted.

II-D-11 Pre-numbered Receipts – Pre-numbered receipts are not issued for General Fund collections.

Recommendation – Pre-numbered receipts should be issued at the time of collection to provide additional control over the proper collection and recording of all money.

Response – The District understands the nature of the weakness and the necessity for pre-numbered receipts. The District has already implemented use of pre-numbered receipts.

Conclusion – Response accepted.

II-E-11 Capital Assets – Board Policy 802.4R1 states, “The fixed assets manager, in conjunction with the fixed assets management team, will conduct an annual fixed assets physical count to develop the annual fixed assets listing in a manner similar to the initial fixed assets listing process. At least every three years, someone other than the person in custody of the fixed assets in the building/department/room will perform the fixed assets physical count for the building/department/room.” An independent reconciliation of capital assets to the accounting records is not performed. In addition, identifying tags are not placed on capital assets.

Recommendation – Capital assets should be periodically reconciled to the accounting records by an individual having no responsibility for the assets. Identification tags should be placed on all capital assets.

Response – The District understands the nature of the weakness and the necessity for the management team to provide oversight and review of capital assets. The Superintendent and the Fixed Asset Management Team will conduct an annual physical count of capital assets and place identification tags on all capital assets. The Superintendent will periodically reconcile capital assets to the accounting records. The Board will review the policies on capital assets.

Conclusion – Response accepted.

Sibley-Ocheyedan Community School District

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Sibley-Ocheyedan Community School District

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

CFDA Number 10.553: School Breakfast Program

CFDA Number 10.555: National School Lunch Program

Federal Award Year: 2011

U.S. Department of Agriculture

Passed through the Iowa Department of Education

CFDA Number 84.010 – Title I Grants to Local Educational Agencies

CFDA Number 84.389 – ARRA – Title I Grants to Local Educational Agencies, Recovery Act

Federal Award Year: 2011

U.S. Department of Education

Passed through the Iowa Department of Education

CFDA Number 84.027 – Special Education - Grants to States

Federal Award Year: 2011

U.S. Department of Education

Passed through Area Education Agency #4

CFDA Number 84.391 – ARRA – Special Education – Grants to States, Recovery Act

Federal Award Year: 2011

U.S. Department of Education

Passed through Area Education Agency #4

III-A-11 Segregation of Duties – The District did not properly segregate collection, deposit and record keeping for revenues or check preparation and record keeping for expenditures and payroll, including those related to federal programs. See item II-A-11.

III-B-11 Federal Financial Reporting – Reports required to be submitted for federal reporting purposes are not reviewed by an independent person prior to submission.

Recommendation – The District should implement procedures to ensure all federal reports are reviewed by an independent person prior to submission.

Response and Corrective Action Planned – The District understands the nature of the non-compliance. The Superintendent and/or the Elementary Principal will review all federal reports prior to submission.

Conclusion – Response accepted.

Sibley-Ocheyedan Community School District

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

CFDA Number 84.010 – Title I Grants to Local Educational Agencies
CFDA Number 84.389 – ARRA – Title I Grants to Local Educational Agencies, Recovery Act
Federal Award Year: 2011
U.S. Department of Education
Passed through the Iowa Department of Education

CFDA Number 84.027 – Special Education - Grants to States
Federal Award Year: 2011
U.S. Department of Education
Passed through Area Education Agency #4

III-C-11 Special Tests and Provisions – All teachers and paraprofessionals who work on the Title I program must meet certain minimum education requirements. Paraprofessionals must have a high school diploma, or equivalent, and must have at least two years of study at an institution of higher education or have obtained an associate's degree or higher, demonstrate, through a formal State or local academic assessment, knowledge of, and the ability to assist in, instructing, reading readiness, writing readiness and mathematics readiness.

During fiscal year 2011, the District paid a total of \$462 to two paraprofessionals who did not meet the minimum education qualifications.

Recommendation – The District should implement procedures to ensure all individuals working with the Title I program meet the minimum education requirements.

Response and Corrective Action Planned – The District understands the nature of the non-compliance. The Superintendent will implement procedures to ensure all individuals working with the Title I program meet the minimum standards.

Conclusion – Response accepted.

Sibley-Ocheyedan Community School District

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

Part IV: Other Findings Related To Required Statutory Reporting:

IV-A-11 Certified Budget – Expenditures for the year ended June 30, 2011 exceeded the certified budget amount in the other expenditures functional area.

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 understands the nature of the non-compliance. The Superintendent and Business Manager will review the budget throughout the year to determine if the budget needs to be amended.

Conclusion – Response accepted.

IV-B-11 Questionable Expenditures – No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

IV-C-11 Travel Expense – No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

IV-D-11 Business Transactions – Business transactions between the District and District officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Kyle Grimes, Board President, Employee of Merrick's Printing Company	Printing and shirts	\$ 13,253
LaDonn Hartzell, Board Secretary, Husband is part owner of Hartzell & Rosenberg Construction Son is Kenny Hartzell	Snow removal, per bid Building repair Officiating	3,555 8,400 45
John Phillips, Interim Superintendent, owner of Humboldt Springs Water Company	Bottled water	540

The transactions with Merrick's Printing Company may represent a conflict of interest in accordance with Chapter 279.7A of the Code of Iowa since total transactions exceeded \$2,500 and the transactions were not competitively bid.

The remaining transactions do not appear to represent conflicts of interest in accordance with Chapters 279.7A and 301.28 of the Code of Iowa.

Recommendation – The District should be aware of the potential for a conflict of interest when dealing with members of the District's Board of Directors, its employees and relatives of directors and employees. The District should consult legal counsel to determine disposition of this matter.

Sibley-Ocheydan Community School District

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

Response – The District will consult with our attorney.

Conclusion – Response accepted.

- IV-E-11 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 ensure the coverage is adequate for current operations.
- IV-F-11 Board Minutes – Except as noted in IV-N-11 below, no transactions requiring Board approval which had not been approved by the Board were noted.
- IV-G-11 Certified Enrollment – No variances in the basic enrollment data certified to the Iowa Department of Education were noted.
- IV-H-11 Supplementary Weighting – No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- IV-I-11 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District’s investment policy were noted.
- IV-J-11 Certified Annual Report – The Certified Annual Report was certified timely to the Iowa Department of Education.
- IV-K-11 Statewide Sales, Services and Use Tax – No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2011, the District reported the following information regarding the statewide sales, services and use tax revenue in the District’s CAR:

Beginning balance		\$ 302,179
Revenues/transfers in:		
Sales tax revenues	\$ 505,339	
Other local revenues	220	505,559
		807,738
Expenditures/transfers out:		
School construction	106,717	
Equipment	89,335	
Transfers to Debt Service Fund	419,111	615,163
		192,575
Ending balance		\$ 192,575

Sibley-Ocheyedan Community School District

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

For the year ended June 30, 2011, the District reduced the following levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa:

	Rate of Levy Reduction Per \$1,000 of Taxable Valuation	Property Tax Dollars Reduced
Debt service levy	\$ 1.86666	\$ 419,111
Physical plant and equipment levy (PPEL)	0.38405	86,228

IV-L-11 Returning Dropout and Dropout Prevention Program – The returning dropout and dropout prevention program was established pursuant to Chapter 257 of the Code of Iowa to provide funding to meet the needs of identified students at risk of dropping out of school beyond the instructional program and services provided by the regular school program. In accordance with the Iowa Department of Education’s Iowa Administrative Code, Section 281-98.21, funding for the returning dropout and dropout prevention program shall be used only for expenditures directly related to providing the program. Appropriate uses include:

- a. Salary and benefits for the teacher(s) and guidance counselor(s) of students participating in the dropout prevention programs, alternative programs, and alternative schools when the teacher (or counselor) is dedicated to working directly and exclusively with identified students to provide services beyond those provided by the school district to students who are not identified as at risk of becoming dropouts.
- b. Professional development for all teachers and staff working with at-risk students and programs involving dropout prevention strategies.
- c. Research-based resources, materials, software, supplies and purchased services that:
 - (1) Meet the needs of K through 12 students identified as at risk of dropping out or returning dropouts.
 - (2) Are beyond those provided by the regular school program.
 - (3) Are necessary to provide the services listed in the school district’s dropout prevention plan.
 - (4) Will remain with the K through 12 returning dropout and dropout prevention program.

Based on a review of expenditure detail for fiscal year 2011, \$28,491 was spent for a pre-kindergarten teacher, a cost not permitted by the Iowa Administrative Rules for the dropout and dropout prevention program.

Sibley-Ocheydan Community School District

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

At June 30, 2011, the District reported \$4,138 of dropout and dropout prevention program funds on hand. However, after adjustment for the unallowable expenditures for fiscal year 2011, a balance of \$32,629 remains as of June 30, 2011.

Recommendation – The District should consult the Department of Education to determine the disposition of this matter, including corrective adjustments.

Response – The Superintendent will consult the Department of Education on these expenditures to determine any necessary corrective adjustments.

Conclusion – Response accepted.

IV-M-11 Gifted and Talented Program – The gifted and talented program was established pursuant to Chapter 257 of the Code of Iowa to provide for identified gifted students' needs beyond those provided by the regular school program. In accordance with the Iowa Department of Education's Iowa Administrative Code, Section 281-98.20, funding for the gifted and talented program shall be used only for expenditures directly related to providing the gifted and talented program. Appropriate uses include:

- a. Salary and benefits for the teacher of gifted and talented students.
- b. Staff development for the gifted and talented teacher.
- c. Resources, materials, software, supplies and purchased services that meet the following criteria:
 - (1) Meet the needs of K through 12 identified students.
 - (2) Are beyond those provided by the regular school program.
 - (3) Are necessary to provide the services listed on the gifted students' individualized plans.
 - (4) Will remain with the K through 12 gifted and talented program.

Based on a review of expenditure detail for the period July 1, 2006 through June 30, 2011, \$141,268 was spent on teacher salaries for teachers who did not teach gifted and talented students and \$16,735 was spent for supplies, materials and textbooks for which the support did not clearly indicate the purchases met the criteria noted above.

Sibley-Ocheyedan Community School District

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

At June 30, 2011, the District reported no gifted and talented funds on hand. However, as noted in the table below, after adjustments for unallowable/unsupported expenditures for the period July 1, 2006 through June 30, 2011, a balance of \$158,004 remains as of June 30, 2011.

	Year ended June 30,				
	2007	2008	2009	2010	2011
Balance, beginning of year	\$ 112,649 *	120,676	146,225	158,751	158,921
Program revenue	54,361	57,220	59,745	58,212	56,537
Subtotal	167,010	177,896	205,970	216,963	215,458
Expenditures	74,726	53,847	152,691	58,225	59,234
Unallowable salaries	(16,385)	(19,813)	(105,070)	-	-
Unallowable supplies/textbooks	(12,007)	(2,363)	(402)	(183)	(1,780)
Adjusted expenditures	46,334	31,671	47,219	58,042	57,454
Balance, end of year	\$ 120,676	146,225	158,751	158,921	158,004

* Beginning balance as reported by the District.

Recommendation – The District should consult the Iowa Department of Education to determine the disposition of this matter, including corrective adjustments.

Response – The Superintendent will consult the Department of Education on these expenditures to determine any necessary corrective adjustments.

Conclusion – Response accepted. A copy of this report has also been filed with the Osceola County Attorney pursuant to Chapter 11.53 of the Code of Iowa.

IV-N-11 Intrafund Loan – On May 31, 2011, the District loaned \$46,000 from the Capital Projects, Physical Plant and Equipment Account to the Capital Projects, Statewide Sales, Services and Use Tax Account. At June 30, 2011, \$18,000 of this loan had been repaid, leaving a balance of \$28,000. In accordance with an Iowa Department of Education Declaratory Order (Order) pertaining to interfund loans, dated October 22, 2009, there are four requirements which districts must comply with to issue loans between funds. These requirements include:

1. "All loans between funds within a fiscal year must be accomplished through official board action and may not be accomplished until the board by resolution authorizes the loan. An interfund loan must not constitute an amendment to the budgeted revenues or expenditures for the fiscal year.
2. The resolution must specify the funds from which and to which the transfer will be made. A note is not necessary if the resolution specifies the terms of repayment, including the payment of interest.
3. Interest must be paid from the borrowing fund on the unpaid balance at the rate in effect at the time of the loan as established by rule pursuant to Iowa Code section 74A.6, subsection 2.

Sibley-Ocheydan Community School District

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

4. The loan must be repaid before October 1 of the fiscal year following the fiscal year within which the loan occurred.”

The Board did not approve the intrafund loan and no provision for interest has been made. The loan was repaid in August 2011.

Recommendation – The District should comply with the Order prior to making future interfund or intrafund loans and should adopt interfund loan policies and procedures to help ensure compliance with the Order.

Response – The District will comply with the Iowa Department of Education Declaratory Order prior to making future intrafund loans. The District will also develop policies to ensure compliance with the Order.

Conclusion – Response accepted.

- IV-O-11 Student Activity Fund – Chapter 297.22 of the Code of Iowa states, in part, “Proceeds from the sale or disposition of property other than real property shall be placed in the general fund.” During the year, the District sold a number of computers to another school district for \$3,250. The District inappropriately recorded the proceeds from this sale in the Special Revenue, Student Activity Fund rather than the General Fund.

The District also recorded \$3,700 of grants in the Special Revenue, Student Activity Fund. Chapter 298A.2 of the Code of Iowa states, “All moneys received by a school corporation from taxes and other sources must be accounted for in the general fund, except moneys required by law to be accounted for in another fund.” Chapter 298A.8 of the Code of Iowa states, in part, “A student activity fund must be established in any school corporation receiving money from student-related activities such as admissions, activity fees, student dues, student fund-raising events, or other student-related curricular or extracurricular activities. Moneys in this fund shall be used to support only the curricular program defined in department of education administrative rules.” The Iowa Department of Education Administrative Procedures Manual for Iowa LEAs, Chapter 9, discusses the Student Activity Fund and states, “This is not an appropriate fund to use for public tax funds, trust funds, state and federal grants or aids, textbook/library book fines, fees, rents, or sales, textbook/library book purchases, sales of school supplies, curricular activities, or any other revenues or expenditures more properly accounted for in another fund.”

Recommendation – The District should make corrective transfers totaling \$6,950 from the Special Revenue, Student Activity Fund to the General Fund to record these revenues in the appropriate fund.

Response – The District will make corrective transfers to record these revenues in the appropriate fund.

Conclusion – Response accepted.

Sibley-Ocheyedan Community School District

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

IV-P-11 Revenue Bonds – The District has not established and made the required transfers to a revenue bond sinking account as required by the school infrastructure local option sales tax revenue (LOSST) bond resolution.

Recommendation – The District should establish a sinking fund and make the necessary transfers as required by the LOSST bond resolution.

Response – The District will establish a sinking fund to make necessary transfers as required by the LOSST bond resolution

Conclusion – Response accepted.

Sibley-Ocheyedan Community School District

Staff

This audit was performed by:

Marlys K. Gaston, CPA, Manager
Karen J. Kibbe, Senior Auditor II
Jennifer L. Wall, CPA, Senior Auditor II
Lara K. Van Wyk, Staff Auditor
Robert W. Endriss, Assistant Auditor
Philip A. Rethwisch, Assistant Auditor

A handwritten signature in black ink that reads "Andrew E. Nielsen". The signature is written in a cursive style with a large initial "A" and "N".

Andrew E. Nielsen, CPA
Deputy Auditor of State