

SAC COMMUNITY SCHOOL DISTRICT

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

June 30, 2004

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Independent Auditor's Report

To the Board of Education of
Sac 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 Sac Community School District, Sac City, Iowa, as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these basic financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Sac Community School District as of June 30, 2004, 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.

As described in Note 11 to the financial statements, during the year ended June 30, 2004, Sac Community School District adopted Governmental Accounting Standards Board Statement Number 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments; Statement Number 37, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus; Statement Number 38, Certain Financial Statement Note Disclosures; Statement Number 41, Budgetary Comparison Schedule - Perspective Differences; and Interpretation Number 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements.

In accordance with Government Auditing Standards, we have also issued our reports dated October 29, 2004, on our consideration of Sac Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. Those reports are an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 13 and 37 through 38 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 supplementary information. However, 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 Sac Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2003, (none of which are presented herein) and expressed unqualified opinions on those financial statements. The supplemental information included in Schedules 1 through 4, 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.

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

October 29, 2004

Sac Community School District

Management Discussion & Analysis

This section of the Sac Community School District's annual financial report presents its discussion and analysis of the District's financial performance during the fiscal year ended June 30, 2004. The analysis focuses on the District's financial performance as a whole. Please read it in conjunction with the District's financial statements, which immediately follow this section. Because the Sac Community School District is implementing new reporting standards for this fiscal year with significant changes in content and structure, much of the information is not easily comparable to prior years. However, in future years, comparisons will be more meaningful and will go further in explaining the District's financial position and results of operations.

Financial Highlights

- The total net assets increased in FY 2004 by \$125,442. With total revenues of \$4,098,732 exceeding expenses of \$3,853,290.
- The Governmental General Fund unreserved/undesignated ending GAAP fund balance was \$637,328 and the Solvency Ratio was up from 12.20% in FY 2003 to 18.48% in FY 2004.

Overview of the Financial Statements

This report consists of three parts: management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

The first two statements are *Government-wide financial statements* that provide both short-term and long-term information about the District's overall financial status.

- The remaining statements are *fund financial statements* that focus on individual parts of the District, reporting the District's operations in more detail than the Government-wide statements.
- The *governmental funds statements* explain how basic services such as regular and special education were financed in the short term as well as what remains for future spending.
- *Proprietary funds statements* offer short-term and long-term financial information about the activities the District operates like businesses, such as food services.
- *Fiduciary funds statements* provide information about the relationships in which the District acts solely as a trustee or agent for the benefit of others.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year.

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

Figure A-1

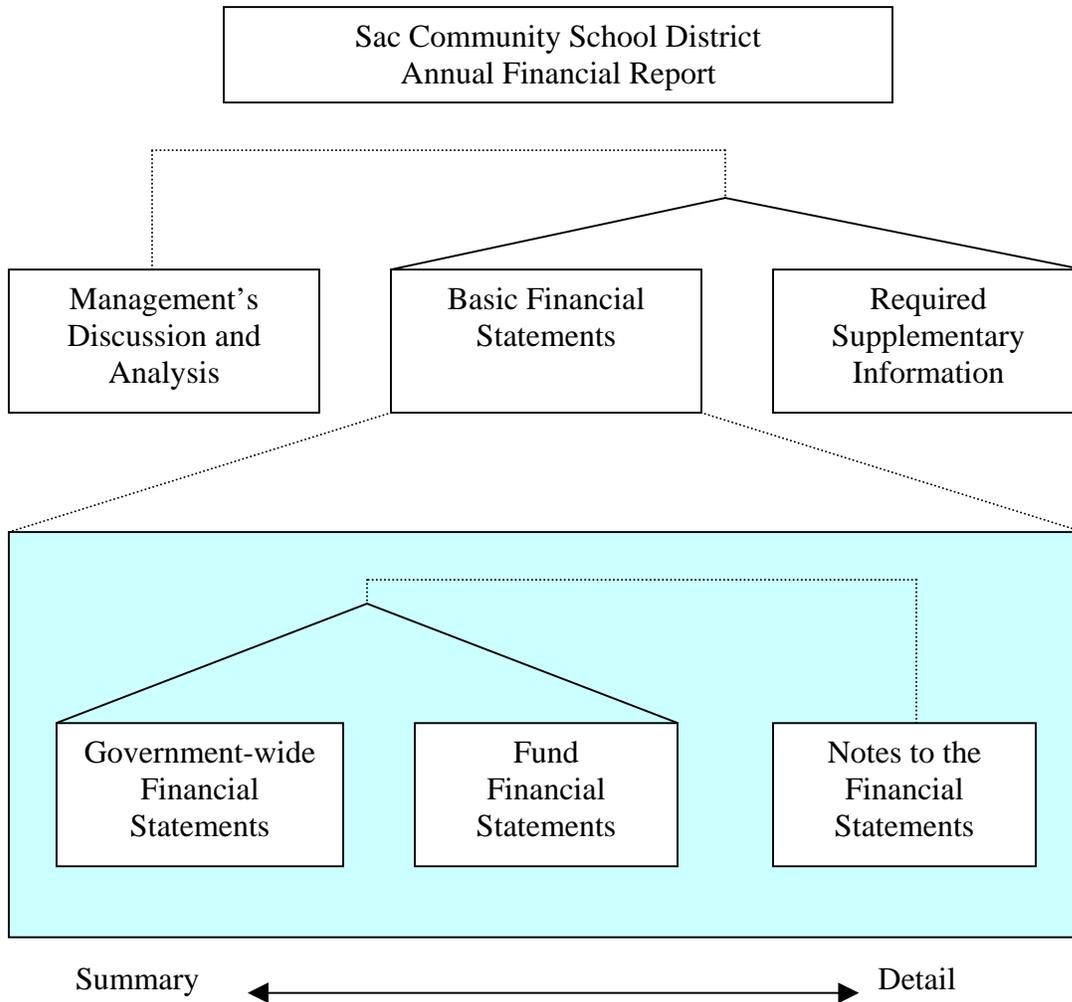


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of the management's discussion and analysis highlights the structure and contents of each of the statements.

*Figure A-2
Major Features of the Government-wide and Fund Financial Statements*

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

Government-wide Statements

The Government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the District's assets and liabilities. All of the current year's revenues and

expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two Government-wide statements 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 position.

- Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating, respectively.
- To assess the District's overall health, you need to consider additional non-financial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

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 taxes 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 food service program would be included here.

Fund Financial Statements

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

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

The District has two kinds of funds:

- *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 funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the Government-wide statements, additional information at the bottom of the governmental funds statements explains the relationship or differences between the two statements. The District's governmental funds include the General Fund and Special Revenue Funds that consist of Activity, Management, and Physical Plant and Equipment Levy funds.

- *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 statements. The District's enterprise fund, one type of a proprietary fund, is the same as its business-type activities but provides more detail and additional information, such as cash flows. The District currently has one enterprise fund, the School Nutrition Fund.

Financial Analysis of the District as a Whole

Net assets. The District's combined net assets were \$3,562,025 on June 30, 2004. This is baseline data because no 2003 data is available for comparison.

Figure A-3

Condensed Statement of Net Assets

	<u>Governmental Activities</u>	<u>Business- type Activities</u>	<u>Total School District</u>
	<u>2004</u>	<u>2004</u>	<u>2004</u>
Current and other assets	3,484,795	59,117	3,543,875
Capital assets	2,396,730	30,397	2,427,127
Total Assets	5,881,525	89,514	5,971,039
Long-term liabilities	46,460	-	46,460
Other liabilities	2,360,419	2,135	2,362,554
Total liabilities	2,406,879	2,135	2,409,014
Net Assets:			
Invested in capital assets, net of related debt	2,372,518	30,397	2,402,915
Restricted	464,919	-	464,919
Unrestricted	637,209	56,982	694,191
TOTAL NET ASSETS	\$3,474,646	\$87,379	\$35,620,25

Changes in net assets. Fiscal year 2003-2004 marks the initial District implementation of the GASB-34 financial reporting model. As a result, prior year comparisons are not available but

will be provided in all subsequent years. *Figure A-4* reflects only totals from the current fiscal year ending June 30, 2004.

Governmental Activities -

Referring to *Figure A-4*, revenues for the District's governmental activities were \$3,904,930 for fiscal year 2004. Total governmental expenditures were \$3,667,629.

Figure A-4

Changes in Net Assets from Operating Results

	Governmental Activities	Business-type Activities	Total School District
	2004	2004	2004
Revenues			
Program Revenues			
Charges for services	338,655	103,822	442,477
Operating Grants & Contributions	542,793	89,980	632,773
Capital Grants & Contributions	-	-	-
General Revenues			
Property taxes & other taxes	1,350,272	-	1,350,272
Unrestricted State Grants	1,640,235	-	1,640,235
Unrestricted Investment Earnings	32,326	-	32,326
Other Revenue	649	-	649
Total Revenues	\$3,904,930	\$193,802	\$4,098,732
Expenses			
Instruction	2,397,031	-	2,397,031
Support Services	1,039,180	-	1,039,180
Non-Instructional Programs	1,377	185,661	187,038
Other Expenses	230,041	-	230,041
Total Expenses	\$3,667,629	\$185,661	\$3,853,290
Transfers	-	-	-
Change in Net Assets	\$237,301	\$8,141	\$245,442

Figure A-5

Net Cost of Governmental Activities

	Total Cost of Services	Net Cost of Services
	2004	2004
Instruction	2,397,031	1,721,527
Support Services	1,039,180	979,147
Non-instructional Programs	1,377	1,377
Other Expenses	230,041	84,130
TOTAL	\$3,667,629	\$2,786,181

Figure A-5 presents the cost of the District's major governmental activities: instruction, support services, non-instruction programs and other expenses. The table shows each activity's net cost

(total cost less fees generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden placed on the District's taxpayers by each of these functions. (As with *Figure A-4*, a two-year comparison with the prior fiscal year is not possible under the new GASB 34 format. In the future a two-year comparison will be provided.)

- The cost of all governmental activities this year was \$3,667,629.
- Some of the cost was financed by the users of the District's programs \$338,655.
- The federal and state governments and private contributors subsidized certain programs with grants and contributions \$542,793.
- Most of the District's costs \$2,786,181, however, were financed by District and state taxpayers.
- This portion of governmental activities was financed with \$1,350,272 in property and other local taxes, and \$1,640,235 in unrestricted state aid (based in large part on the statewide education aid formula), investment earnings and miscellaneous revenues.

Business-Type Activities -

The District's business-type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for services, federal and state reimbursements, and investment income. The District's business-type activities show a slight increase in net assets with revenues exceeding expenses by \$8,141 (refer to *Figure A-4*).

Financial Analysis of the District's Funds

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported combined fund balances of \$1,124,495, slightly more than last year's ending fund balances of \$808,404.

Governmental Fund Highlights

The General Fund balance increased from \$449,621 to \$637,328 due to careful monitoring of expenses during the year.

The Nonmajor Governmental Funds balance increased \$128,384 to \$487,167 due to increased revenues and decreased expenses during the year.

The Capital Projects Fund is part of the nonmajor governmental funds and is new for year June 30, 2004. The fund is used to account for local option sales tax. During fiscal year 2004 there were \$64,828 of revenues and no expenditures.

The Physical Plant and Equipment Levy (PPEL) Fund balance increased \$38,494 to \$143,079. Revenues were decreased due to the Board's decision to not levy for the entire 1.34.

Proprietary Fund Highlights

The School Nutrition Fund net assets increased from \$79,238 at June 30, 2003 to \$87,379 at June 30, 2004, representing an increase of 10%. There was a slight increase in free/reduced meals served that contributed to an increase in federal aid reimbursement. School Nutrition funds were used to make a number of capital improvements over the summer.

Budgetary Highlights

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the **cash** basis. A schedule showing the original and final budget amounts compared to the District's actual financial activity is included in the required supplementary information section of this report. When a preliminary budget is set, the District always requests the ability to expend its full budget if necessary, but has the goal of keeping disbursements in line with revenues as actual revenue accumulates. As a result, the District's certified budget should always exceed the actual expenditures during the year. During the year actual revenues exceeded budgeted revenues by \$575,691. Total expenses were less than budget expenses by \$729,840 and less than actual revenues by \$323,583.

Capital Asset and Debt Administration

Capital Assets

By the end of 2004, the District had invested \$2,427,127, net of accumulated depreciation, in a broad range of assets, including school buildings, athletic facilities, transportation equipment, and computer and audio-visual equipment (see *Figure A-6*). This amount represents a net decrease of \$52,210 or 2.106% from last year. (More detailed information about capital assets can be found in Note 6 to the financial statements.) The District was able to stay within its means and not accumulate any debt in FY04. Capital assets were purchased as revenue became available and included computer purchases, blacktopping, equipment for automotive class, and a pickup for buildings/grounds.

Figure A-6

<i>Capital Assets (net of depreciation)</i>							
	Governmental		Business--type		Total		Total
	Activities		Activities		School District		Percentage
	2003	2004	2003	2004	2003	2004	Change
Land	75,082	75,082	-	-	75,082	75,082	-
Improvements	10,720	45,798	-	-	10,720	45,798	327.22%
Buildings	2,016,773	1,965,185	-	-	2,016,773	1,965,185	-2.558%
Equipment & Furniture	373,336	310,665	3,426	30,397	376,762	341,062	-9.475%
TOTAL	2,475,911	2,396,730	3,426	30,397	2,479,337	2,427,127	-2.106%

Long-Term Debt

At June 30, 2004, the District had \$46,460 in Capital Leases and other long-term debt outstanding (Figure A-7). This represents an decrease of approximately .745% from last year. Additional information about the District's long-term debt is presented in Note 7 to the financial statements.

Figure A-7

<i>Long-Term Debt</i>		
	Balance End of 2004	Due Within One Year
General obligation bonds	\$-	\$-
Local option sales tax revenue bonds	-	-
Capital Leases	24,212	6,374
Early retirement	22,248	9,506
Total	<u>\$46,460</u>	<u>\$15,880</u>

Factors Bearing on the District's Future

The District is projected to remain in good financial health. Budgeting practices such as making sure disbursements do not exceed receipts, even during challenging years, combined with a solid foundation of cash balance and unspent balance, allow the District to provide the resources needed for excellent student achievement while still keeping the tax burden reasonable. In FY05, the District received additional new money from SILO, and FY06 looks even brighter for additional new money with the projected 4% allowable growth. However, costs outside of the Board's control such as continual increases in health insurance and utility costs are worrisome, and employee contract settlements will also have an effect on the District's financial viability.

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability of the money it receives. If you have questions about this report or need additional financial information, contact Ross Opsal, Superintendent, Sac Community School District, 400 S. 16th Street, Sac City, Iowa 50583.

BASIC FINANCIAL STATEMENTS

SAC COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2004

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
Assets			
Cash and cash equivalents:			
ISCAP	827,006	-	827,006
Other	1,349,332	54,178	1,403,510
Receivables:			
Property tax:			
Delinquent	9,450	-	9,450
Succeeding year	1,224,633	-	1,224,633
Accounts	-	37	37
Accrued interest:			
ISCAP	2,169	-	2,169
Other	7,248	-	7,248
Due from other governments	64,957	-	64,957
Inventories	-	4,902	4,902
Capital assets, net of accumulated depreciation	<u>2,396,730</u>	<u>30,397</u>	<u>2,427,127</u>
Total assets	<u>5,881,525</u>	<u>89,514</u>	<u>5,971,039</u>
Liabilities			
Salaries and benefits payable	302,561	-	302,561
Accrued interest payable	119	-	119
Deferred revenue:			
Succeeding year property tax	1,224,633	-	1,224,633
Other	-	2,135	2,135
ISCAP warrants payable	822,000	-	822,000
ISCAP accrued interest payable	3,289	-	3,289
ISCAP premium	7,817	-	7,817
Long-term liabilities:			
Portion due within one year:			
Capital leases	6,374	-	6,374
Early retirement	9,506	-	9,506
Portion due after one year:			
Capital leases	17,838	-	17,838
Early retirement	<u>12,742</u>	<u>-</u>	<u>12,742</u>
Total Liabilities	<u>2,406,879</u>	<u>2,135</u>	<u>2,409,014</u>

SAC COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2004

	Governmental Activities	Business Type Activities	Total
	<u>\$</u>	<u>\$</u>	<u>\$</u>
Net assets			
Invested in capital assets, net of related debt	2,372,518	30,397	2,402,915
Restricted for:			
Management levy	130,076	-	130,076
Capital outlay	207,943	-	207,943
Other special revenue purposes	126,900	-	126,900
Unrestricted	<u>637,209</u>	<u>56,982</u>	<u>694,191</u>
Total net assets	<u><u>3,474,646</u></u>	<u><u>87,379</u></u>	<u><u>3,562,025</u></u>

SAC COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2004

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Governmental activities:				
Instruction:				
Regular instruction	1,796,300	172,983	243,529	-
Special instruction	326,789	34,711	91,929	-
Other instruction	273,942	121,065	11,287	-
	<u>2,397,031</u>	<u>328,759</u>	<u>346,745</u>	<u>-</u>
Support services:				
Student services	48,924	-	-	-
Instructional staff services	84,037	-	-	-
Administration services	425,023	-	-	-
Operation and maintenance of plant services	348,389	9,043	50,000	-
Transportation services	132,807	853	137	-
	<u>1,039,180</u>	<u>9,896</u>	<u>50,137</u>	<u>-</u>
Non-instructional programs	<u>1,377</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other expenditures:				
Facilities acquisition				-
Long-term debt interest	9,065	-	-	-
AEA flowthrough	145,911	-	145,911	-
Depreciation (unallocated)*	75,065	-	-	-
	<u>230,041</u>	<u>-</u>	<u>145,911</u>	<u>-</u>
Total governmental activities	<u>3,667,629</u>	<u>338,655</u>	<u>542,793</u>	<u>-</u>
Business type activities				
Non-instructional programs:				
Food service operations	<u>185,661</u>	<u>103,822</u>	<u>89,980</u>	<u>-</u>
Total	<u>3,853,290</u>	<u>442,477</u>	<u>632,773</u>	<u>-</u>

General Revenues:

Property taxes levied for:
 General purposes
 Capital outlay
Local option sales and services tax
Unrestricted state grants
Unrestricted investment earnings
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 that is included in the direct expenses of the various programs.

SAC COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2004

<u>Net (Expense) Revenue and Changes in Net Assets</u>		
<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
(1,379,788)	-	(1,379,788)
(200,149)	-	(200,149)
<u>(141,590)</u>	<u>-</u>	<u>(141,590)</u>
<u>(1,721,527)</u>	<u>-</u>	<u>(1,721,527)</u>
(48,924)	-	(48,924)
(84,037)	-	(84,037)
(425,023)	-	(425,023)
(289,346)	-	(289,346)
<u>(131,817)</u>	<u>-</u>	<u>(131,817)</u>
<u>(979,147)</u>	<u>-</u>	<u>(979,147)</u>
<u>(1,377)</u>	<u>-</u>	<u>(1,377)</u>
-	-	-
(9,065)	-	(9,065)
-	-	-
<u>(75,065)</u>	<u>-</u>	<u>(75,065)</u>
<u>(84,130)</u>	<u>-</u>	<u>(84,130)</u>
(2,786,181)	-	(2,786,181)
-	8,141	8,141
<u>(2,786,181)</u>	<u>8,141</u>	<u>(2,778,040)</u>
1,146,284	-	1,146,284
139,160	-	139,160
64,828	-	64,828
1,640,235	-	1,640,235
32,326	-	32,326
649	-	649
<u>3,023,482</u>	<u>-</u>	<u>3,023,482</u>
237,301	8,141	245,442
<u>3,237,345</u>	<u>79,238</u>	<u>3,316,583</u>
<u>3,474,646</u>	<u>87,379</u>	<u>3,562,025</u>

SAC COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2004

	General Fund	Nonmajor Governmental Funds	Total
	\$	\$	\$
Assets			
Cash and pooled investments:			
ISCAP	827,006	-	827,006
Other	793,985	555,347	1,349,332
Receivables:			
Property tax:			
Delinquent	7,915	1,535	9,450
Succeeding year	1,131,002	93,631	1,224,633
Accrued interest - ISCAP	2,169	-	2,169
Accrued interest - other	5,437	1,811	7,248
Interfund receivable	97,512	(97,512)	-
Due from other governments	38,971	25,986	64,957
	<u>2,903,997</u>	<u>580,798</u>	<u>3,484,795</u>
Liabilities and Fund Balances			
Liabilities:			
Salaries and benefits payable	302,561	-	302,561
ISCAP warrants payable	822,000	-	822,000
ISCAP accrued interest payable	3,289	-	3,289
ISCAP premium	7,817	-	7,817
Deferred revenue:			
Succeeding year property tax	1,131,002	93,631	1,224,633
Total liabilities	<u>2,266,669</u>	<u>93,631</u>	<u>2,360,300</u>
Fund balances:			
Unreserved	<u>637,328</u>	<u>487,167</u>	<u>1,124,495</u>
	<u>2,903,997</u>	<u>580,798</u>	<u>3,484,795</u>

SAC COMMUNITY SCHOOL DISTRICT

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

June 30, 2004

Total fund balances of governmental funds (Exhibit C)	1,124,495
--	-----------

***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.	2,396,730
--	-----------

Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental	(119)
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Long-term liabilities, including capital leases and early retirement benefits, are not due and payable in the current period and therefore, are not reported as liabilities in the governmental funds.	<u>(46,460)</u>
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Net assets of governmental activities (Exhibit A)	<u><u>3,474,646</u></u>
--	--------------------------------

SAC COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2004

	General Fund	Nonmajor Governmental Funds	Total
	\$	\$	\$
Revenues:			
Local sources:			
Local tax	1,076,579	273,693	1,350,272
Tuition	154,253	-	154,253
Other	85,044	131,684	216,728
State sources	1,964,553	201	1,964,754
Federal sources	168,274	50,000	218,274
Total revenues	<u>3,448,703</u>	<u>455,578</u>	<u>3,904,281</u>
Expenditures:			
Current:			
Instruction:			
Regular instruction	1,739,255	9,568	1,748,823
Special instruction	326,789	-	326,789
Other instruction	162,037	111,382	273,419
	<u>2,228,081</u>	<u>120,950</u>	<u>2,349,031</u>
Support services:			
Student services	48,924	-	48,924
Instructional staff services	84,037	-	84,037
Administration services	398,932	24,904	423,836
Operation and maintenance of plant services	253,631	151,718	405,349
Transportation services	100,752	15,966	116,718
	<u>886,276</u>	<u>192,588</u>	<u>1,078,864</u>
Non-instructional programs	<u>1,377</u>	<u>-</u>	<u>1,377</u>
Other expenditures:			
Long-term debt:			
Principal	-	4,560	4,560
Interest and fiscal charges	-	9,096	9,096
AEA flowthrough	145,911	-	145,911
	<u>145,911</u>	<u>13,656</u>	<u>159,567</u>
Total expenditures	<u>3,261,645</u>	<u>327,194</u>	<u>3,588,839</u>
Excess (deficiency) of revenues over (under) expenditures	<u>187,058</u>	<u>128,384</u>	<u>315,442</u>
Other financing sources (uses):			
Sales of materials and equipment	649	-	649
Operating transfers in	-	13,656	13,656
Operating transfers out	-	(13,656)	(13,656)
Total other financing sources (uses)	<u>649</u>	<u>-</u>	<u>649</u>
Net change in fund balances	187,707	128,384	316,091
Fund balances beginning of year, as restated	<u>449,621</u>	<u>358,783</u>	<u>808,404</u>
Fund balances end of year	<u><u>637,328</u></u>	<u><u>487,167</u></u>	<u><u>1,124,495</u></u>

See notes to financial statements.

SAC 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, 2004

	\$	\$
Net change in fund balances - total governmental funds (Exhibit E)		316,091

**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 Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Depreciation expense exceeded capital outlay expenditures in the year as follows:

Expenditures for capital assets	84,165	
Depreciation expense	<u>(163,346)</u>	(79,181)

Repayment of long-term liability principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.

4,561

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

30

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		<u>(4,200)</u>
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Changes in net assets of governmental activities (Exhibit B)237,301

SAC COMMUNITY SCHOOL DISTRICT

Statement of Net Assets
Proprietary Funds

June 30, 2004

	Nonmajor School Nutrition
	<u> </u>
	\$
Assets	
Cash and cash equivalents	54,178
Accounts receivable	37
Inventories	4,902
Capital assets, net of accumulated depreciation	<u>30,397</u>
Total assets	89,514
Liabilities	
Deferred revenue	<u>2,135</u>
Net assets	
Invested in capital assets, net of related debt	30,397
Unrestricted	<u>56,982</u>
Total net assets	<u><u>87,379</u></u>

SAC COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2004

	Nonmajor School Nutrition
	<u>\$</u>
Operating revenue:	
Local sources:	
Charges for service	<u>103,822</u>
Operating expenses:	
Non-instructional programs:	
Salaries	61,922
Benefits	8,154
Purchased services	4,282
Supplies	108,922
Depreciation	<u>2,381</u>
	<u>185,661</u>
Operating gain (loss)	<u>(81,839)</u>
Non-operating revenue:	
State sources	2,730
Federal sources	<u>87,250</u>
Total non-operating revenue	<u>89,980</u>
Change in net assets	8,141
Net assets beginning of year	<u>79,238</u>
Net assets end of year	<u><u>87,379</u></u>

SAC COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows
Proprietary Funds

Year ended June 30, 2004

	Nonmajor School Nutrition
	<u>\$</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	104,723
Cash payments to employees for services	(70,076)
Cash payments to suppliers for goods or services	<u>(97,984)</u>
Net cash used by operating activities	<u>(63,337)</u>
Cash flows from non-capital financing activities:	
State grants received	2,730
Federal grants received	<u>72,882</u>
Net cash provided by non-capital financing activities	<u>75,612</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	<u>(29,352)</u>
Net increase (decrease) in cash and cash equivalents	(17,077)
Cash and cash equivalents at beginning of year	<u>71,255</u>
Cash and cash equivalents at end of year	<u><u>54,178</u></u>
Reconciliation of operating gain (loss) to net cash used by operating activities:	
Operating gain (loss)	(81,839)
Adjustments to reconcile operating gain (loss) to net cash used by operating activities:	
Commodities used	14,368
Depreciation	2,381
Decrease (increase) in inventories	852
Decrease (increase) in accounts receivable	(36)
(Decrease) increase in deferred revenue	<u>937</u>
Net cash used in operating activities	<u><u>(63,337)</u></u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2004, the District received \$14,368 of federal commodities.

SAC COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2004

1. Summary of Significant Accounting Policies

Sac 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 City of Sac City, Iowa and the predominately agricultural territory in a portion of Sac 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, Sac 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 Sac Community School District has no component units that meet the Governmental Accounting Standards Board criteria.

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

B. Basis of Presentation

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

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

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

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

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but 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.

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 that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The District's proprietary fund is the Enterprise, School Nutrition Fund. This fund is used to account for the food service operations of the District.

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 accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

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

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

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

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

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

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

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

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the balance sheet:

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

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

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

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

Property tax revenue recognized in these funds became due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2002 assessed property valuations; is for the tax accrual period July 1, 2003, through June 30, 2004, and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2003.

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

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

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	50 years
Improvements other than buildings	5-20 years
Furniture and equipment	3-15 years

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

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax 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, amounts received in advance for meal sales and succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use. Employees are not paid for unused vacation and sick leave 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, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

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

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2004, disbursements did not exceed the amounts budgeted.

2. Cash and Pooled Investments

The District's deposits in banks at June 30, 2004 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.

The District had investments in the Iowa Schools Joint Investment Trust which are valued at an amortized cost of \$54,966 pursuant to Rule 2a-7 under the Investment Company Act of 1940. Governmental Accounting Standards Board Statement No. 3 requires investments to be categorized to give an indication of the level of risk assumed by the District at year end. The District's investment in the Iowa Schools Joint Investment Trust is not subject to risk categorization.

3. Interfund Receivables and Payables

The detail of interfund receivables and payables at June 30, 2004 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Special Revenue: Physical Plant and Equipment Levy Fund	\$ 97,512

The amount due to the general fund is a loan which is being repaid with interest.

4. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2004 is as follows:

Transfer to	Transfer from	Amount
		\$
Debt service	Special Revenue: Physical Plant and Equipment Levy Fund	13,656

This transfer reflects debt service payments by the Physical Plant and Equipment Levy Fund.

5. Iowa School Cash Anticipation Program (ISCAP)

The District participates in the Iowa School Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings and amounts available for withdrawal for each outstanding series of warrants. Bankers Trust Co. N.A. is the trustee for the program. A summary of the District's participation in ISCAP as of June 30, 2004, is as follows:

Series	Warrant Date	Final Warrant Maturity	Investments \$	Accrued Interest Receivable \$	Warrants Payable \$	Accrued Interest Payable \$
2003-04B	1/30/04	1/28/05	398,697	2,169	396,000	3,289
2004-05A	6/30/04	6/30/05	428,309	-	426,000	-
Total			<u>827,006</u>	<u>2,169</u>	<u>822,000</u>	<u>3,289</u>

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts. In addition, the District must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. ISCAP advance activity in the General Fund for the year ended June 30, 2004, is as follows:

Balance Beginning of Year \$	Advances Received \$	Advances Repaid \$	Balance End of Year \$
-	100,000	100,000	-

The warrants bear interest and the available proceeds of the warrants are invested at the interest rates shown below:

<u>Series</u>	<u>Interest Rates on Warrants</u>	<u>Interest Rates on Investments</u>
	%	%
2003-04B	2.000	1.131
2004-05A	3.000	2.463

6. Capital Assets

Capital assets activity for the year ended June 30, 2004 is as follows:

	Balance Beginning of Year as restated	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
Governmental activities:				
Capital assets not being depreciated:				
Land	75,082	-	-	75,082
Capital assets being depreciated:				
Buildings	3,374,971	13,353	-	3,388,324
Improvements other than buildings	440,318	45,202	-	485,520
Furniture and equipment	1,313,616	25,610	-	1,339,226
Total capital assets being deprec.	<u>5,128,905</u>	<u>84,165</u>	-	<u>5,213,070</u>
Less accumulated depreciation for:				
Buildings	1,358,198	64,941	-	1,423,139
Improvements other than buildings	429,598	10,124	-	439,722
Furniture and equipment	940,280	88,281	-	1,028,561
Total accumulated depreciation	<u>2,728,076</u>	<u>163,346</u>	-	<u>2,891,422</u>
Total capital assets being depreciated, net	<u>2,400,829</u>	<u>(79,181)</u>	-	<u>2,321,648</u>
Governmental activities capital assets, net	<u>2,475,911</u>	<u>(79,181)</u>	-	<u>2,396,730</u>
	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
Business type activities:				
Furniture and equipment	130,342	29,352	-	159,694
Less accumulated depreciation	<u>126,916</u>	<u>2,381</u>	-	<u>129,297</u>
Business type activities capital assets, net	<u>3,426</u>	<u>26,971</u>	-	<u>30,397</u>

Depreciation expense was charged to the following functions:

	\$
Governmental activities:	
Instruction:	
Regular	60,987
Other	523
Support Services:	
Administration services	1,187
Operation and maintenance of plant services	1,595
Transportation	23,989
	<u>88,281</u>
Unallocated depreciation	<u>75,065</u>
Total depreciation expense – governmental activities	<u>163,346</u>
Business type activities:	
Food services	<u>2,381</u>

7. Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2004, are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
	\$	\$	\$	\$	\$
Capital leases	28,773	-	4,561	24,212	6,374
Early retirement	18,048	13,500	9,300	22,248	9,506
Total	<u>46,821</u>	<u>13,500</u>	<u>13,861</u>	<u>46,460</u>	<u>15,880</u>

Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age [fifty-five](#) and must have completed twenty-five years of continuous service to the District. Employees must complete an application which is subject to approval by the Board of Education. Early retirement incentives are based on a maximum amount of \$13,500. Early retirement expenditures for the year ended June 30, [2004](#) totaled \$9,300.

Capital Leases

The District has leased a copier under a capital lease. The following is a schedule of future minimum lease payments under the capital lease, together with the net present value of the minimum lease payments as of June 30, [2004](#).

	<u>Year Ending June 30,</u>	<u>Amount</u>
		\$
	2005	13,656
	2006	13,656
	2007	10,242
Minimum Lease Payments		<u>37,554</u>
Less Amount Representing Interest		<u>13,342</u>
Present Value of Minimum Lease Payments		<u>24,212</u>

Bonds Payable

The district had no bonded indebtedness at June 30, 2004.

8. Pension and Retirement Benefits

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

Plan members are required to contribute 3.70% of their annual covered salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2004, 2003 and 2002. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2004, 2003, and 2002 were \$121,130, \$124,370, and \$116,997 respectively, equal to the required contributions for each year.

9. Risk Management

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

10. 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 \$145,911 for the year ended June 30, 2004 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

11. Accounting Change and Restatement

Governmental Accounting Standards Board (GASB) Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements was implemented for the year ended June 30, 2004. The interpretation modifies when compensated absence and early retirement liabilities are recorded under the modified accrual basis of accounting.

Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments; Statement No. 37, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures; and Statement No. 41, Budgetary Comparison Schedule - Perspective Differences, were implemented for the year ended June 30, 2004. The statements create new basic financial statements for reporting the District's financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

The government-wide financial statements separate the District's programs between governmental and business type activities. The beginning net assets for governmental activities has been restated to include capital assets, long-term liabilities, and the changes in assets and liabilities at July 1, 2003 caused by the conversion to the accrual basis of accounting.

The effects of the accounting change and other restatements in the governmental activities are summarized as follows:

	<u>Fund</u>		
	<u>General</u>	<u>Nonmajor</u>	<u>Total</u>
	\$	\$	\$
Net assets, June 30, 2003, as previously reported	449,621	357,925	807,546
GASB Interpretation 6 adjustments	-	858	858
Net assets, July 1, 2003, as restated for Governmental funds	<u>449,621</u>	<u>358,783</u>	808,404
GASB 34 adjustments:			
Capital assets net of accumulated depreciation of \$2,728,076			2,475,911
Long-term liabilities:			
Capital leases			(28,773)
Early retirement			(18,048)
Accrued interest payable			<u>(149)</u>
Net assets, July 1, 2003, as restated			<u><u>3,237,345</u></u>

REQUIRED SUPPLEMENTARY INFORMATION

SAC COMMUNITY SCHOOL DISTRICT

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

Required Supplementary Information

Year ended June 30, 2004

	Governmental Fund Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
				Original	Final	
	\$	\$	\$	\$	\$	\$
Revenues:						
Local sources	1,721,253	103,822	1,825,075	1,599,438	1,599,438	225,637
State sources	1,964,754	2,730	1,967,484	1,857,954	1,857,954	109,530
Federal sources	218,274	87,250	305,524	65,000	65,000	240,524
Total revenues	<u>3,904,281</u>	<u>193,802</u>	<u>4,098,083</u>	<u>3,522,392</u>	<u>3,522,392</u>	<u>575,691</u>
Expenditures:						
Instruction	2,349,031	-	2,349,031	2,682,053	2,682,053	333,022
Support services	1,078,864	-	1,078,864	1,311,288	1,311,288	232,424
Non-instructional programs	1,377	185,661	187,038	314,604	314,604	127,566
Other expenditures	159,567	-	159,567	196,395	196,395	36,828
Total expenditures	<u>3,588,839</u>	<u>185,661</u>	<u>3,774,500</u>	<u>4,504,340</u>	<u>4,504,340</u>	<u>729,840</u>
Excess (deficiency) of revenues over (under) expenditures	315,442	8,141	323,583	(981,948)	(981,948)	1,305,531
Other financing sources (uses) net	<u>649</u>	<u>-</u>	<u>649</u>	<u>-</u>	<u>-</u>	<u>649</u>
Excess (deficiency) of revenues and other financing sources (uses) over (under) expenditures	316,091	8,141	324,232	(981,948)	(981,948)	1,306,180
Balance beginning of year	<u>808,404</u>	<u>79,238</u>	<u>887,642</u>	<u>981,948</u>	<u>981,948</u>	<u>(94,306)</u>
Balance end of year	<u><u>1,124,495</u></u>	<u><u>87,379</u></u>	<u><u>1,211,874</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>1,211,874</u></u>

SAC COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2004

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

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

OTHER SUPPLEMENTARY INFORMATION

SAC COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2004

Assets	Special Revenue Funds			Capital Projects Funds	Total
	Management Levy	Student Activity Fund	Physical Plant and Equipment Levy	Local Option Sales Tax	
	\$	\$	\$	\$	
Cash and pooled investments	151,812	126,900	237,757	38,878	555,347
Receivables:					
Property tax:					
Delinquent	512	-	1,023	-	1,535
Succeeding year	35,000	-	58,631	-	93,631
Accrued interest	-	-	1,811	-	1,811
Due from other governments	-	-	-	25,986	25,986
Total assets	187,324	126,900	299,222	64,864	678,310
Liabilities & Fund Balances					
Liabilities:					
Interfund payables	-	-	97,512	-	97,512
Deferred revenue:					
Succeeding year property tax	35,000	-	58,631	-	93,631
Total liabilities	35,000	-	156,143	-	191,143
Fund balances:					
Unreserved fund balance	152,324	126,900	143,079	64,864	487,167
Total liabilities and fund balances	187,324	126,900	299,222	64,864	678,310

SAC COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2004

	Special Revenue Funds			Capital Projects Funds		Total
	Management Levy	Student Activity Fund	Physical Plant and Equipment Levy	Local Option Sales Tax	Debt Service	
	\$	\$	\$	\$	\$	
Revenues:						
Local sources:						
Local tax	69,705	-	139,160	64,828	-	273,693
Other	2,527	118,382	10,739	36	-	131,684
State sources	67	-	134	-	-	201
Federal sources	-	-	50,000	-	-	50,000
Total revenues	<u>72,299</u>	<u>118,382</u>	<u>200,033</u>	<u>64,864</u>	<u>-</u>	<u>455,578</u>
Expenditures:						
Current:						
Instruction:						
Regular instruction	9,568	-	-	-	-	9,568
Other instruction	-	111,382	-	-	-	111,382
Support services:						
Administration services	20,396	-	4,508	-	-	24,904
Operation and maintenance of plant services	18,305	-	133,413	-	-	151,718
Transportation services	6,004	-	9,962	-	-	15,966
Other expenditures:						
Long-term debt:						
Principal	-	-	-	-	4,560	4,560
Interest and fiscal charges	-	-	-	-	9,096	9,096
Total expenditures	<u>54,273</u>	<u>111,382</u>	<u>147,883</u>	<u>-</u>	<u>13,656</u>	<u>327,194</u>
Excess (deficiency) of revenues over (under) expenditures	<u>18,026</u>	<u>7,000</u>	<u>52,150</u>	<u>64,864</u>	<u>(13,656)</u>	<u>128,384</u>
Other financing sources (uses):						
Operating transfers in	-	-	-	-	13,656	13,656
Operating transfers out	-	-	(13,656)	-	-	(13,656)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(13,656)</u>	<u>-</u>	<u>13,656</u>	<u>-</u>
Net change in fund balances	18,026	7,000	38,494	64,864	-	128,384
Fund balances beginning of year, as restated	<u>134,298</u>	<u>119,900</u>	<u>104,585</u>	<u>-</u>	<u>-</u>	<u>358,783</u>
Fund balances end of year	<u>152,324</u>	<u>126,900</u>	<u>143,079</u>	<u>64,864</u>	<u>-</u>	<u>487,167</u>

SAC COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2004

<u>Account</u>	Balance Beginning of Year \$	Revenues \$	Expenditures \$	Intrafund Transfers \$	Balance End of Year \$
Activity ticket	(903)	4,400	4,175	-	(678)
AFS (student)	2,361			-	2,361
Interest fund balance	9,670	1,948	-	-	11,618
CD's and investments	19,742	387	-	-	20,129
Cheerleaders	1,396	4,419	3,102	-	2,713
Concessions	379	5,660	5,671	-	368
Elementary student council	115	359	256	-	218
Custodial support acct.	273	237	435	-	75
Drama & speech fund balance	32	5,010	2,054	-	2,988
Elementary	1,814	4,041	4,411	-	1,444
Elementary pop machine	1,162	1,825	1,398	-	1,589
Future Homemakers of America	2,353	4,195	4,891	-	1,657
High school	583	2,678	2,992	-	269
Junior high student council	36	517	321	-	232
National Honor Society	50	492	431	-	111
Picture fund	2,158	423	-	-	2,581
Tag fund balance	-	7,224	4,831	172	2,565
Radio station	172	-	-	(172)	-
S. club	1,601	-	-	-	1,601
Student council	5,130	2,947	3,500	-	4,577
Vocal music	3,944	2,528	4,301	-	2,171
Yearbook	6,658	10,285	11,265	-	5,678
All sports account balance	59,109	45,403	44,121	-	60,391
Student athletic fees	-	3,878	3,770	-	108
Spanish club	51	-	-	-	51
Class of 1999	73	-	-	(73)	-
Class of 2000	195	-	-	(195)	-
Class of 2001	190	-	-	-	190
Class of 2002	746	-	25	-	721
Class of 2003	200	-	-	-	200
Class of 2004	579	706	924	-	361
Class of 2005	31	8,720	8,295	-	456
Class of 2006	-	50	59	73	64
Class of 2007	-	50	154	195	91
Total	119,900	118,382	111,382	-	126,900

SAC COMMUNITY SCHOOL DISTRICT

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

For the Last Four Years

	Modified Accrual Basis			
	2004	2003	2002	2001
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	1,350,272	1,200,531	1,197,727	1,441,662
Tuition	154,253	134,709	151,534	145,746
Other	216,728	236,764	235,578	268,046
State sources	1,964,754	1,990,649	1,997,199	2,062,048
Federal sources	218,274	154,785	115,611	99,207
Total revenues	<u>3,904,281</u>	<u>3,717,438</u>	<u>3,697,649</u>	<u>4,016,709</u>
Expenditures:				
Instruction:				
Regular instruction	1,748,823	1,728,444	1,805,331	1,755,992
Special instruction	326,789	391,289	326,024	330,076
Other instruction	273,419	335,173	252,403	300,281
Support services:				
Student services	48,924	47,324	40,344	47,858
Instructional staff services	84,037	76,401	79,551	107,183
Administration services	423,836	398,190	369,292	332,919
Operation and maintenance of plant services	405,349	385,009	388,905	298,597
Transportation services	116,718	152,889	93,572	205,530
Central support services				
Non-instructional programs	1,377	1,412	576	2,398
Other expenditures:				
Facilities acquisition	-	34,539	-	-
Long-term debt:				
Principal	4,560	5,766	-	245,938
Interest and other charges	9,096	9,100	-	9,783
AEA flowthrough	145,911	153,564	153,953	162,698
Total expenditures	<u>3,588,839</u>	<u>3,719,100</u>	<u>3,509,951</u>	<u>3,799,253</u>

Independent Auditor's Report on Compliance and on Internal Control over Financial Reporting

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

We have audited the financial statements of the Sac Community School District as of and for the year ended June 30, 2004, and have issued our report thereon dated October 29, 2004. We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Sac 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 grants, noncompliance 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 noncompliance that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of noncompliance that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2004 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. Prior year statutory comments have all been resolved except for items 04-II-E and 04-II-K.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Sac Community School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgement, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part I of the accompanying Schedule of Findings.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item [04-I-A](#) is a material weakness. Prior year reportable conditions have all been resolved except for item [04-I-A](#).

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the [Sac](#) Community School District and other parties to whom the District may report. This report is not intended to be and should not be used by anyone other than these specified parties.

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

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

October 29, [2004](#)

SAC COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2004

Part I: Findings Related to the Financial Statements:

Instances of Noncompliance:

No matters were reported.

Reportable Conditions:

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

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

District Response: The District is aware of the lack of complete segregation of duties and will make changes as the opportunity arises.

Conclusion: Response accepted.

SAC COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2004

Part II: Other Findings Related to Statutory Reporting:

04-II-A Official Depositories: Official depositories have been approved by the District. The maximum deposit amounts approved were not exceeded during the year ended June 30, 2004.

04-II-B Certified Budget: Disbursements for the year ended June 30, 2004 did not exceed the amounts budgeted.

04-II-C Questionable Expenditures: We noted no expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

04-II-D Travel Expenses: No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

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

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Frank Strain, Board Secretary, Vice President of Iowa State Bank	Bank Officer	

The Board Secretary is an officer of the bank that handles the majority of the bank transactions for the District. The Board should be mindful of the potential for a conflict when the bank may indirectly benefit from Board action.

Recommendation: The District should consult legal counsel to determine the disposition of these matters.

District Response: We will consult with our attorney.

Conclusion: Response accepted.

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

04-II-G Board Minutes: We noted no transactions requiring Board approval that had not been approved by the Board.

04-II-H Certified Enrollment: We noted no variances in the basic enrollment data certified to the Department of Education.

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

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

SAC COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2004

Part II: Other Findings Related to Statutory Reporting (Continued):

04-II-K Student Activity Fund Accounts: There are some accounts in the Student Activity Fund that may belong more appropriately in other funds and there is one account with a deficit balance at June 30, 2004.

Recommendation: We recommend these accounts be reviewed, deficits eliminated and any inappropriate funds transferred to the proper fund.

District Response: We will review the accounts and make any necessary adjustments.

Conclusion: Response accepted.

04-II-L Public Hearing: The Code of Iowa requires that schools hold a public hearing for all capital improvements with a cost exceeding \$25,000. We noted that the Board approved a capital improvement without holding a public hearing.

Recommendation: The District should hold public hearings for all capital projects with cost in excess of \$25,000.

District Response: We will do this in the future.

Conclusion: Response accepted

04-II-M Physical Plant and Equipment Levy Fund: We noted some purchases for individual items of equipment with a cost of less than \$500.

Recommendation: The District should be aware of the limitation on types of expenditures allowed from this fund.

District Response: We will monitor expenditures from this fund in the future.

Conclusion: Response accepted.