

SAC COMMUNITY SCHOOL DISTRICT
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

June 30, 2005

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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, 2005, 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 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 Sac Community School District as of June 30, 2005, 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 November 1, 2005, 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, contract 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 and budgetary comparison information on pages 4 through 12 and 36 through 37 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. 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, 2004, (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

November 1, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS

Sac 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, 2005. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2005 FINANCIAL HIGHLIGHTS

- The district's overall financial condition remained relatively stable and/or slightly improved from FY2004 to FY2005. Many of the key indicators contained in this report remained stable or improved slightly.
- Total revenue for the district went up by \$68,585 but total expenditures also went up by \$116,502. The \$47,917 deficit was anticipated due to a number of variables; including but not limited to decisions regarding the management fund.
- Total assets dropped and total liabilities dropped which means our current assets to current liabilities ratio remains relatively stable.
- The unspent/undesignated ending General Fund balance was \$774,479 and the Solvency Ratio was up to 22.35%.
- Cash, investment and receivables went up which meant that our short term solvency increased to 106 days and ISCAP borrowings weren't actually needed again this year.
- State contributions continued to decrease and local contributions continued to increase. Although it should be noted that we received additional federal funding this year (ie: FEMA grant)

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 Sac 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 Sac Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Sac Community School District acts solely as an agent or custodian for the benefit of those outside of County government.

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

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor Special Revenue Funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various programs benefiting the District.

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

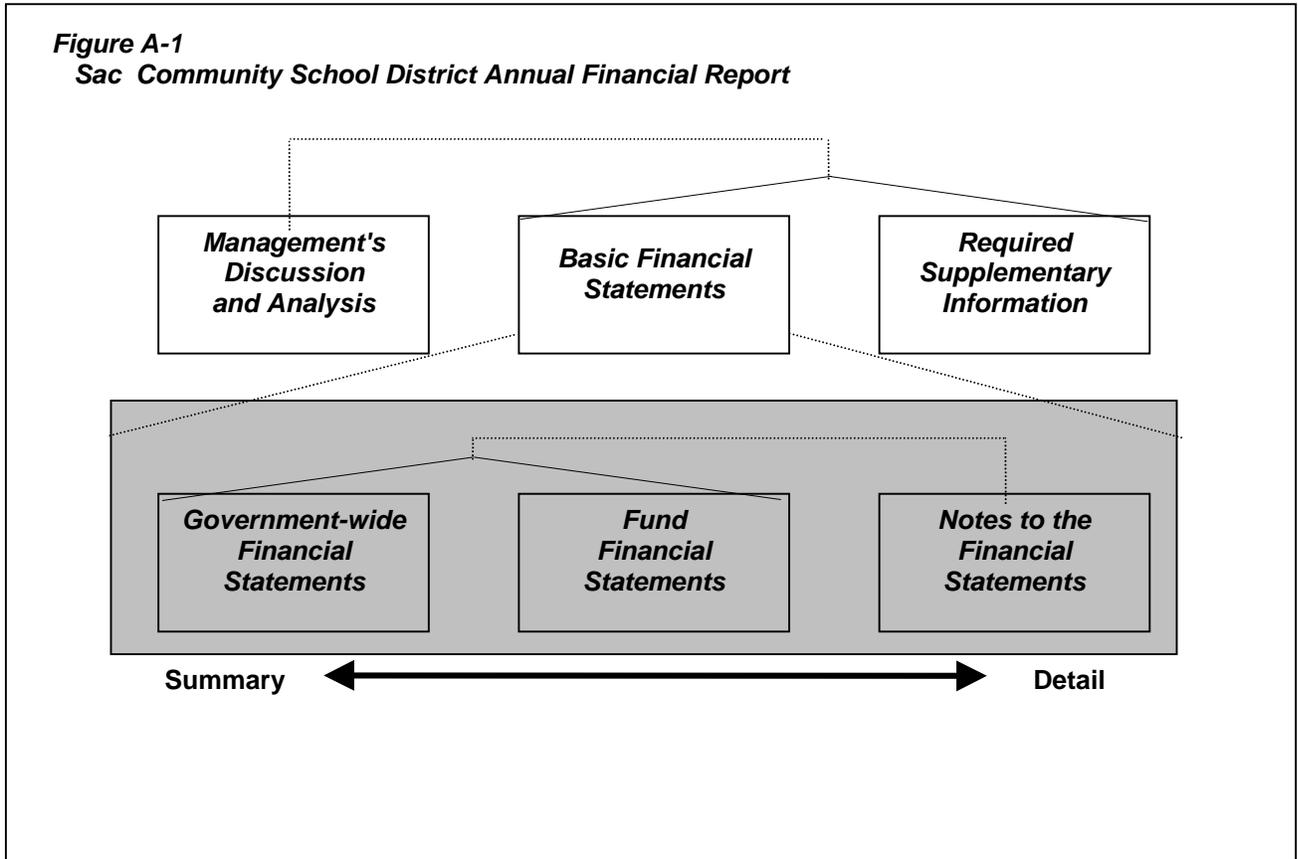


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

The District has two kinds of funds:

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

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

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

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

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

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, 2005 compared to June 30, 2004.

Figure A-3

	Condensed Statement of Net Assets						Percentage Change 2004-2005
	Governmental Activities		Business-type Activities		Total School District		
	2005 \$	2004 \$	2005 \$	2004 \$	2005 \$	2004 \$	
Current and other assets	3,428,410	3,484,795	50,720	59,117	3,479,130	3,543,912	-2%
Capital assets	2,368,501	2,396,730	26,919	30,397	2,395,420	2,427,127	-1%
Total assets	5,796,911	5,881,525	77,639	89,514	5,874,550	5,971,039	-2%
Long-term liabilities	49,497	46,460	-	-	49,497	46,460	7%
Other liabilities	2,104,173	2,360,419	2,214	2,135	2,106,387	2,362,554	-11%
Total liabilities	2,153,670	2,406,879	2,214	2,135	2,155,884	2,409,014	-11%
Net Assets:							
Invested in capital assets,						2,402,915	
net of related debt	2,350,663	2,372,518	26,919	30,397	2,377,582	464,919	-1%
Restricted	576,118	464,919	-	-	576,118	694,191	24%
Unrestricted	716,460	637,209	48,506	56,982	764,966	3,562,025	10%
TOTAL NET ASSETS	3,643,241	3,474,646	75,425	87,379	3,718,666		4%

The District's combined net assets increased by nearly 4%, or approximately \$156,000, over the prior year. The largest portion of the District's net assets is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased approximately \$112,000 or 24% 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 \$70,000, or 10%.

Figure A-4 shows the change in net assets for the years ended June 30, 2005 and 2004.

Figure A-4

	Change in Net Assets						Percentage Change 2004-2005
	Governmental Activities		Business-type Activities		Total School District		
	2005 \$	2004 \$	2005 \$	2004 \$	2005 \$	2004 \$	
Revenues							
Program Revenues:							
Charges for services	388,568	338,655	100,527	103,822	489,095	442,477	11%
Operating grants & contributions	548,506	542,793	92,679	89,980	641,185	632,773	1%
Capital grants & contributions	-	-	-	-	-	-	0%
General Revenues:							0%
Property taxes	1,190,056	1,285,444	-	-	1,190,056	1,285,444	-7%
Income Surtax	-	-	-	-	-	-	0%
Local option sales tax	229,835	64,828	-	-	229,835	64,828	255%
Unrestricted state grants	1,551,720	1,640,235	-	-	1,551,720	1,640,235	-5%
Unrestricted investment earnings	64,266	32,326	-	-	64,266	32,326	99%
Other revenue	1,160	649	-	-	1,160	649	79%
Total Revenues	3,974,111	3,904,930	193,206	193,802	4,167,317	4,098,732	2%
Expenses:							
Instruction	2,414,969	2,397,031	-	-	2,414,969	2,397,031	1%
Support services	1,101,374	1,039,180	-	-	1,101,374	1,039,180	6%
Non-instructional programs	1,060	1,377	205,160	185,661	206,220	187,038	10%
Other expenditures	247,229	230,041	-	-	247,229	230,041	7%
Total expenses	3,764,632	3,667,629	205,160	185,661	3,969,792	3,853,290	3%
Change in net assets before transfers	209,479	237,301	(11,954)	8,141	197,525	245,442	-20%
Transfers	-	-	-	-	-	-	0%
CHANGE IN NET ASSETS	209,479	237,301	(11,954)	8,141	197,525	245,442	-20%
Net assets beginning of year	3,474,646	3,237,345	87,379	79,238	3,562,025	3,316,583	6%
Prior period adjustment	(40,884)				(40,884)		
Net assets end of year	<u>3,643,241</u>	<u>3,474,646</u>	<u>75,425</u>	<u>87,379</u>	<u>3,718,666</u>	<u>3,562,025</u>	<u>4%</u>

Property tax and unrestricted state grants account for 66% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 89% of the total expenses.

Governmental Activities

Revenues for governmental activities were \$3,974,111 and expenses were \$3,764,632. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues.

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

Figure A-5

Total and Net Cost of Governmental Activities

	Total Cost of Services 2005 \$	Total Cost of Services 2004 \$	Net Cost of Services 2005 \$	Net Cost of Services 2004 \$
Instruction	2,414,969	2,397,031	1,659,457	1,721,527
Support Services	1,101,374	1,039,180	1,087,394	979,147
Non-instructional Programs	1,060	1,377	1,060	1,377
Other Expenses	247,229	230,041	79,647	84,130
TOTAL	3,764,632	3,667,629	2,827,558	2,786,181

- The cost financed by users of the District's programs was \$388,568.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$548,506.
- The net cost of governmental activities was financed with \$1,419,891 in property and other taxes and \$1,551,720 in unrestricted state grants.

Business Type Activities

Revenues for business type activities were \$193,206 and expenses were \$205,160. The District's business type activities consist of 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, Sac Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$1,324,315, well above last year's ending fund balances of \$1,124,495.

Governmental Fund Highlights

- The District's General Fund financial position is the result of many factors. Growth during the year in tax and grants resulted in an increase in revenues. However, the increase in revenues was partially offset by the District's increase in General Fund expenditures.
- The General Fund balance increased from \$637,328 to \$774,479.
- The Physical Plant and Equipment Levy (PPEL) Fund balance decreased from \$143,079 in fiscal 2004 to \$29,776 in fiscal 2005. While expenditures remained approximately the same, the District substantially reduced revenues from the PPEL Fund during the year.

Proprietary Fund Highlights

School Nutrition Fund net assets decreased from \$87,379 at June 30, 2004 to \$75,425 at June 30, 2005.

BUDGETARY HIGHLIGHTS

Over the course of the year, Sac Community School District did not amend its annual budget

The District's receipts were \$356,915 more than budgeted receipts. The most significant variance resulted from the District receiving more in local sources, state aid and federal grants 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.

In spite of the District's budgetary practice, the certified budget was exceeded in the other expenditures functional area due to the timing of disbursements paid at year-end without sufficient time to amend the certified budget.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2005, the District had invested \$2.4 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) More detailed information about the District's capital assets is presented in Note 6 to the financial statements. Depreciation expense for the year was \$155,069.

The original cost of the District's capital assets was \$5.57 million. Governmental funds account for \$5.41 million, with the remainder of \$.16 million accounted for in the Proprietary, School Nutrition Fund.

Figure A-6

Capital Assets (net of depreciation)

	Governmental		Business type		Total		Percentage Change 2004-2005
	Activities		Activities		School District		
	2005	2004	2005	2004	2005	2004	
	\$	\$	\$	\$	\$	\$	
Land	75,082	75,082	-	-	75,082	75,082	0%
Construction in progress	-	-	-	-	-	-	0%
Buildings	1,980,538	1,965,185	-	-	1,980,538	1,965,185	1%
Improvements	46,607	45,798	-	-	46,607	45,798	2%
Equipment & Furniture	266,274	310,665	26,919	30,397	293,193	341,062	-14%
TOTAL	2,368,501	2,396,730	26,919	30,397	2,395,420	2,427,127	-1%

Long-Term Debt

At June 30, 2005, the District had \$49,497 in capital leases and other long-term debt outstanding. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 7 to the financial statements.

Figure A-7

Outstanding Long-Term Obligations

	Total School District		Percentage
	2005	2004	Change
	\$	\$	2004-2005
Capital Leases	17,838	24,212	-26%
Early Retirement	31,659	22,248	42%
	49,497	46,460	7%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- School financing is highly dependent upon student enrollment. The District's September 2005 enrollment decreased by ten students. This drop in enrollment will decrease the District's funding for fiscal year 2007.
- The District has evaluated the condition of its transportation vehicles and determined, due to safety precautions, one bus must be replaced during fiscal 2006 at a cost of \$52,000. To pay for this bus, the District will use a combination of resources from the General Fund and the Physical Plant and Equipment Levy Fund.

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 Frank Strain, District Secretary/Treasurer & Business Manager, Sac Community School District, 400 S. 16th Street, Sac City, IA 50583.

BASIC FINANCIAL STATEMENTS

SAC COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2005

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
Assets			
Cash and cash equivalents:			
ISCAP	725,507	-	725,507
Other	1,482,995	46,748	1,529,743
Receivables:			
Property tax:			
Delinquent	17,241	-	17,241
Succeeding year	1,059,019	-	1,059,019
Accounts	-	11	11
Accrued interest:			
ISCAP	6,278	-	6,278
Other	746	-	746
Due from other governments	136,624	-	136,624
Inventories	-	3,961	3,961
Capital assets, net of accumulated depreciation	2,368,501	26,919	2,395,420
	<u>5,796,911</u>	<u>77,639</u>	<u>5,874,550</u>
Total assets			
Liabilities			
Accounts payable	6,671	-	6,671
Salaries and benefits payable	302,395	-	302,395
Accrued interest payable	78	-	78
Deferred revenue:			
Succeeding year property tax	1,059,019	-	1,059,019
Other	-	2,214	2,214
ISCAP warrants payable	723,000	-	723,000
ISCAP accrued interest payable	6,683	-	6,683
ISCAP premium	6,327	-	6,327
Long-term liabilities:			
Portion due within one year:			
Capital leases	8,906	-	8,906
Early retirement	22,574	-	22,574
Portion due after one year:			
Capital leases	8,932	-	8,932
Early retirement	9,085	-	9,085
	<u>2,153,670</u>	<u>2,214</u>	<u>2,155,884</u>
Total Liabilities			

SAC COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2005

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
Assets			
Net assets			
Invested in capital assets, net of related debt	2,350,663	26,919	2,377,582
Restricted for:			
Phase III	139	-	139
Gifted and talented program	1,523	-	1,523
Iowa early intervention block grant	56,279	-	56,279
Management levy	86,768	-	86,768
Capital outlay	301,969	-	301,969
Other special revenue purposes	129,440	-	129,440
Unrestricted	716,460	48,506	764,966
Total net assets	<u>3,643,241</u>	<u>75,425</u>	<u>3,718,666</u>

SAC COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2005

Functions/Programs	<u>Expenses</u>	<u>Charges for Services</u>	<u>Program Revenues</u>	
			<u>Operating Grants, Contributions and Restricted Interest</u>	<u>Capital Grants, Contributions and Restricted Interest</u>
Governmental activities:				
Instruction:				
Regular instruction	1,816,372	232,322	262,176	-
Special instruction	304,335	28,896	104,116	-
Other instruction	294,262	117,832	10,170	-
	<u>2,414,969</u>	<u>379,050</u>	<u>376,462</u>	<u>-</u>
Support services:				
Student services	49,928	-	4,299	-
Instructional staff services	86,422	-	-	-
Administration services	428,151	-	-	-
Operation and maintenance of plant services	391,861	8,897	-	-
Transportation services	145,012	621	163	-
	<u>1,101,374</u>	<u>9,518</u>	<u>4,462</u>	<u>-</u>
Non-instructional programs	1,060	-	-	-
Other expenditures:				
Facilities acquisition	24,396	-	25,000	-
Long-term debt interest	7,241	-	-	-
AEA flowthrough	142,582	-	142,582	-
Depreciation (unallocated)*	73,010	-	-	-
	<u>247,229</u>	<u>-</u>	<u>167,582</u>	<u>-</u>
Total governmental activities	3,764,632	388,568	548,506	-
Business type activities:				
Non-instructional programs:				
Food service operations	205,160	100,527	92,679	-
Total	<u>3,969,792</u>	<u>489,095</u>	<u>641,185</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, 2005

<u>Net (Expense) Revenue and Changes in Net Assets</u>		
<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
(1,321,874)	-	(1,321,874)
(171,323)	-	(171,323)
(166,260)	-	(166,260)
<u>(1,659,457)</u>	<u>-</u>	<u>(1,659,457)</u>
(45,629)	-	(45,629)
(86,422)	-	(86,422)
(428,151)	-	(428,151)
(382,964)	-	(382,964)
(144,228)	-	(144,228)
<u>(1,087,394)</u>	<u>-</u>	<u>(1,087,394)</u>
(1,060)	-	(1,060)
604	-	604
(7,241)	-	(7,241)
-	-	-
(73,010)	-	(73,010)
<u>(79,647)</u>	<u>-</u>	<u>(79,647)</u>
(2,827,558)	-	(2,827,558)
-	(11,954)	(11,954)
<u>(2,827,558)</u>	<u>(11,954)</u>	<u>(2,839,512)</u>
1,132,336	-	1,132,336
57,720	-	57,720
229,835	-	229,835
1,551,720	-	1,551,720
64,266	-	64,266
1,160	-	1,160
<u>3,037,037</u>	<u>-</u>	<u>3,037,037</u>
209,479	(11,954)	197,525
<u>3,433,762</u>	<u>87,379</u>	<u>3,521,141</u>
<u>3,643,241</u>	<u>75,425</u>	<u>3,718,666</u>

SAC COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2005

	General Fund	Physical Plant and Equipment Levy	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$
Assets				
Cash and pooled investments:				
ISCAP	725,507	-	-	725,507
Other	971,845	130,000	430,148	1,531,993
Receivables:				
Property tax:				
Delinquent	15,886	848	507	17,241
Succeeding year	857,794	146,225	55,000	1,059,019
Accrued interest - ISCAP	6,278	-	-	6,278
Accrued interest - other	403	-	343	746
Interfund receivable	118,984	25,000	-	143,984
Due from other governments	40,891	-	95,733	136,624
Total assets	2,737,588	302,073	581,731	3,621,392
Liabilities and Fund Balances				
Liabilities:				
Warrants issued in excess of bank balance	41,910	7,088	-	48,998
Accounts payable	-	-	6,671	6,671
Salaries and benefits payable	302,395	-	-	302,395
Interfund payable	25,000	118,984	-	143,984
ISCAP warrants payable	723,000	-	-	723,000
ISCAP accrued interest payable	6,683	-	-	6,683
ISCAP premium	6,327	-	-	6,327
Deferred revenue:				
Succeeding year property tax	857,794	146,225	55,000	1,059,019
Total liabilities	1,963,109	272,297	61,671	2,297,077
Fund balances:				
Reserved for:				
Phase III	139	-	-	139
Gifted and talented program	1,523	-	-	1,523
Iowa early intervention block grant	56,279	-	-	56,279
Unreserved reported in:				
General fund	716,538	-	-	716,538
Special revenue funds	-	29,776	247,867	277,643
Capital projects funds	-	-	272,193	272,193
Total fund balances	774,479	29,776	520,060	1,324,315
Total liabilities and fund balances	2,737,588	302,073	581,731	3,621,392

SAC COMMUNITY SCHOOL DISTRICT

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

June 30, 2005

	\$
Total fund balances of governmental funds (Exhibit C)	1,324,315
<i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	2,368,501
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds	(78)
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>(49,497)</u>
Net assets of governmental activities (Exhibit A)	<u><u>3,643,241</u></u>

SAC COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2005

	General Fund	Physical Plant and Equipment Levy	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	1,097,373	57,720	375,975	1,531,068
Tuition	202,722	-	-	202,722
Other	127,530	6,683	4,722	138,935
State sources	1,883,055	60	36	1,883,151
Federal sources	192,075	25,000	-	217,075
Total revenues	<u>3,502,755</u>	<u>89,463</u>	<u>380,733</u>	<u>3,972,951</u>
Expenditures:				
Current:				
Instruction:				
Regular instruction	1,777,812	-	10,619	1,788,431
Special instruction	304,335	-	-	304,335
Other instruction	185,625	-	108,637	294,262
	<u>2,267,772</u>	<u>-</u>	<u>119,256</u>	<u>2,387,028</u>
Support services:				
Student services	49,928	-	-	49,928
Instructional staff services	86,422	-	-	86,422
Administration services	393,414	4,175	29,287	426,876
Operation and maintenance of plant services	310,458	144,082	24,799	479,339
Transportation services	112,473	2,624	7,023	122,120
	<u>952,695</u>	<u>150,881</u>	<u>61,109</u>	<u>1,164,685</u>
Non-instructional programs	<u>1,060</u>	<u>-</u>	<u>-</u>	<u>1,060</u>
Other expenditures:				
Facilities acquisition	-	-	24,396	24,396
Long-term debt:				
Principal	-	-	6,374	6,374
Interest and fiscal charges	-	-	7,282	7,282
AEA flowthrough	142,582	-	-	142,582
	<u>142,582</u>	<u>-</u>	<u>38,052</u>	<u>180,634</u>
Total expenditures	<u>3,364,109</u>	<u>150,881</u>	<u>218,417</u>	<u>3,733,407</u>
Excess (deficiency) of revenues over (under) expenditures	<u>138,646</u>	<u>(61,418)</u>	<u>162,316</u>	<u>239,544</u>

SAC COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2005

	General Fund	Physical Plant and Equipment Levy	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$
Other financing sources (uses):				
Compensation for loss of fixed assets	1,160	-	-	1,160
Operating transfers in	-	-	13,656	13,656
Operating transfers out	-	(13,656)	-	(13,656)
Total other financing sources (uses)	<u>1,160</u>	<u>(13,656)</u>	<u>13,656</u>	<u>1,160</u>
Net change in fund balances	139,806	(75,074)	175,972	240,704
Fund balances beginning of year, as restated	<u>634,673</u>	<u>104,850</u>	<u>344,088</u>	<u>1,083,611</u>
Fund balances end of year	<u><u>774,479</u></u>	<u><u>29,776</u></u>	<u><u>520,060</u></u>	<u><u>1,324,315</u></u>

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, 2005

	\$	\$
Net change in fund balances - total governmental funds (Exhibit E)		240,704

**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	123,362	
Depreciation expense	<u>(151,591)</u>	(28,229)

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.	6,374
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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.	41
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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>(9,411)</u>
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Changes in net assets of governmental activities (Exhibit B)	<u><u>209,479</u></u>
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SAC COMMUNITY SCHOOL DISTRICT

Statement of Net Assets
Proprietary Funds

June 30, 2005

	<u>School Nutrition</u> \$
Assets	
Cash and cash equivalents	46,748
Accounts receivable	11
Inventories	3,961
Capital assets, net of accumulated depreciation	<u>26,919</u>
Total assets	<u>77,639</u>
Liabilities	
Deferred revenue	<u>2,214</u>
Net assets	
Invested in capital assets, net of related debt	26,919
Unrestricted	<u>48,506</u>
Total net assets	<u><u>75,425</u></u>

SAC COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2005

	<u>School Nutrition</u> \$
Operating revenue:	
Local sources:	
Charges for service	<u>100,527</u>
Operating expenses:	
Non-instructional programs:	
Salaries	75,857
Benefits	9,858
Purchased services	3,023
Supplies	112,944
Depreciation	<u>3,478</u>
	<u>205,160</u>
Operating gain (loss)	<u>(104,633)</u>
Non-operating revenue:	
State sources	2,801
Federal sources	<u>89,878</u>
Total non-operating revenue	<u>92,679</u>
Change in net assets	(11,954)
Net assets beginning of year	<u>87,379</u>
Net assets end of year	<u><u>75,425</u></u>

SAC COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows
Proprietary Funds

Year ended June 30, 2005

	<u>School Nutrition</u> \$
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	100,632
Cash payments to employees for services	(85,715)
Cash payments to suppliers for goods or services	<u>(101,713)</u>
Net cash used by operating activities	<u>(86,796)</u>
Cash flows from non-capital financing activities:	
State grants received	2,801
Federal grants received	<u>76,565</u>
Net cash provided by non-capital financing activities	<u>79,366</u>
Cash flows from capital and related financing activities	<u>-</u>
Cash flows from investing activities:	
Interest on investments	<u>-</u>
Net increase (decrease) in cash and cash equivalents	(7,430)
Cash and cash equivalents at beginning of year	<u>54,178</u>
Cash and cash equivalents at end of year	<u><u>46,748</u></u>
Reconciliation of operating gain (loss) to net cash used by operating activities:	
Operating gain (loss)	(104,633)
Adjustments to reconcile operating gain (loss) to net cash used by operating activities:	
Commodities used	13,313
Depreciation	3,478
Decrease (increase) in inventories	941
Decrease (increase) in accounts receivable	26
(Decrease) increase in deferred revenue	<u>79</u>
Net cash used in operating activities	<u><u>(86,796)</u></u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2005, the District received \$13,313 of federal commodities.

SAC COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2005

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 Physical Plant and Equipment Levy Fund is a special revenue fund that is used to account for the revenues from and expenditures of the physical plant and equipment property tax levy.

The District's major 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, 2003 assessed property valuations; is for the tax accrual period July 1, 2004, through June 30, 2005, and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2004.

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

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

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

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be

used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax 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, 2005, disbursements in the other expenditures function exceeded the amount budgeted.

2. Cash and Pooled Investments

The District's deposits in banks at June 30, 2005 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, 2005, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	<u>Amortized Cost</u>
	\$
Diversified Portfolio	182,654

The investment is valued at an amortized cost 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 Aaa by Moody's Investors Service.

3. Interfund Receivables and Payables

The detail of interfund receivables and payables at June 30, 2005 is as follows:

Receivable Fund	Payable Fund	Amount
		\$
Special Revenue: Physical Plant and Equipment Levy Fund	General Fund	25,000
General Fund	Special Revenue: Physical Plant and Equipment Levy Fund	118,984

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, 2005 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, 2005, is as follows:

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable
			\$	\$	\$	\$
2004-05A	6/30/04	6/30/05	-	79	-	-
2004-05B	1/28/05	1/27/06	453,306	6,141	452,000	6,631
2005-06A	6/30/05	6/30/06	272,201	58	271,000	52
Total			<u>725,507</u>	<u>6,278</u>	<u>723,000</u>	<u>6,683</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, 2005, is as follows:

Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
\$	\$	\$	\$
-	-	-	-

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

Series	Interest Rates on Warrants	Interest Rates on Investments
	%	%
2004-05A	3.000	2.463
2004-05B	3.500	2.280
2005-06A	4.000	3.903

6. Capital Assets

Capital assets activity for the year ended June 30, 2005 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	3,388,324	85,712	-	3,474,036
Improvements other than buildings	485,520	3,460	-	488,980
Furniture and equipment	1,339,226	34,190	-	1,373,416
Total capital assets being deprec.	5,213,070	123,362	-	5,336,432
Less accumulated depreciation for:				
Buildings	1,423,139	70,359	-	1,493,498
Improvements other than buildings	439,722	2,651	-	442,373
Furniture and equipment	1,028,561	78,581	-	1,107,142
Total accumulated depreciation	2,891,422	151,591	-	3,043,013
Total capital assets being depreciated, net	2,321,648	(28,229)	-	2,293,419
Governmental activities capital				

assets, net	2,396,730	(28,229)	-	2,368,501
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	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
Business type activities:				
Furniture and equipment	159,694	-	-	159,694
Less accumulated depreciation	129,297	3,478	-	132,775
Business type activities capital assets, net	30,397	(3,478)	-	26,919

Depreciation expense was charged to the following functions:

	\$
Governmental activities:	
Instruction:	
Regular	52,720
Support Services:	
Administration services	1,275
Operation and maintenance of plant services	1,694
Transportation	22,892
	78,581
Unallocated depreciation	73,010
Total depreciation expense – governmental activities	151,591
Business type activities:	
Food services	3,478

7. Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2005, are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
	\$	\$	\$	\$	\$
Capital leases	24,212	-	6,374	17,838	8,906
Early retirement	22,248	20,000	10,589	31,659	22,574
Total	46,460	20,000	16,963	49,497	31,480

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, 2005 totaled \$10,589.

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, 2005.

	<u>Year Ending June 30,</u>	<u>Amount</u>
		\$
	2006	13,656
	2007	<u>10,242</u>
Minimum Lease Payments		23,898
Less Amount Representing Interest		<u>6,060</u>
Present Value of Minimum Lease Payments		<u><u>17,838</u></u>

Bonds Payable

The district had no bonded indebtedness at June 30, 2005.

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, 2005, 2004 and 2003. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2005, 2004, and 2003 were \$119,671, \$121,130, and \$124,370 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 \$142,582 for the year ended June 30, 2005 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

11. Construction Commitment

The District has entered into contracts totaling \$140,624. As of June 30, 2005 costs of \$12,390 had been incurred against the contracts. The balances remaining at June 30, 2005 will be paid as work on the project progresses.

12. Restatement of Beginning Balances

The beginning General Fund and Physical Plant and Equipment Levy balances on the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds were decreased by \$2,655 and \$38,229, respectively, to correct beginning balances from prior period.

These changes also decreased the net assets beginning of year on the Statement of Activities.

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, 2005

	Governmental Fund Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
				Original	Final	
	\$	\$	\$	\$	\$	\$
Revenues:						
Local sources	1,872,725	100,527	1,973,252	1,708,933	1,708,933	264,319
State sources	1,883,151	2,801	1,885,952	1,852,309	1,852,309	33,643
Federal sources	217,075	89,878	306,953	248,000	248,000	58,953
Total revenues	<u>3,972,951</u>	<u>193,206</u>	<u>4,166,157</u>	<u>3,809,242</u>	<u>3,809,242</u>	<u>356,915</u>
Expenditures:						
Instruction	2,387,028	-	2,387,028	3,197,160	3,197,160	810,132
Support services	1,164,685	-	1,164,685	1,274,490	1,274,490	109,805
Non-instructional programs	1,060	205,160	206,220	283,138	283,138	76,918
Other expenditures	180,634	-	180,634	174,342	174,342	(6,292)
Total expenditures	<u>3,733,407</u>	<u>205,160</u>	<u>3,938,567</u>	<u>4,929,130</u>	<u>4,929,130</u>	<u>990,563</u>
Excess (deficiency) of revenues over (under) expenditures	239,544	(11,954)	227,590	(1,119,888)	(1,119,888)	1,347,478
Other financing sources (uses) net	<u>1,160</u>	<u>-</u>	<u>1,160</u>	<u>-</u>	<u>-</u>	<u>1,160</u>
Excess (deficiency) of revenues and other financing sources (uses) over (under) expenditures	240,704	(11,954)	228,750	(1,119,888)	(1,119,888)	1,348,638
Balance beginning of year	<u>1,083,611</u>	<u>87,379</u>	<u>1,170,990</u>	<u>993,608</u>	<u>993,608</u>	<u>177,382</u>
Balance end of year	<u><u>1,324,315</u></u>	<u><u>75,425</u></u>	<u><u>1,399,740</u></u>	<u><u>(126,280)</u></u>	<u><u>(126,280)</u></u>	<u><u>1,526,020</u></u>

SAC COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2005

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

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Internal Service, Private Purpose Trust and Agency funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the modified 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 the 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. During the year, the District did not amend the budget.

During the year ended June 30, 2005, disbursements in the other expenditures function exceeded the amount budgeted.

OTHER SUPPLEMENTARY INFORMATION

SAC COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2005

Assets	Special Revenue Funds		Capital Projects Fund	Total
	Management Levy	Student Activity Fund	Local Option Sales Tax	
	\$	\$	\$	\$
Cash and pooled investments	117,920	129,440	182,788	430,148
Receivables:				
Property tax:				
Delinquent	507	-	-	507
Succeeding year	55,000	-	-	55,000
Accrued interest	-	-	343	343
Due from other governments	-	-	95,733	95,733
Total assets	173,427	129,440	278,864	581,731
Liabilities & Fund Balances				
Liabilities:				
Accounts payable	-	-	6,671	6,671
Deferred revenue:				
Succeeding year property tax	55,000	-	-	55,000
Total liabilities	55,000	-	6,671	61,671
Fund balances:				
Unreserved reported in:				
Special revenue funds	118,427	129,440	-	247,867
Capital projects funds	-	-	272,193	272,193
Total fund balances	118,427	129,440	272,193	520,060
Total liabilities and fund balances	173,427	129,440	278,864	581,731

SAC COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2005

	Special Revenue Funds		Capital Projects Fund	Debt Service	Total
	Management Levy	Student Activity Fund	Local Option Sales Tax		
	\$	\$	\$	\$	\$
Revenues:					
Local sources:					
Local tax	34,963	111,177	229,835	-	375,975
Other	2,832	-	1,890	-	4,722
State sources	36	-	-	-	36
Total revenues	<u>37,831</u>	<u>111,177</u>	<u>231,725</u>	<u>-</u>	<u>380,733</u>
Expenditures:					
Current:					
Instruction:					
Regular instruction	10,619	-	-	-	10,619
Other instruction	-	108,637	-	-	108,637
Support services:					
Administration services	29,287	-	-	-	29,287
Operation and maintenance of plant services	24,799	-	-	-	24,799
Transportation services	7,023	-	-	-	7,023
Other expenditures:					
Facilities acquisition	-	-	24,396	-	24,396
Long-term debt:					
Principal	-	-	-	7,282	7,282
Interest and fiscal charges	-	-	-	6,374	6,374
Total expenditures	<u>71,728</u>	<u>108,637</u>	<u>24,396</u>	<u>13,656</u>	<u>218,417</u>
Excess (deficiency) of revenues over (under) expenditures	(33,897)	2,540	207,329	(13,656)	162,316
Other financing sources (uses):					
Operating transfers in	-	-	-	13,656	13,656
Net change in fund balances	(33,897)	2,540	207,329	-	175,972
Fund balances beginning of year	<u>152,324</u>	<u>126,900</u>	<u>64,864</u>	<u>-</u>	<u>344,088</u>
Fund balances end of year	<u>118,427</u>	<u>129,440</u>	<u>272,193</u>	<u>-</u>	<u>520,060</u>

SAC COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2005

<u>Account</u>	<u>Balance Beginning of Year</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Intra-Fund Transfers</u>	<u>Balance End of Year</u>
	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
Activity ticket	(678)	4,919	2,611	-	1,630
AFS (student)	2,361	-	40	-	2,321
Interest fund balance	11,618	1,900	177	-	13,341
CD's and investments	20,129	-	-	-	20,129
Cheerleaders	2,713	2,855	5,319	-	249
Concessions	368	5,216	5,338	-	246
Elementary student council	218	557	372	-	403
Custodial support acct.	75	587	661	-	1
Drama & speech fund balance	2,988	6,049	4,320	-	4,717
Elementary	1,444	3,493	4,487	-	450
Elementary pop machine	1,589	1,783	1,620	-	1,752
Future Homemakers of America	1,657	4,451	5,407	-	701
High school	269	2,106	2,371	-	4
Junior high student council	232	-	-	-	232
National Honor Society	111	2,565	1,544	-	1,132
Picture fund	2,581	-	-	-	2,581
Tag fund balance	2,565	850	2,451	-	964
S. club	1,601	-	-	-	1,601
Student council	4,577	2,522	4,272	-	2,827
Vocal music	2,171	185	276	-	2,080
Yearbook	5,678	7,478	8,108	-	5,048
All sports account balance	60,391	48,175	46,726	-	61,840
Student athletic fees	108	2,240	20	-	2,328
Spanish club	51	-	27	-	24
Class of 2001	190	-	-	(190)	-
Class of 2002	721	-	-	-	721
Class of 2003	200	-	-	-	200
Class of 2004	361	-	-	-	361
Class of 2005	456	756	1,010	-	202
Class of 2006	64	7,671	7,597	-	138
Class of 2007	91	-	-	-	91
Class of 2008	-	-	-	190	190
Drill team	-	4,819	3,883	-	936
Total	126,900	111,177	108,637	-	129,440

SAC COMMUNITY SCHOOL DISTRICT

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

For the Last Four Years

	Modified Accrual Basis			
	2005	2004	2003	2002
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	1,531,068	1,350,272	1,200,531	1,197,727
Tuition	202,722	154,253	134,709	151,534
Other	138,935	216,728	236,764	235,578
State sources	1,883,151	1,964,754	1,990,649	1,997,199
Federal sources	217,075	218,274	154,785	115,611
Total revenues	<u>3,972,951</u>	<u>3,904,281</u>	<u>3,717,438</u>	<u>3,697,649</u>
Expenditures:				
Instruction:				
Regular instruction	1,788,431	1,748,823	1,728,444	1,805,331
Special instruction	304,335	326,789	391,289	326,024
Other instruction	294,262	273,419	335,173	252,403
Support services:				
Student services	49,928	48,924	47,324	40,344
Instructional staff services	86,422	84,037	76,401	79,551
Administration services	426,876	423,836	398,190	369,292
Operation and maintenance of plant services	479,339	405,349	385,009	388,905
Transportation services	122,120	116,718	152,889	93,572
Central support services				
Non-instructional programs	1,060	1,377	1,412	576
Other expenditures:				
Facilities acquisition	24,396	-	34,539	-
Long-term debt:				
Principal	7,282	4,560	5,766	-
Interest and other charges	6,374	9,096	9,100	-
AEA flowthrough	142,582	145,911	153,564	153,953
Total expenditures	<u>3,733,407</u>	<u>3,588,839</u>	<u>3,719,100</u>	<u>3,509,951</u>

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
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 as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated November 1, 2005. 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

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 opinions on the financial statements and not to provide an opinion 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 judgment, 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 reportable 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 caused by error or fraud 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 05-I-A is a material weakness.

Compliance and Other Matters

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 grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2005 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.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Sac Community School District and other parties to whom Sac Community School 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

November 1, 2005

SAC COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2005

Part I: Findings Related to the Financial Statements:

Instances of Noncompliance:

No matters were reported.

Reportable Conditions:

05-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, 2005

Part II: Other Findings Related to Statutory Reporting:

05-II-A Official Depositories: Official depositories have been approved by the District. The maximum deposit amounts approved were exceeded during the year ended June 30, 2005.

Recommendation: The District should increase the maximum dollar amount allowed by its depository resolution so that the maximum will not be exceeded during the times when cash flow of the District is the greatest.

District Response: We will increase the maximum deposit amount allowed by our depository resolution.

Conclusion: Response accepted.

05-II-B Certified Budget: Expenditures for the year ended June 30, 2005, exceeded the amount budgeted in the other expenditures function.

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

District Response: Future budgets will be amended in sufficient amounts to ensure the certified budget is not exceeded.

Conclusion: Response accepted.

05-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.

05-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.

05-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.

SAC COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2005

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

05-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.

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

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

05-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.

05-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.

05-II-K Student Activity Fund Accounts: There are some accounts in the Student Activity Fund that may belong more appropriately in other funds.

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

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

Conclusion: Response accepted.

05-II-L 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.