

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

June 30, 2006

Table of Contents

		<u>Page</u>
Officials		1
Independent Auditor's Report		2-3
Management's Discussion and Analysis (MD&A)		4-12
Basic Financial Statements:	<u>Exhibit</u>	
Government-wide Financial Statements:		
Statement of Net Assets	A	14-15
Statement of Activities	B	16-17
Governmental Fund Financial Statements:		
Balance Sheet	C	18
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets	D	19
Statement of Revenues, Expenditures and Changes in Fund Balances	E	20-21
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	F	22
Proprietary Fund Financial Statements:		
Statement of Net Assets	G	23
Statement of Revenues, Expenses, and Changes in Net Assets	H	24
Statement of Cash Flows	I	25
Notes to Financial Statements		26-34
Required Supplementary Information:		
Budgetary Comparison Schedule of Revenues, Expenditures and Changes in Balances - Budget and Actual - All Governmental Funds and Proprietary Fund		36
Notes to Required Supplementary Information - Budgetary Reporting		37
Other Supplementary Information:	<u>Schedule</u>	
Nonmajor Governmental Funds:		
Combining Balance Sheet	1	39
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	2	40
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	3	41
Schedule of Revenues by Source and Expenditures by Function - All Governmental Funds	4	42
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>		43-44
Schedule of Findings		45-47

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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, 2006, 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 at June 30, 2006, 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 October 6, 2006, 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, 2005, (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary 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 6, 2006

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, 2006. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2006 FINANCIAL HIGHLIGHTS

- The district's overall financial condition remained relatively stable and/or slightly improved from FY2005 to FY2006. Many of the key indicators contained in this report remained stable or improved slightly.
- Total revenue for the district went up by \$24,093 but total expenditures also went up by \$235,606. The \$13,988 deficit was due to the School Nutrition 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 \$748,859 and the Solvency Ratio was up to 21.52%.

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 District government.

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

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

Other Supplementary Information provides detailed information about the nonmajor funds.

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

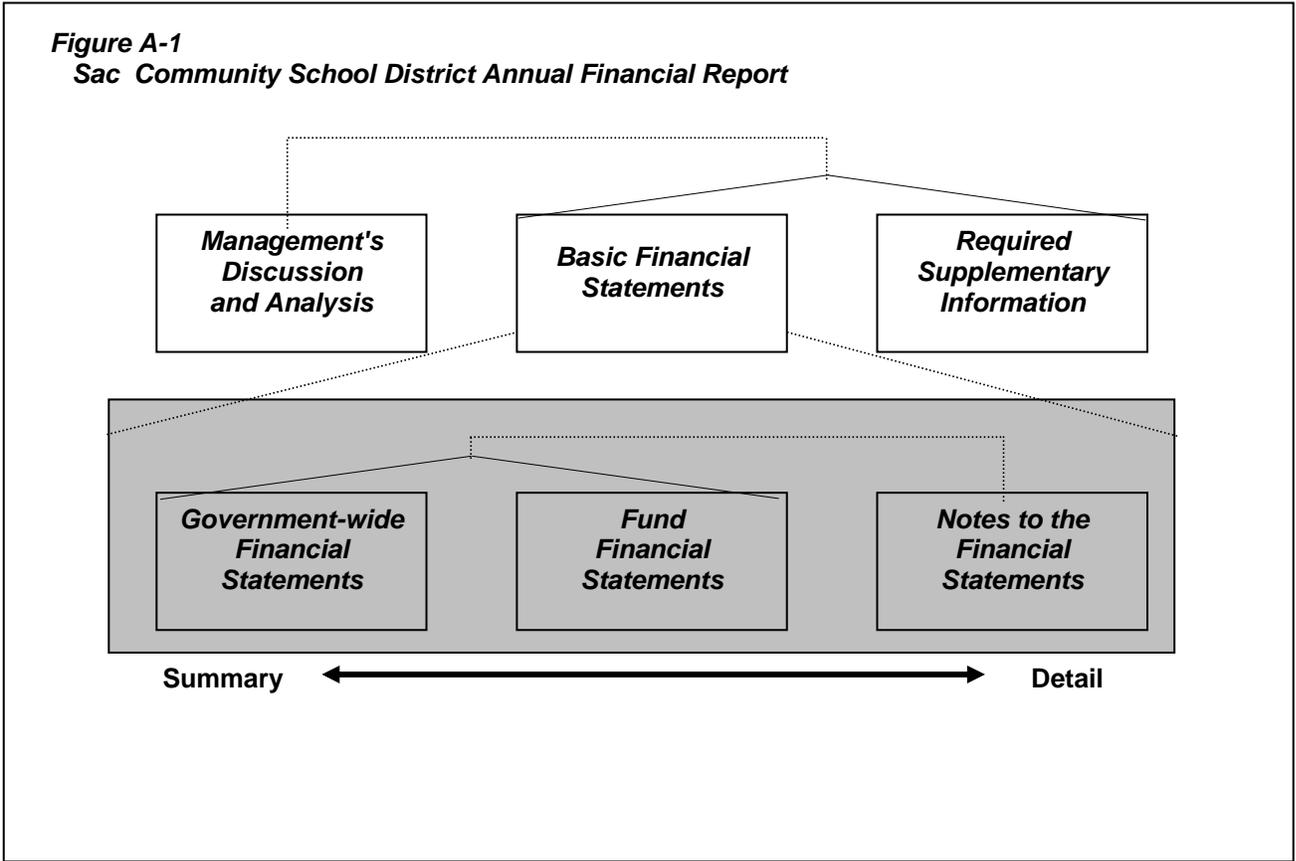


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

Figure A-2 Major Features of the Government-wide and Fund Financial Statements				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services and adult education	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> • Statement of net 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 net assets, 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, 2006 compared to June 30, 2005.

Figure A-3

	Condensed Statement of Net Assets						Percentage Change 2005-2006
	Governmental Activities		Business-type Activities		Total School District		
	2005	2006	2005	2006	2005	2006	
	\$	\$	\$	\$	\$	\$	
Current and other assets	3,428,410	3,416,001	50,720	32,743	3,479,130	3,448,744	-1%
Capital assets	2,368,501	2,272,829	26,919	23,441	2,395,420	2,296,270	-4%
Total assets	5,796,911	5,688,830	77,639	56,184	5,874,550	5,745,014	-2%
Long-term liabilities	49,497	18,366	-	-	49,497	18,366	-63%
Other liabilities	2,104,173	2,020,147	2,214	1,823	2,106,387	2,021,970	-4%
Total liabilities	2,153,670	2,038,513	2,214	1,823	2,155,884	2,040,336	-5%
Net Assets:							
Invested in capital assets, net of related debt	2,350,663	2,263,897	26,919	23,441	2,377,582	2,287,338	-4%
Restricted	576,118	643,538	-	-	576,118	643,538	12%
Unrestricted	716,460	742,882	48,506	30,920	764,966	773,802	1%
TOTAL NET ASSETS	3,643,241	3,650,317	75,425	54,361	3,718,666	3,704,678	0%

The District's combined net assets decreased approximately \$13,988, 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 \$67,420 or 12% 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 \$8,836, or 1%.

Figure A-4 shows the change in net assets for the years ended June 30, 2006 and 2005.

Figure A-4

	Change in Net Assets						Percentage Change 2005-2006
	Governmental Activities		Business-type Activities		Total School District		
	2005	2006	2005	2006	2005	2006	
	\$	\$	\$	\$	\$	\$	
Revenues							
Program Revenues:							
Charges for services	388,568	372,666	100,527	113,524	489,095	486,190	-1%
Operating grants & contributions	548,506	585,367	92,679	90,944	641,185	676,311	5%
Capital grants & contributions	-	-	-	-	-	-	0%
General Revenues:							
Property taxes	1,190,056	1,079,554	-	-	1,190,056	1,079,554	-9%
Income Surtax	-	-	-	-	-	-	0%
Local option sales tax	229,835	223,415	-	-	229,835	223,415	-3%
Unrestricted state grants	1,551,720	1,642,915	-	-	1,551,720	1,642,915	6%
Unrestricted investment earnings	64,266	80,297	-	65	64,266	80,362	25%
Other revenue	1,160	2,663	-	-	1,160	2,663	130%
Total Revenues	3,974,111	3,986,877	193,206	204,533	4,167,317	4,191,410	1%
Expenses:							
Instruction	2,414,969	2,493,086	-	-	2,414,969	2,493,086	3%
Support services	1,101,374	1,092,187	-	-	1,101,374	1,092,187	-1%
Non-instructional programs	1,060	5,759	205,160	225,597	206,220	231,356	12%
Other expenditures	247,229	388,769	-	-	247,229	388,769	57%
Total expenses	3,764,632	3,979,801	205,160	225,597	3,969,792	4,205,398	6%
Change in net assets before Transfers	209,479	7,076	(11,954)	(21,064)	197,525	(13,988)	-107%
Transfers	-	-	-	-	-	-	0%
CHANGE IN NET ASSETS	209,479	7,076	(11,954)	(21,064)	197,525	(13,988)	-107%
Net assets beginning of year	3,433,762	3,643,241	87,379	75,425	3,521,141	3,718,666	6%
Net assets end of year	3,643,241	3,650,317	75,425	54,361	3,718,666	3,704,678	0%

Property tax and unrestricted state grants account for 65% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 85% of the total expenses.

Governmental Activities

Revenues for governmental activities were \$3,986,877 and expenses were \$3,979,801. 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 2006 \$	Net Cost of Services 2005 \$	Net Cost of Services 2006 \$
Instruction	2,414,969	2,493,086	1,659,457	1,793,998
Support Services	1,101,374	1,092,187	1,087,394	975,624
Non-instructional Programs	1,060	5,759	1,060	5,759
Other Expenses	247,229	388,769	79,647	246,387
TOTAL	3,764,632	3,979,801	2,827,558	3,021,768

- The cost financed by users of the District's programs was \$372,666.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$585,367.
- The net cost of governmental activities was financed with \$1,302,969 in property and other taxes and \$1,642,915 in unrestricted state grants.

Business Type Activities

Revenues for business type activities were \$204,533 and expenses were \$225,597. 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 \$1,395,991, well above last year's ending fund balances of \$1,324,315.

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 decreased from \$774,479 to \$748,859.
- The Physical Plant and Equipment Levy (PPEL) Fund balance increased from \$29,776 in fiscal 2005 to \$43,173 in fiscal 2006. While expenditures remained approximately the same, the District substantially reduced revenues from the PPEL Fund during the year.
- The Capital Projects Fund balance increased from \$272,193 in fiscal 2005 to \$369,932 in fiscal 2006.

Proprietary Fund Highlights

School Nutrition Fund net assets decreased from \$75,425 at June 30, 2005 to \$54,361 at June 30, 2006.

BUDGETARY HIGHLIGHTS

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

The District's receipts were \$36,390 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.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2006, the District had invested \$2.3 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 \$152,150.

The original cost of the District's capital assets was \$5.62 million. Governmental funds account for \$5.46 million, with the remainder of \$.16 million accounted for in the Proprietary, School Nutrition Fund.

Figure A-6

Capital Assets (net of depreciation)

	Governmental Activities		Business type Activities		Total School District		Percentage Change 2005-2006
	2005	2006	2005	2006	2005	2006	
	\$	\$	\$	\$	\$	\$	
Land	75,082	75,082	-	-	75,082	75,082	0%
Construction in progress	-	-	-	-	-	-	0%
Buildings	1,980,538	1,910,179	-	-	1,980,538	1,910,179	-4%
Improvements	46,607	43,956	-	-	46,607	43,956	-6%
Equipment & Furniture	266,274	243,612	26,919	23,441	293,193	267,053	-9%
TOTAL	2,368,501	2,272,829	26,919	23,441	2,395,420	2,296,270	-4%

Long-Term Debt

At June 30, 2006, the District had \$18,366 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	2006	Change
			2005-2006
	\$	\$	
Capital Leases	17,838	8,932	-50%
Termination Benefits	31,659	9,434	-70%
	<u>49,497</u>	<u>18,366</u>	<u>-63%</u>

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- School financing is highly dependent upon student enrollment. The District's September 2005 enrollment decreased by ten students. This drop in enrollment will decrease the District's funding for fiscal year 2007.

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, 2006

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
Assets			
Cash and cash equivalents:			
ISCAP	565,951	-	565,951
Other	1,587,138	26,570	1,613,708
Receivables:			
Property tax:			
Delinquent	16,880	-	16,880
Succeeding year	1,117,089	-	1,117,089
Accounts	-	6	6
Accrued interest:			
ISCAP	7,239	-	7,239
Due from other governments	121,704	-	121,704
Inventories	-	6,167	6,167
Capital assets, net of accumulated depreciation	2,272,829	23,441	2,296,270
	<u>5,688,830</u>	<u>56,184</u>	<u>5,745,014</u>
Liabilities			
Salaries and benefits payable	327,253	-	327,253
Accrued interest payable	137	-	137
Deferred revenue:			
Succeeding year property tax	1,117,089	-	1,117,089
Other	-	1,823	1,823
ISCAP warrants payable	565,000	-	565,000
ISCAP accrued interest payable	6,855	-	6,855
ISCAP premium	3,813	-	3,813
Long-term liabilities:			
Portion due within one year:			
Capital leases	8,932	-	8,932
Termination benefits	9,434	-	9,434
	<u>2,038,513</u>	<u>1,823</u>	<u>2,040,336</u>

SAC COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2006

	Governmental Activities	Business Type Activities	Total
	<u>\$</u>	<u>\$</u>	<u>\$</u>
Net assets			
Invested in capital assets, net of related debt	2,263,897	23,441	2,287,338
Restricted for:			
Gifted and talented program	5,840	-	5,840
Management levy	84,869	-	84,869
Capital outlay	413,105	-	413,105
Other special revenue purposes	139,724	-	139,724
Unrestricted	<u>742,882</u>	<u>30,920</u>	<u>773,802</u>
Total net assets	<u><u>3,650,317</u></u>	<u><u>54,361</u></u>	<u><u>3,704,678</u></u>

SAC COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2006

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
			\$	\$
Governmental activities:				
Instruction:				
Regular instruction	1,809,586	213,764	203,638	-
Special instruction	312,110	30,012	101,122	-
Other instruction	371,390	120,080	30,472	-
	<u>2,493,086</u>	<u>363,856</u>	<u>335,232</u>	<u>-</u>
Support services:				
Student services	52,563	225	29,530	-
Instructional staff services	116,448	-	74,656	-
Administration services	451,009	-	-	-
Operation and maintenance of plant services	316,505	7,604	1,958	-
Transportation services	155,662	981	1,609	-
	<u>1,092,187</u>	<u>8,810</u>	<u>107,753</u>	<u>-</u>
Non-instructional programs	<u>5,759</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	157,441	-	-	-
Long-term debt interest	4,809	-	-	-
AEA flowthrough	142,382	-	142,382	-
Depreciation (unallocated)*	84,137	-	-	-
	<u>388,769</u>	<u>-</u>	<u>142,382</u>	<u>-</u>
Total governmental activities	3,979,801	372,666	585,367	-
Business type activities:				
Non-instructional programs:				
Food service operations	225,597	113,524	90,944	-
Total	<u>4,205,398</u>	<u>486,190</u>	<u>676,311</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

Net assets end of year

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

See notes to financial statements.

SAC COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2006

<u>Net (Expense) Revenue and Changes in Net Assets</u>		
<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
<u>\$</u>	<u>\$</u>	<u>\$</u>
(1,392,184)	-	(1,392,184)
(180,976)	-	(180,976)
(220,838)	-	(220,838)
<u>(1,793,998)</u>	<u>-</u>	<u>(1,793,998)</u>
(22,808)	-	(22,808)
(41,792)	-	(41,792)
(451,009)	-	(451,009)
(306,943)	-	(306,943)
(153,072)	-	(153,072)
<u>(975,624)</u>	<u>-</u>	<u>(975,624)</u>
(5,759)	-	(5,759)
(157,441)	-	(157,441)
(4,809)	-	(4,809)
-	-	-
(84,137)	-	(84,137)
<u>(246,387)</u>	<u>-</u>	<u>(246,387)</u>
(3,021,768)	-	(3,021,768)
-	(21,129)	(21,129)
<u>(3,021,768)</u>	<u>(21,129)</u>	<u>(3,042,897)</u>
963,145	-	963,145
116,409	-	116,409
223,415	-	223,415
1,642,915	-	1,642,915
80,297	65	80,362
2,663	-	2,663
<u>3,028,844</u>	<u>65</u>	<u>3,028,909</u>
7,076	(21,064)	(13,988)
<u>3,643,241</u>	<u>75,425</u>	<u>3,718,666</u>
<u>3,650,317</u>	<u>54,361</u>	<u>3,704,678</u>

See notes to financial statements.

SAC COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2006

	General Fund	Physical Plant and Equipment Levy	Capital Projects Local Option Sales Tax	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$	\$
Assets					
Cash and pooled investments:					
ISCAP	565,951	-	-	-	565,951
Other	954,833	118,907	280,231	233,167	1,587,138
Receivables:					
Property tax:					
Delinquent	14,200	1,820	-	860	16,880
Succeeding year	938,041	124,048	-	55,000	1,117,089
Accrued interest - ISCAP	7,239	-	-	-	7,239
Interfund receivable	102,554	25,000	-	-	127,554
Due from other governments	32,003	-	89,701	-	121,704
Total assets	2,614,821	269,775	369,932	289,027	3,543,555
Liabilities and Fund Balances					
Liabilities:					
Salaries and benefits payable	327,253	-	-	-	327,253
Interfund payable	25,000	102,554	-	-	127,554
ISCAP warrants payable	565,000	-	-	-	565,000
ISCAP accrued interest payable	6,855	-	-	-	6,855
ISCAP premium	3,813	-	-	-	3,813
Deferred revenue:					
Succeeding year property tax	938,041	124,048	-	55,000	1,117,089
Total liabilities	1,865,962	226,602	-	55,000	2,147,564
Fund balances:					
Reserved for:					
Gifted and talented program	5,840	-	-	-	5,840
Unreserved reported in:					
General fund	743,019	-	-	-	743,019
Special revenue funds	-	43,173	-	234,027	277,200
Capital projects funds	-	-	369,932	-	369,932
Total fund balances	748,859	43,173	369,932	234,027	1,395,991
Total liabilities and fund balances	2,614,821	269,775	369,932	289,027	3,543,555

SAC COMMUNITY SCHOOL DISTRICT

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

June 30, 2006

	\$
Total fund balances of governmental funds (Exhibit C)	1,395,991
<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.	2,272,829
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.	(137)
Long-term liabilities, including capital leases and termination benefits, are not due and payable in the current period and therefore, are not reported as liabilities in the governmental funds.	<u>(18,366)</u>
Net assets of governmental activities (Exhibit A)	<u><u>3,650,317</u></u>

SAC COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2006

	General Fund	Physical Plant and Equipment Levy	Capital Projects Local Option Sales Tax	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$	\$
Revenues:					
Local sources:					
Local tax	908,109	116,409	223,415	55,036	1,302,969
Tuition	196,241	-	-	-	196,241
Other	149,988	2,785	15,825	117,654	286,252
State sources	1,999,648	123	-	-	1,999,771
Federal sources	198,981	-	-	-	198,981
Total revenues	<u>3,452,967</u>	<u>119,317</u>	<u>239,240</u>	<u>172,690</u>	<u>3,984,214</u>
Expenditures:					
Current:					
Instruction:					
Regular instruction	1,779,528	-	-	22,990	1,802,518
Special instruction	312,110	-	-	-	312,110
Other instruction	266,242	-	-	105,148	371,390
	<u>2,357,880</u>	<u>-</u>	<u>-</u>	<u>128,138</u>	<u>2,486,018</u>
Support services:					
Student services	52,563	-	-	-	52,563
Instructional staff services	116,448	-	-	-	116,448
Administration services	418,807	3,571	-	24,381	446,759
Operation and maintenance of plant services	263,024	19,752	-	27,127	309,903
Transportation services	124,387	53,001	-	6,884	184,272
	<u>975,229</u>	<u>76,324</u>	<u>-</u>	<u>58,392</u>	<u>1,109,945</u>
Non-instructional programs	<u>5,759</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,759</u>
Other expenditures:					
Facilities acquisition	-	15,940	141,501	-	157,441
Long-term debt:					
Principal	-	-	-	8,906	8,906
Interest and fiscal charges	-	-	-	4,750	4,750
AEA flowthrough	142,382	-	-	-	142,382
	<u>142,382</u>	<u>15,940</u>	<u>141,501</u>	<u>13,656</u>	<u>313,479</u>
Total expenditures	<u>3,481,250</u>	<u>92,264</u>	<u>141,501</u>	<u>200,186</u>	<u>3,915,201</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(28,283)</u>	<u>27,053</u>	<u>97,739</u>	<u>(27,496)</u>	<u>69,013</u>

SAC COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2006

	General Fund	Physical Plant and Equipment Levy	Capital Projects Local Option Sales Tax	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$	\$
Other financing sources (uses):					
Sales of materials and equipment	2,663	-	-	-	2,663
Operating transfers in	-	-	-	13,656	13,656
Operating transfers out	-	(13,656)	-	-	(13,656)
Total other financing sources (uses)	<u>2,663</u>	<u>(13,656)</u>	<u>-</u>	<u>13,656</u>	<u>2,663</u>
Net change in fund balances	(25,620)	13,397	97,739	(13,840)	71,676
Fund balances beginning of year	<u>774,479</u>	<u>29,776</u>	<u>272,193</u>	<u>247,867</u>	<u>1,324,315</u>
Fund balances end of year	<u><u>748,859</u></u>	<u><u>43,173</u></u>	<u><u>369,932</u></u>	<u><u>234,027</u></u>	<u><u>1,395,991</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, 2006

	\$	\$
Net change in fund balances - total governmental funds (Exhibit E)		71,676

**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	53,000	
Depreciation expense	<u>(148,672)</u>	(95,672)

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.	8,906
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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.	(59)
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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:

Termination benefits	<u>22,225</u>
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Changes in net assets of governmental activities (Exhibit B)	<u><u>7,076</u></u>
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SAC COMMUNITY SCHOOL DISTRICT

Statement of Net Assets
Proprietary Funds

June 30, 2006

	<u>School Nutrition</u>
	\$
Assets	
Cash and cash equivalents	26,570
Accounts receivable	6
Inventories	6,167
Capital assets, net of accumulated depreciation	<u>23,441</u>
Total assets	<u>56,184</u>
Liabilities	
Deferred revenue	<u>1,823</u>
Net assets	
Invested in capital assets, net of related debt	23,441
Unrestricted	<u>30,920</u>
Total net assets	<u><u>54,361</u></u>

SAC COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2006

	School Nutrition
	<u>\$</u>
Operating revenue:	
Local sources:	
Charges for service	<u>113,524</u>
Operating expenses:	
Non-instructional programs:	
Salaries	83,172
Benefits	10,889
Purchased services	4,230
Supplies	123,828
Depreciation	3,478
	<u>225,597</u>
Operating gain (loss)	<u>(112,073)</u>
Non-operating revenue:	
State sources	2,761
Federal sources	88,183
Interest income	65
Total non-operating revenue	<u>91,009</u>
Change in net assets	(21,064)
Net assets beginning of year	<u>75,425</u>
Net assets end of year	<u><u>54,361</u></u>

SAC COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows
Proprietary Funds

Year ended June 30, 2006

	School Nutrition
	\$
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	113,138
Cash payments to employees for services	(94,061)
Cash payments to suppliers for goods or services	(115,538)
Net cash used by operating activities	<u>(96,461)</u>
Cash flows from non-capital financing activities:	
State grants received	2,761
Federal grants received	73,457
Net cash provided by non-capital financing activities	<u>76,218</u>
Cash flows from capital and related financing activities	<u>-</u>
Cash flows from investing activities:	
Interest on investments	<u>65</u>
Net increase (decrease) in cash and cash equivalents	(20,178)
Cash and cash equivalents at beginning of year	<u>46,748</u>
Cash and cash equivalents at end of year	<u><u>26,570</u></u>
Reconciliation of operating gain (loss) to net cash used by operating activities:	
Operating gain (loss)	(112,073)
Adjustments to reconcile operating gain (loss) to net cash used by operating activities:	
Commodities used	14,726
Depreciation	3,478
Decrease (increase) in inventories	(2,206)
Decrease (increase) in accounts receivable	5
(Decrease) increase in deferred revenue	(391)
Net cash used in operating activities	<u><u>(96,461)</u></u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2006, the District received \$14,726 of federal commodities.

SAC COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2006

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

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, 2004 assessed property valuations; is for the tax accrual period July 1, 2005, through June 30, 2006, and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2005.

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, 2006, expenditures did not exceed the amount budgeted.

2. Cash and Pooled Investments

The District's deposits in banks at June 30, 2006 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, 2006, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	<u>Amortized Cost</u>
	\$
Diversified Portfolio	465,696

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, 2006 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	102,554

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, 2006 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, 2006, is as follows:

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable
			\$	\$	\$	\$
2005-06B	1/26/06	1/26/07	357,242	7,174	356,000	6,803
2006-07A	6/28/06	6/28/07	208,709	65	209,000	52
Total			565,951	7,239	565,000	6,855

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, 2006, is as follows:

Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
\$	\$	\$	\$
-	50,000	50,000	-

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 %
2005-06B	4.772	4.50
2006-07A	5.676	4.50

6. Capital Assets

Capital assets activity for the year ended June 30, 2006 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
Governmental activities:				
Capital assets not being depreciated:				
Land	75,082	-	-	75,082
Capital assets being depreciated:				
Buildings	3,474,036	-	-	3,474,036
Improvements other than buildings	488,980	-	-	488,980
Furniture and equipment	1,373,416	53,000	-	1,426,416
Total capital assets being deprec.	5,336,432	53,000	-	5,389,432
Less accumulated depreciation for:				
Buildings	1,493,498	70,359	-	1,563,857
Improvements other than buildings	442,373	2,651	-	445,024
Furniture and equipment	1,107,142	75,662	-	1,182,804
Total accumulated depreciation	3,043,013	148,672	-	3,191,685
Total capital assets being depreciated, net	2,293,419	(95,672)	-	2,197,747
Governmental activities capital assets, net	2,368,501	(95,672)	-	2,272,829

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
Business type activities:				
Furniture and equipment	159,694	-	-	159,694
Less accumulated depreciation	132,775	3,478	-	136,253
Business type activities capital assets, net	26,919	(3,478)	-	23,441

Depreciation expense was charged to the following functions:

	\$
Governmental activities:	
Instruction:	
Regular	29,293
Support Services:	
Administration services	4,250
Operation and maintenance of plant services	6,602
Transportation	24,390
	64,535
Unallocated depreciation	84,137
Total depreciation expense – governmental activities	148,672
Business type activities:	
Food services	3,478

7. Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2006, are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
	\$	\$	\$	\$	\$
Capital leases	17,838	-	8,906	8,932	8,932
Termination benefits	31,659	-	22,225	9,434	9,434
Total	49,497	-	31,131	18,366	18,366

Termination Benefits

The District offers a voluntary early retirement plan to its employees. Eligible employees must have completed at least twenty-five years of service to the District and must have reached the age of fifty-five on or before June 30 in the calendar year in which early retirement commences. The application for early retirement is subject to approval by the Board of Education.

Early retirement benefits should not exceed \$10,000 per individual.

Early retirement benefits will be paid off in the next fiscal year.

At June 30, 2006, the District has obligations to two participants with a total liability of \$9,434. Actual early retirement expenditures for the year ended June 30, 2006 totaled \$22,225.

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, 2006.

	<u>Year Ending June 30,</u>	<u>Amount</u>
		\$
	2007	<u>10,242</u>
Minimum Lease Payments		10,242
Less Amount Representing Interest		<u>1,310</u>
Present Value of Minimum Lease Payments		<u><u>8,932</u></u>

Bonds Payable

The District had no bonded indebtedness at June 30, 2006.

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, 2006, 2005 and 2004. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2006, 2005, and 2004 were \$125,368, \$119,671 and \$121,130 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 \$142,382 for the year ended June 30, 2006 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

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, 2006

	Governmental Fund Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
				Original	Final	
	\$	\$	\$	\$	\$	\$
Revenues:						
Local sources	1,785,462	113,589	1,899,051	1,753,519	1,753,519	145,532
State sources	1,999,771	2,761	2,002,532	2,077,838	2,077,838	(75,306)
Federal sources	198,981	88,183	287,164	321,000	321,000	(33,836)
Total revenues	<u>3,984,214</u>	<u>204,533</u>	<u>4,188,747</u>	<u>4,152,357</u>	<u>4,152,357</u>	<u>36,390</u>
Expenditures:						
Instruction	2,486,018	-	2,486,018	3,343,375	3,343,375	857,357
Support services	1,109,945	-	1,109,945	1,199,955	1,199,955	90,010
Non-instructional programs	5,759	225,597	231,356	460,579	460,579	229,223
Other expenditures	313,479	-	313,479	350,434	350,434	36,955
Total expenditures	<u>3,915,201</u>	<u>225,597</u>	<u>4,140,798</u>	<u>5,354,343</u>	<u>5,354,343</u>	<u>1,213,545</u>
Excess (deficiency) of revenues over (under) expenditures	69,013	(21,064)	47,949	(1,201,986)	(1,201,986)	1,249,935
Other financing sources (uses) net	<u>2,663</u>	<u>-</u>	<u>2,663</u>	<u>(12,600)</u>	<u>(12,600)</u>	<u>15,263</u>
Excess (deficiency) of revenues and other financing sources (uses) over (under) expenditures	71,676	(21,064)	50,612	(1,214,586)	(1,214,586)	1,265,198
Balance beginning of year	<u>1,324,315</u>	<u>75,425</u>	<u>1,399,740</u>	<u>1,374,979</u>	<u>1,374,979</u>	<u>24,761</u>
Balance end of year	<u><u>1,395,991</u></u>	<u><u>54,361</u></u>	<u><u>1,450,352</u></u>	<u><u>160,393</u></u>	<u><u>160,393</u></u>	<u><u>1,289,959</u></u>

SAC COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2006

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 a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated 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.

OTHER SUPPLEMENTARY INFORMATION

SAC COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2006

	Special Revenue Funds		
	Management Levy	Student Activity Fund	Total
Assets	\$	\$	\$
Cash and pooled investments	93,443	139,724	233,167
Receivables:			
Property tax:			
Delinquent	860	-	860
Succeeding year	55,000	-	55,000
	<u>55,000</u>	<u>-</u>	<u>55,000</u>
Total assets	<u>149,303</u>	<u>139,724</u>	<u>289,027</u>
Liabilities & Fund Balances			
Liabilities:			
Deferred revenue:			
Succeeding year property tax	55,000	-	55,000
Fund balances:			
Unreserved reported in:			
Special revenue funds	94,303	139,724	234,027
	<u>94,303</u>	<u>139,724</u>	<u>234,027</u>
Total liabilities and fund balances	<u>149,303</u>	<u>139,724</u>	<u>289,027</u>

SAC COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2006

	<u>Special Revenue Funds</u>			<u>Total</u>
	<u>Management</u>	<u>Student</u>	<u>Debt</u>	
	<u>Levy</u>	<u>Activity</u>	<u>Service</u>	
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	55,036	-	-	55,036
Other	2,222	115,432	-	117,654
Total revenues	<u>57,258</u>	<u>115,432</u>	<u>-</u>	<u>172,690</u>
Expenditures:				
Current:				
Instruction:				
Regular instruction	22,990	-	-	22,990
Other instruction	-	105,148	-	105,148
Support services:				
Administration services	24,381	-	-	24,381
Operation and maintenance of plant services	27,127	-	-	27,127
Transportation services	6,884	-	-	6,884
Other expenditures:				
Long-term debt:				
Principal	-	-	8,906	8,906
Interest and fiscal charges	-	-	4,750	4,750
Total expenditures	<u>81,382</u>	<u>105,148</u>	<u>13,656</u>	<u>200,186</u>
Excess (deficiency) of revenues over (under) expenditures	(24,124)	10,284	(13,656)	(27,496)
Other financing sources (uses):				
Operating transfers in	-	-	13,656	13,656
Net change in fund balances	(24,124)	10,284	-	(13,840)
Fund balances beginning of year	<u>118,427</u>	<u>129,440</u>	<u>-</u>	<u>247,867</u>
Fund balances end of year	<u><u>94,303</u></u>	<u><u>139,724</u></u>	<u><u>-</u></u>	<u><u>234,027</u></u>

SAC COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2006

<u>Account</u>	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
	\$	\$	\$	\$
Activity ticket	1,630	5,615	2,425	4,820
AFS (student)	2,321	-	-	2,321
Interest fund balance	13,341	3,036	186	16,191
CD's and investments	20,129	-	-	20,129
Cheerleaders	249	3,618	3,184	683
Concessions	246	6,720	6,851	115
Elementary student council	403	491	156	738
Custodial support acct.	1	349	349	1
Drama & speech fund balance	4,717	3,777	2,754	5,740
Elementary	450	4,869	4,395	924
Elementary pop machine	1,752	2,101	2,576	1,277
Future Homemakers of America	701	4,248	4,210	739
High school	4	897	898	3
Junior high student council	232	67	80	219
National Honor Society	1,132	503	1,080	555
Picture fund	2,581	-	-	2,581
Tag fund balance	964	94	192	866
S. club	1,601	-	-	1,601
Student council	2,827	2,746	3,972	1,601
Vocal music	2,080	2,210	2,231	2,059
Yearbook	5,048	10,932	11,290	4,690
All sports account balance	61,840	42,442	36,217	68,065
Student athletic fees	2,328	2,168	3,314	1,182
Spanish club	24	-	-	24
Class of 2002	721	-	721	-
Activity scholarship	200	1,252	-	1,452
Class of 2010	361	-	361	-
Class of 2005	202	-	202	-
Class of 2006	138	1,117	1,263	(8)
Class of 2007	91	8,869	8,648	312
Class of 2008	190	-	-	190
Library balance	-	492	117	375
Drill team	936	6,819	7,476	279
Total	<u>129,440</u>	<u>115,432</u>	<u>105,148</u>	<u>139,724</u>

SAC COMMUNITY SCHOOL DISTRICT

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

For the Last Four Years

	Modified Accrual Basis			
	2006	2005	2004	2003
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	1,302,969	1,531,068	1,350,272	1,200,531
Tuition	196,241	202,722	154,253	134,709
Other	286,252	138,935	216,728	236,764
State sources	1,999,771	1,883,151	1,964,754	1,990,649
Federal sources	198,981	217,075	218,274	154,785
Total revenues	<u>3,984,214</u>	<u>3,972,951</u>	<u>3,904,281</u>	<u>3,717,438</u>
Expenditures:				
Instruction:				
Regular instruction	1,802,518	1,788,431	1,748,823	1,728,444
Special instruction	312,110	304,335	326,789	391,289
Other instruction	371,390	294,262	273,419	335,173
Support services:				
Student services	52,563	49,928	48,924	47,324
Instructional staff services	116,448	86,422	84,037	76,401
Administration services	446,759	426,876	423,836	398,190
Operation and maintenance of plant services	309,903	479,339	405,349	385,009
Transportation services	184,272	122,120	116,718	152,889
Non-instructional programs	5,759	1,060	1,377	1,412
Other expenditures:				
Facilities acquisition	157,441	24,396	-	34,539
Long-term debt:				
Principal	8,906	7,282	4,560	5,766
Interest and other charges	4,750	6,374	9,096	9,100
AEA flowthrough	142,382	142,582	145,911	153,564
Total expenditures	<u>3,915,201</u>	<u>3,733,407</u>	<u>3,588,839</u>	<u>3,719,100</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, 2006, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated October 6, 2006. 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 06-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, 2006 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

October 6, 2006

SAC COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2006

Part I: Findings Related to the Financial Statements:

Instances of Noncompliance:

No matters were reported.

Reportable Conditions:

06-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, 2006

Part II: Other Findings Related to Statutory Reporting:

06-II-A Certified Budget: Expenditures for the year ended June 30, 2006 did not exceed the amounts budgeted.

06-II-B 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.

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

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

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<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.

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

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

06-II-G Certified Enrollment: No variances in the basic enrollment data certified to the Department of Education were noted.

06-II-H 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.

06-II-I Certified Annual Report (CAR): Audit field work was completed prior to the CAR due date.

SAC COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2006

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

06-II-J 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.