

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

June 30, 2008

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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, 2008, 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, 2008, 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 April 27, 2009, on our consideration of Sac Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and 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 35 through 36 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, 2007, (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

April 27, 2009

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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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, 2008. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### 2008 FINANCIAL HIGHLIGHTS

- The district's overall financial condition remained relatively stable. Many of the key indicators contained in this report remained stable or improved slightly.
- Total revenue for the district increased by \$700,749 and total expenditures increased \$667,847.
- Total assets increased by \$168,014 and total liabilities increased by \$66,236, which means our revenue and expenditure increases were due to exchange of funds with partner district in first year of whole-grade sharing agreement.
- The unspent/undesignated ending General Fund balance was \$478,987 and the Solvency Ratio was up to 11.49%.

### 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.

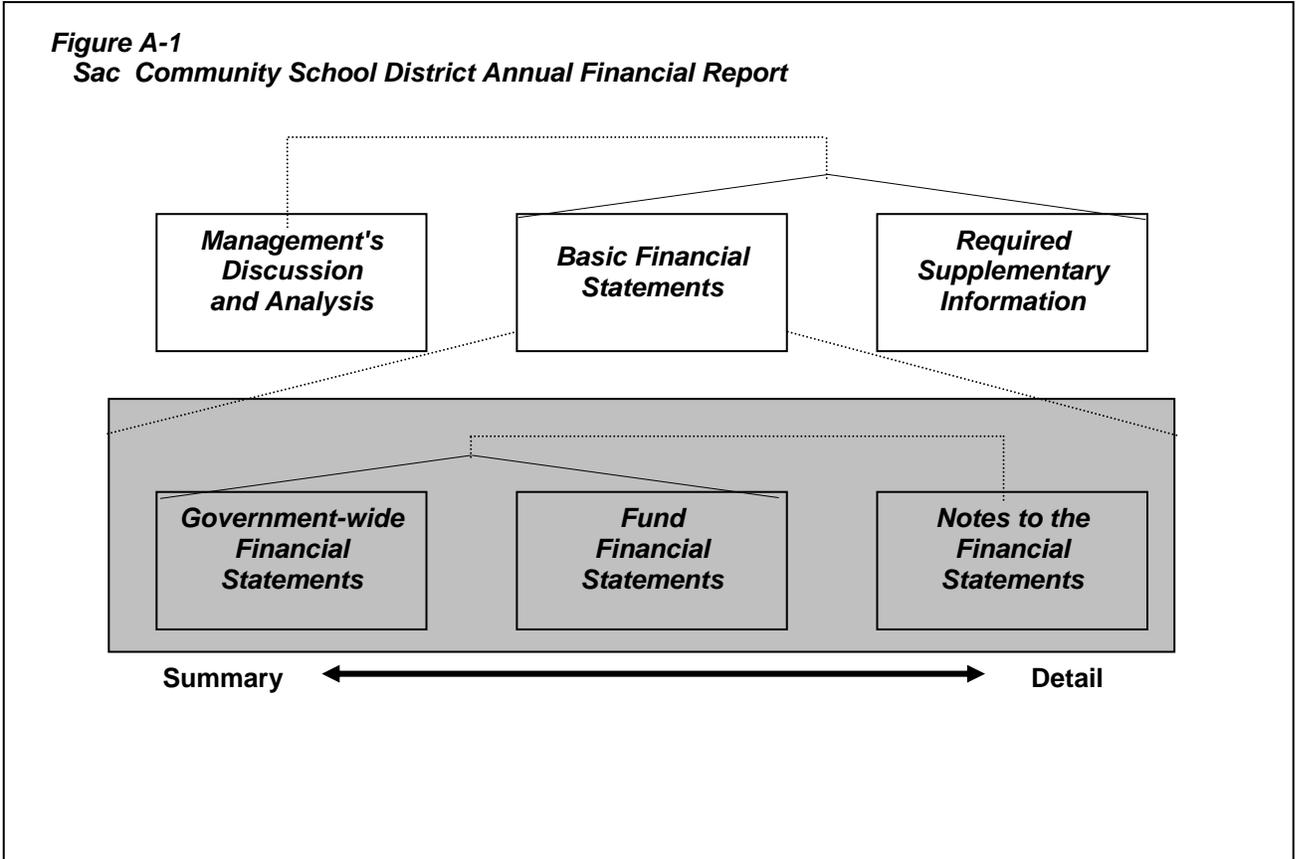


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

<b>Figure A-2 Major Features of the Government-wide and Fund Financial Statements</b>				
	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"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of revenues, expenses and changes in fund net assets</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net assets</li> <li>• Statement of changes in fiduciary net assets</li> </ul>
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, 2008 compared to June 30, 2007.

Figure A-3

	Condensed Statement of Net Assets						Percentage Change 2008-2007
	Governmental Activities		Business-type Activities		Total School District		
	2007	2008	2007	2008	2007	2008	
	\$	\$	\$	\$	\$	\$	
Current and other assets	3,484,914	3,669,221	20,780	36,264	3,505,694	3,705,485	6%
Capital assets	2,551,613	2,487,618	19,963	21,860	2,571,576	2,509,478	-2%
<b>Total assets</b>	<b>6,036,527</b>	<b>6,156,839</b>	<b>40,743</b>	<b>58,124</b>	<b>6,077,270</b>	<b>6,214,963</b>	<b>2%</b>
Long-term liabilities	-	-	-	-	-	-	0%
Other liabilities	2,013,623	2,096,152	1,731	7,828	2,015,354	2,103,980	4%
<b>Total liabilities</b>	<b>2,013,623</b>	<b>2,096,152</b>	<b>1,731</b>	<b>7,828</b>	<b>2,015,354</b>	<b>2,103,980</b>	<b>4%</b>
Net Assets:							
Invested in capital assets, net of related debt	2,551,613	2,487,618	19,963	21,860	2,571,576	2,509,478	-2%
Restricted	861,046	1,094,082	-	-	861,046	1,094,082	27%
Unrestricted	610,245	478,987	19,049	28,436	629,294	507,423	-19%
<b>TOTAL NET ASSETS</b>	<b>4,022,904</b>	<b>4,060,687</b>	<b>39,012</b>	<b>50,296</b>	<b>4,061,916</b>	<b>4,110,983</b>	<b>1%</b>

The District's combined net assets increased approximately \$49,067, 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 \$233,036 or 27% 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 – decreased approximately \$121,871, or 19%.

Figure A-4 shows the change in net assets for the years ended June 30, 2008 and 2007.

Figure A-4

	Change in Net Assets						Percentage Change 2008-2007
	Governmental Activities		Business-type Activities		Total School District		
	2007 \$	2008 \$	2007 \$	2008 \$	2007 \$	2008 \$	
Revenues							
Program Revenues:							
Charges for services	296,986	966,676	110,681	107,951	407,667	1,074,627	164%
Operating grants & contributions	550,432	574,503	96,850	125,584	647,282	700,087	8%
Capital grants & contributions	-	-	-	-	-	-	0%
General Revenues:							
Property taxes	1,134,867	1,098,111	-	-	1,134,867	1,098,111	-3%
Income Surtax	-	-	-	-	-	-	0%
Local option sales tax	279,080	252,240	-	-	279,080	252,240	-10%
Unrestricted state grants	1,627,305	1,683,336	-	-	1,627,305	1,683,336	3%
Unrestricted investment earnings	80,681	108,381	6,014	191	86,695	108,572	25%
Other revenue	23,208	3,637	-	-	23,208	3,637	-84%
<b>Total Revenues</b>	<b>3,992,559</b>	<b>4,686,884</b>	<b>213,545</b>	<b>233,726</b>	<b>4,206,104</b>	<b>4,920,610</b>	<b>17%</b>
Expenses:							
Instruction	2,541,500	3,231,364	-	-	2,541,500	3,231,364	27%
Support services	1,063,965	1,116,801	-	-	1,063,965	1,116,801	5%
Non-instructional programs	17,092	1,009	228,894	222,442	245,986	223,451	-9%
Other expenditures	235,970	299,927	-	-	235,970	299,927	27%
<b>Total expenses</b>	<b>3,858,527</b>	<b>4,649,101</b>	<b>228,894</b>	<b>222,442</b>	<b>4,087,421</b>	<b>4,871,543</b>	<b>19%</b>
<b>Change in net assets before Transfers</b>	<b>134,032</b>	<b>37,783</b>	<b>(15,349)</b>	<b>11,284</b>	<b>118,683</b>	<b>49,067</b>	<b>-59%</b>
Transfers	-	-	-	-	-	-	0%
<b>CHANGE IN NET ASSETS</b>	<b>134,032</b>	<b>37,783</b>	<b>(15,349)</b>	<b>11,284</b>	<b>118,683</b>	<b>49,067</b>	<b>-59%</b>
Net assets beginning of year	3,650,317	4,022,904	54,361	39,012	3,704,678	4,061,916	10%
Beginning balance adjustment	238,555	-	-	-	238,555	-	
Net assets end of year	<b>4,022,904</b>	<b>4,060,687</b>	<b>39,012</b>	<b>50,296</b>	<b>4,061,916</b>	<b>4,110,983</b>	<b>1%</b>

Property tax and unrestricted state grants account for 57% 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 \$4,686,884 and expenses were \$4,649,101.

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**

	<b>Total Cost of Services 2007 \$</b>	<b>Total Cost Of Services 2008 \$</b>	<b>Net Cost of Services 2007 \$</b>	<b>Net Cost of Services 2008 \$</b>
Instruction	2,541,500	3,231,364	1,859,744	1,851,706
Support Services	1,063,965	1,116,801	1,045,217	1,106,539
Non-instructional Programs	17,092	1,009	17,092	1,009
Other Expenses	235,970	299,927	89,056	148,668
<b>TOTAL</b>	<b>3,858,527</b>	<b>4,649,101</b>	<b>3,011,109</b>	<b>3,107,922</b>

- The cost financed by users of the District's programs was \$966,676.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$574,503.
- The net cost of governmental activities was financed with \$1,350,351 in property and other taxes and \$1,683,336 in unrestricted state grants.

**Business Type Activities**

Revenues for business type activities were \$233,726 and expenses were \$222,442. 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 \$1,573,069, well above last year's ending fund balances of \$1,471,291.

**Governmental Fund Highlights**

The Districts general fund financial position is the result of many factors. Revenue growth for the year was due to sale of services to whole-grade sharing partner district. This was offset by increased instructional expenses which was also due to whole-grade sharing payments to partner district.

- The General Fund balance decreased from \$610,245 to \$478,987.
- The Physical Plant and Equipment Levy (PPEL) Fund balance decreased from \$90,111 in fiscal 2007 to \$69,810 in fiscal 2008.
- The Capital Projects Fund balance increased from \$550,449 in fiscal 2007 to \$790,492 in fiscal 2008.

## Proprietary Fund Highlights

School Nutrition Fund net assets increased from \$39,012 at June 30, 2007 to \$50,296 at June 30, 2008.

## BUDGETARY HIGHLIGHTS

Over the course of the year, Sac Community School District did amend its annual budget

The District's receipts were \$653,195 more than budgeted receipts. This increase came from additional local revenue received from whole-grade sharing partner district for sale of instructional services to that district under a whole-grade sharing agreement.

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, 2008, the District had invested \$2.5 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 5 to the financial statements. Depreciation expense for the year was \$143,846.

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 2008-2007
	2007	2008	2007	2008	2007	2008	
	\$	\$	\$	\$	\$	\$	
Land	76,319	76,319	-	-	76,319	76,319	0%
Construction in progress	-	-	-	-	-	-	0%
Buildings	1,892,277	1,852,913	-	-	1,892,277	1,852,913	-2%
Improvements	91,976	85,464	-	-	91,976	85,464	-7%
Equipment & Furniture	491,041	472,922	19,963	21,860	511,004	494,782	-3%
<b>TOTAL</b>	<b>2,551,613</b>	<b>2,487,618</b>	<b>19,963</b>	<b>21,860</b>	<b>2,571,576</b>	<b>2,509,478</b>	<b>-2%</b>

## **Long-Term Debt**

At June 30, 2008, the District had no long-term debt outstanding.

## **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 has experienced declining enrollment and that trend is projected to continue. This drop in enrollment will decrease the District's funding in future years.

## **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, Board Secretary/Treasurer, Sac Community School District, 400 S. 16<sup>th</sup> Street, Sac City, IA 50583.

## BASIC FINANCIAL STATEMENTS

## SAC COMMUNITY SCHOOL DISTRICT

## Statement of Net Assets

June 30, 2008

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
<b>Assets</b>			
Cash and cash equivalents:			
ISCAP	576,011	-	576,011
Other	1,701,881	20,471	1,722,352
Receivables:			
Property tax:			
Delinquent	17,692	-	17,692
Succeeding year	1,185,825	-	1,185,825
Accounts	-	868	868
Accrued interest:			
ISCAP	4,748	-	4,748
Due from other governments	183,064	10,274	193,338
Inventories	-	4,651	4,651
Capital assets, net of accumulated depreciation	2,487,618	21,860	2,509,478
	<u>6,156,839</u>	<u>58,124</u>	<u>6,214,963</u>
<b>Liabilities</b>			
Accounts payable	-	2,669	2,669
Salaries and benefits payable	325,898	-	325,898
Deferred revenue:			
Succeeding year property tax	1,185,825	-	1,185,825
Other	-	5,159	5,159
ISCAP warrants payable	573,000	-	573,000
ISCAP accrued interest payable	5,564	-	5,564
ISCAP premium	5,865	-	5,865
	<u>2,096,152</u>	<u>7,828</u>	<u>2,103,980</u>
<b>Net assets</b>			
Invested in capital assets, net of related debt	2,487,618	21,860	2,509,478
Restricted for:			
Management levy	83,148	-	83,148
Capital outlay	69,810	-	69,810
Other special revenue purposes	150,632	-	150,632
Local option sales tax capital projects	790,492	-	790,492
Unrestricted	478,987	28,436	507,423
	<u>4,060,687</u>	<u>50,296</u>	<u>4,110,983</u>

<b>Functions/Programs</b>	Expenses	Program Revenues		
		Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
	\$	\$	\$	\$
Governmental activities:				
Instruction:				
Regular	2,785,619	885,034	326,700	-
Special	223,881	23,575	21,486	-
Other	221,864	48,365	74,498	-
	<u>3,231,364</u>	<u>956,974</u>	<u>422,684</u>	<u>-</u>
Support services:				
Student	43,652	-	-	-
Instructional staff	106,435	-	-	-
Administration	366,086	-	-	-
Operation and maintenance of plant	396,058	6,893	-	-
Transportation	204,570	2,809	560	-
	<u>1,116,801</u>	<u>9,702</u>	<u>560</u>	<u>-</u>
Non-instructional programs	<u>1,009</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	67,777	-	-	-
AEA flowthrough	151,259	-	151,259	-
Depreciation (unallocated)*	80,891	-	-	-
	<u>299,927</u>	<u>-</u>	<u>151,259</u>	<u>-</u>
Total governmental activities	4,649,101	966,676	574,503	-
Business type activities:				
Non-instructional programs:				
Food service operations	<u>222,442</u>	<u>107,951</u>	<u>125,584</u>	<u>-</u>
Total	<u>4,871,543</u>	<u>1,074,627</u>	<u>700,087</u>	<u>-</u>
<b>General Revenues:</b>				
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.

Net (Expense) Revenue and Changes in Net Assets

Governmental Activities	Business Type Activities	Total
\$	\$	\$
(1,573,885)	-	(1,573,885)
(178,820)	-	(178,820)
(99,001)	-	(99,001)
<u>(1,851,706)</u>	<u>-</u>	<u>(1,851,706)</u>
(43,652)	-	(43,652)
(106,435)	-	(106,435)
(366,086)	-	(366,086)
(389,165)	-	(389,165)
(201,201)	-	(201,201)
<u>(1,106,539)</u>	<u>-</u>	<u>(1,106,539)</u>
(1,009)	-	(1,009)
(67,777)	-	(67,777)
-	-	-
(80,891)	-	(80,891)
<u>(148,668)</u>	<u>-</u>	<u>(148,668)</u>
(3,107,922)	-	(3,107,922)
<u>-</u>	<u>11,093</u>	<u>11,093</u>
<u>(3,107,922)</u>	<u>11,093</u>	<u>(3,096,829)</u>
974,197	-	974,197
123,914	-	123,914
252,240	-	252,240
1,683,336	-	1,683,336
108,381	191	108,572
3,637	-	3,637
<u>3,145,705</u>	<u>191</u>	<u>3,145,896</u>
37,783	11,284	49,067
<u>4,022,904</u>	<u>39,012</u>	<u>4,061,916</u>
<u>4,060,687</u>	<u>50,296</u>	<u>4,110,983</u>

## SAC COMMUNITY SCHOOL DISTRICT

Balance Sheet  
Governmental Funds

June 30, 2008

	General Fund	Capital Projects Local Option Sales Tax	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$
<b>Assets</b>				
Cash and pooled investments:				
ISCAP	576,011	-	-	576,011
Other	650,818	706,149	344,914	1,701,881
Receivables:				
Property tax:				
Delinquent	14,729	-	2,963	17,692
Succeeding year	974,274	-	211,551	1,185,825
Accrued interest - ISCAP	4,748	-	-	4,748
Interfund receivable	69,287	-	25,000	94,287
Due from other governments	98,721	84,343	-	183,064
<b>Total assets</b>	<b>2,388,588</b>	<b>790,492</b>	<b>584,428</b>	<b>3,763,508</b>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Salaries and benefits payable	325,898	-	-	325,898
Interfund payable	25,000	-	69,287	94,287
ISCAP warrants payable	573,000	-	-	573,000
ISCAP accrued interest payable	5,564	-	-	5,564
ISCAP premium	5,865	-	-	5,865
Deferred revenue:				
Succeeding year property tax	974,274	-	211,551	1,185,825
Total liabilities	1,909,601	-	280,838	2,190,439
Fund balances:				
Unreserved reported in:				
General fund	478,987	-	-	478,987
Special revenue funds	-	-	303,590	303,590
Capital projects funds	-	790,492	-	790,492
Total fund balances	478,987	790,492	303,590	1,573,069
<b>Total liabilities and fund balances</b>	<b>2,388,588</b>	<b>790,492</b>	<b>584,428</b>	<b>3,763,508</b>

## SAC COMMUNITY SCHOOL DISTRICT

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

June 30, 2008

	\$
<b>Total fund balances of governmental funds (Exhibit C)</b>	1,573,069
<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.	<u>2,487,618</u>
<b>Net assets of governmental activities (Exhibit A)</b>	<u><u>4,060,687</u></u>

## SAC COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2008

	General Fund	Capital Projects Local Option Sales Tax	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	914,368	252,240	183,743	1,350,351
Tuition	898,356	-	-	898,356
Other	120,403	26,665	50,050	197,118
State sources	2,116,951	-	187	2,117,138
Federal sources	120,284	-	-	120,284
Total revenues	<u>4,170,362</u>	<u>278,905</u>	<u>233,980</u>	<u>4,683,247</u>
Expenditures:				
Current:				
Instruction:				
Regular	2,761,213	-	22,225	2,783,438
Special	223,881	-	-	223,881
Other	197,050	-	24,814	221,864
	<u>3,182,144</u>	<u>-</u>	<u>47,039</u>	<u>3,229,183</u>
Support services:				
Student	43,652	-	-	43,652
Instructional staff	105,255	-	-	105,255
Administration	330,428	-	33,683	364,111
Operation and maintenance of plant	327,400	-	62,755	390,155
Transportation	164,110	-	38,394	202,504
	<u>970,845</u>	<u>-</u>	<u>134,832</u>	<u>1,105,677</u>
Non-instructional programs	<u>1,009</u>	<u>-</u>	<u>-</u>	<u>1,009</u>
Other expenditures:				
Facilities acquisition	-	38,862	59,116	97,978
AEA flowthrough	151,259	-	-	151,259
	<u>151,259</u>	<u>38,862</u>	<u>59,116</u>	<u>249,237</u>
Total expenditures	<u>4,305,257</u>	<u>38,862</u>	<u>240,987</u>	<u>4,585,106</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(134,895)</u>	<u>240,043</u>	<u>(7,007)</u>	<u>98,141</u>

## SAC COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2008

	General Fund	Capital Projects Local Option Sales Tax	Nonmajor Governmental Funds	Total
	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
Other financing sources (uses):				
Compensation for loss of fixed assets	937	-	-	937
Sales of materials and equipment	2,700	-	-	2,700
Total other financing sources (uses)	<u>3,637</u>	<u>-</u>	<u>-</u>	<u>3,637</u>
Net change in fund balances	(131,258)	240,043	(7,007)	101,778
Fund balances beginning of year	<u>610,245</u>	<u>550,449</u>	<u>310,597</u>	<u>1,471,291</u>
Fund balances end of year	<u><u>478,987</u></u>	<u><u>790,492</u></u>	<u><u>303,590</u></u>	<u><u>1,573,069</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, 2008

	\$	\$
<b>Net change in fund balances - total governmental funds (Exhibit E)</b>		101,778
<i>Amounts reported for governmental activities in the Statement of Activities are different because:</i>		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Depreciation expense exceeded capital outlay expenditures in the current year, as follows:		
Expenditures for capital assets	75,756	
Depreciation expense	<u>(139,751)</u>	<u>(63,995)</u>
<b>Changes in net assets of governmental activities (Exhibit B)</b>		<u><u>37,783</u></u>

## SAC COMMUNITY SCHOOL DISTRICT

Statement of Net Assets  
Proprietary Funds

June 30, 2008

	School Nutrition
	<u>\$</u>
<b>Assets</b>	
Cash and cash equivalents	20,471
Accounts receivable	868
Due from other governments	10,274
Inventories	4,651
Capital assets, net of accumulated depreciation	<u>21,860</u>
<b>Total assets</b>	<u>58,124</u>
<b>Liabilities</b>	
Accounts payable	2,669
Deferred revenue	<u>5,159</u>
<b>Total liabilities</b>	<u>7,828</u>
<b>Net assets</b>	
Invested in capital assets, net of related debt	21,860
Unrestricted	<u>28,436</u>
<b>Total net assets</b>	<u><u>50,296</u></u>

## SAC COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2008

	School Nutrition
	<u>\$</u>
Operating revenues:	
Local sources:	
Charges for service	<u>107,951</u>
Operating expenses:	
Non-instructional programs:	
Salaries	85,366
Benefits	11,429
Purchased services	2,020
Supplies	119,533
Depreciation	4,094
Total operating expenses	<u>222,442</u>
Operating gain (loss)	<u>(114,491)</u>
Non-operating revenues:	
State sources	8,370
Federal sources	117,214
Interest income	191
Total non-operating revenues	<u>125,775</u>
Change in net assets	11,284
Net assets beginning of year	<u>39,012</u>
Net assets end of year	<u><u>50,296</u></u>

## SAC COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows  
Proprietary Funds

Year ended June 30, 2008

	School Nutrition
	<u>\$</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	113,269
Cash payments to employees for services	(96,795)
Cash payments to suppliers for goods or services	(109,009)
Net cash used by operating activities	<u>(92,535)</u>
Cash flows from non-capital financing activities:	
State grants received	8,370
Federal grants received	103,754
Net cash provided by non-capital financing activities	<u>112,124</u>
Cash flows from capital and related financing activities	
Acquisition of capital assets	<u>(5,992)</u>
Cash flows from investing activities:	
Interest on investments	<u>191</u>
Net increase (decrease) in cash and cash equivalents	13,788
Cash and cash equivalents at beginning of year	<u>6,683</u>
Cash and cash equivalents at end of year	<u><u>20,471</u></u>
<b>Reconciliation of operating gain (loss) to net cash used by operating activities:</b>	
Operating gain (loss)	(114,491)
Adjustments to reconcile operating gain (loss) to net cash used by operating activities:	
Commodities used	11,306
Depreciation	4,094
Decrease (increase) in inventories	1,238
Decrease (increase) in accounts receivable	(779)
(Decrease) increase in accounts payable	2,669
(Decrease) increase in deferred revenue	3,428
Net cash used by operating activities	<u><u>(92,535)</u></u>

**Non-cash investing, capital and financing activities:**

During the year ended June 30, 2008, the District received \$11,306 of federal commodities.

# SAC COMMUNITY SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2008

### 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 attributable to the acquisition, construction, or improvement of those assets.

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

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

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

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

The District reports the following major governmental funds:

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

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

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

#### C. Measurement Focus and Basis of Accounting

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

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

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

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and 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 non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

#### D. Assets, Liabilities and Fund Equity

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

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

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

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

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

Property tax revenue recognized in these funds 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, 2006 assessed property valuations; is for the tax accrual period July 1, 2007, through June 30, 2008, and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2007.

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 not available for appropriation or 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 are 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.

**2. Cash and Pooled Investments**

The District's deposits in banks at June 30, 2008 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, 2008, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	<u>Amortized Cost</u>
	\$
Diversified Portfolio	970,092

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, 2008 is as follows:

Receivable Fund	Payable Fund	Amount
		\$
Nonmajor Governmental:		
Physical Plant and Equipment Levy Fund	General Fund	25,000
Nonmajor Governmental:		
General Fund	Physical Plant and Equipment Levy Fund	69,287

The amount due to the General Fund is a loan which is being repaid with interest.

### 4. 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, 2008, is as follows:

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable
			\$	\$	\$	\$
2007-08B	1/23/08	1/23/09	337,079	4,657	336,000	5,473
2008-09A	6/26/08	6/25/09	238,932	91	237,000	91
Total			576,011	4,748	573,000	5,564

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 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, 2008, is as follows:

Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
\$	\$	\$	\$
-	150,000	150,000	-

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

<u>Series</u>	<u>Interest Rates on Warrants</u>	<u>Interest Rates on Investments</u>
	%	%
2007-08A	4.500	5.455
2007-08B	3.750	3.451
2008-09A	3.500	3.469

## 5. Capital Assets

Capital assets activity for the year ended June 30, 2008 was as follows:

	<u>Balance Beginning of Year, as Restated</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance End of Year</u>
	\$	\$	\$	\$
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	76,319	-	-	76,319
Capital assets being depreciated:				
Buildings	3,530,407	30,201	-	3,560,608
Improvements other than buildings	417,579	-	-	417,579
Furniture and equipment	819,794	45,555	-	865,349
Total capital assets being deprec.	<u>4,767,780</u>	<u>75,756</u>	-	<u>4,843,536</u>
Less accumulated depreciation for:				
Buildings	1,638,130	69,565	-	1,707,695
Improvements other than buildings	325,603	6,512	-	332,115
Furniture and equipment	328,753	63,674	-	392,427
Total accumulated depreciation	<u>2,292,486</u>	<u>139,751</u>	-	<u>2,432,237</u>
Total capital assets being depreciated, net	<u>2,475,294</u>	<u>(63,995)</u>	-	<u>2,411,299</u>
Governmental activities capital assets, net	<u>2,551,613</u>	<u>(63,995)</u>	-	<u>2,487,618</u>
	<u>Balance Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance End of Year</u>
	\$	\$	\$	\$
<b>Business type activities:</b>				
Furniture and equipment	159,694	5,992	1,250	164,436
Less accumulated depreciation	<u>139,731</u>	<u>4,095</u>	<u>1,250</u>	<u>142,576</u>
Business type activities capital assets, net	<u>19,963</u>	<u>1,897</u>	-	<u>21,860</u>

Depreciation expense was charged to the following functions:

	\$
Governmental activities:	
Instruction:	
Regular	13,981
Support services:	
Instructional Staff	1,180
Administration services	1,975
Operation and maintenance of plant services	5,903
Transportation	35,821
	<hr/>
	58,860
Unallocated depreciation	80,891
	<hr/>
Total depreciation expense – governmental activities	139,751
	<hr/>
Business type activities:	
Food services	4,095
	<hr/>

## 6. 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 3.90% of their annual covered salary and the District is required to contribute 6.05% of annual covered payroll for the years ended June 30, 2008, 2007 and 2006. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2008, 2007, and 2006 were \$130,331, \$126,442 and \$125,368 respectively, equal to the required contributions for each year.

## 7. 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.

## 8. 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 \$151,259 for the year ended June 30, 2008 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

## 9. Lease Commitment

The District had entered into operating leases for copy machines. The payments the District will make over the next four years are as follows:

<u>Year Ended June 30</u>	<u>Lease Payment</u>
	\$
2009	13,656
2010	13,656
2011	13,656
2012	10,242

REQUIRED SUPPLEMENTARY INFORMATION

SAC COMMUNITY SCHOOL DISTRICT

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

Required Supplementary Information

Year ended June 30, 2008

	Governmental Fund Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
				Original	Final	
	\$	\$	\$	\$	\$	\$
Revenues:						
Local sources	2,445,825	108,142	2,553,967	1,874,741	1,874,741	679,226
State sources	2,117,138	8,370	2,125,508	2,099,037	2,099,037	26,471
Federal sources	120,284	117,214	237,498	290,000	290,000	(52,502)
Total revenues	<u>4,683,247</u>	<u>233,726</u>	<u>4,916,973</u>	<u>4,263,778</u>	<u>4,263,778</u>	<u>653,195</u>
Expenditures/Expenses:						
Instruction	3,229,183	-	3,229,183	3,406,356	3,606,356	377,173
Support services	1,105,677	-	1,105,677	1,160,000	1,260,000	154,323
Non-instructional programs	1,009	222,442	223,451	251,500	351,500	128,049
Other expenditures	249,237	-	249,237	696,777	296,777	47,540
Total expenditures/expenses	<u>4,585,106</u>	<u>222,442</u>	<u>4,807,548</u>	<u>5,514,633</u>	<u>5,514,633</u>	<u>707,085</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	98,141	11,284	109,425	(1,250,855)	(1,250,855)	1,360,280
Other financing sources (uses) net	<u>3,637</u>	<u>-</u>	<u>3,637</u>	<u>20,000</u>	<u>20,000</u>	<u>(16,363)</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures/expenses	101,778	11,284	113,062	(1,230,855)	(1,230,855)	1,343,917
Balance beginning of year	<u>1,471,291</u>	<u>39,012</u>	<u>1,510,303</u>	<u>1,516,864</u>	<u>1,516,864</u>	<u>(6,561)</u>
Balance end of year	<u><u>1,573,069</u></u>	<u><u>50,296</u></u>	<u><u>1,623,365</u></u>	<u><u>286,009</u></u>	<u><u>286,009</u></u>	<u><u>1,337,356</u></u>

## SAC COMMUNITY SCHOOL DISTRICT

### Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2008

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 function level, not by the fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment, which did not change total budgeted expenditures.

OTHER SUPPLEMENTARY INFORMATION

## SAC COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet  
Nonmajor Governmental Funds

June 30, 2008

Assets	Special Revenue Funds			Total
	Management	Student	Physical	
	Levy	Activity	Plant and	
		Fund	Equipment	
	\$	\$	Levy	\$
Cash and pooled investments	82,183	150,632	112,099	344,914
Receivables:				
Property tax:				
Delinquent	965	-	1,998	2,963
Succeeding year	75,000	-	136,551	211,551
Interfund receivable	-	-	25,000	25,000
<b>Total assets</b>	<b>158,148</b>	<b>150,632</b>	<b>275,648</b>	<b>584,428</b>
<b>Liabilities &amp; Fund Balances</b>				
Liabilities:				
Interfund payables	-	-	69,287	69,287
Deferred revenue:				
Succeeding year property tax	75,000	-	136,551	211,551
Total liabilities	75,000	-	205,838	280,838
Fund balances:				
Unreserved reported in:				
Special revenue funds	83,148	150,632	69,810	303,590
<b>Total liabilities and fund balances</b>	<b>158,148</b>	<b>150,632</b>	<b>275,648</b>	<b>584,428</b>

## SAC COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2008

	Special Revenue Funds			Total
	Management	Student	Physical	
	Levy	Activity	Plant and	
		Fund	Equipment	
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	59,829	-	123,914	183,743
Other	1,850	44,020	4,180	50,050
State sources	61	-	126	187
Total revenues	<u>61,740</u>	<u>44,020</u>	<u>128,220</u>	<u>233,980</u>
Expenditures:				
Current:				
Instruction:				
Regular	3,857	-	18,368	22,225
Other	-	24,814	-	24,814
Support services:				
Administration	28,901	-	4,782	33,683
Operation and maintenance of plant	28,300	-	34,455	62,755
Transportation	6,594	-	31,800	38,394
Other expenditures:				
Facilities acquisition	-	-	59,116	59,116
Total expenditures	<u>67,652</u>	<u>24,814</u>	<u>148,521</u>	<u>240,987</u>
Net change in fund balances	(5,912)	19,206	(20,301)	(7,007)
Fund balances beginning of year	<u>89,060</u>	<u>131,426</u>	<u>90,111</u>	<u>310,597</u>
Fund balances end of year	<u><u>83,148</u></u>	<u><u>150,632</u></u>	<u><u>69,810</u></u>	<u><u>303,590</u></u>

## SAC COMMUNITY SCHOOL DISTRICT

## Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2008

<u>Account</u>	Balance	Revenues	Expenditures	Balance End
	Beginning of			of Year
	Year			
	\$	\$	\$	\$
Activity ticket	12,379	7,015	-	19,394
Foreign exchange fund balance	2,321	-	-	2,321
Interest fund balance	17,763	2,112	5,376	14,499
CD's and investments	19,232	2,317	-	21,549
Cheerleaders	44	879	816	107
Concessions	147	166	313	-
Elementary student council	525	1,296	607	1,214
Custodial support acct.	286	276	-	562
Drama & speech fund balance	6,084	-	160	5,924
Elementary	1,869	2,570	2,118	2,321
Elementary pop machine	971	1,162	1,142	991
Future Homemakers of America	632	-	232	400
High school	294	3,471	2,466	1,299
Junior high student council	8	693	228	473
National Honor Society	226	-	-	226
Picture fund	2,581	-	-	2,581
Tag fund balance	702	-	-	702
S. club	1,601	-	-	1,601
Student council	1	1,637	1,349	289
Vocal music	1,398	264	552	1,110
Yearbook	7	270	277	-
All sports account balance	56,152	19,569	8,124	67,597
Student athletic fees	3,372	-	-	3,372
Spanish club	24	-	-	24
Activity scholarship	1,370	-	418	952
Class of 2007	9	-	9	-
Class of 2008	324	-	324	-
Library balance	162	323	303	182
Drill team	942	-	-	942
Total	131,426	44,020	24,814	150,632

## SAC COMMUNITY SCHOOL DISTRICT

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

For the Last Four Years

	Modified Accrual Basis			
	2008	2007	2006	2005
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	1,350,351	1,413,947	1,302,969	1,531,068
Tuition	898,356	158,543	196,241	202,722
Other	197,118	265,606	286,252	138,935
State sources	2,117,138	1,988,328	1,999,771	1,883,151
Federal sources	120,284	156,074	198,981	217,075
Total revenues	<u>4,683,247</u>	<u>3,982,498</u>	<u>3,984,214</u>	<u>3,972,951</u>
Expenditures:				
Instruction:				
Regular	2,783,438	2,018,205	1,802,518	1,788,431
Special	223,881	217,261	312,110	304,335
Other	221,864	307,166	371,390	294,262
Support services:				
Student	43,652	66,764	52,563	49,928
Instructional staff	105,255	114,505	116,448	86,422
Administration	364,111	382,806	446,759	426,876
Operation and maintenance of plant	390,155	361,252	309,903	479,339
Transportation	202,504	194,101	184,272	122,120
Non-instructional programs	1,009	17,092	5,759	1,060
Other expenditures:				
Facilities acquisition	97,978	80,951	157,441	24,396
Long-term debt:				
Principal	-	8,932	8,906	7,282
Interest and other charges	-	1,310	4,750	6,374
AEA flowthrough	151,259	146,914	142,382	142,582
Total expenditures	<u>4,585,106</u>	<u>3,917,259</u>	<u>3,915,201</u>	<u>3,733,407</u>

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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, 2008, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated April 27, 2009. 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 as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Sac Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Sac Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Sac Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Sac Community School District's financial statements that is more than inconsequential will not be prevented or detected by Sac Community School District's internal control. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings and Responses to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Sac Community School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe items 08-I-A and 08-I-B are material weaknesses.

#### 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 and Responses.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2008 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.

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

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of 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

April 27, 2009

SAC COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2008

Part I: Findings Related to the Financial Statements:

Significant deficiencies:

08-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, preparing and posting general journal entries, 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: We will continue to review our procedures and implement additional controls where possible.

Conclusion: Response accepted.

08-I-B Financial Statement Preparation: Financial statement preparation is the responsibility of the District. At the present time District personnel do not have the skills necessary to be able to write the District's financial statements and the related note disclosures. This is not an unusual situation for small governmental entities.

Recommendation: District personnel should attend any governmental accounting and reporting training sessions that may be offered by the Iowa Department of Education, State Auditor's Office or Iowa Association of School Business Officials. The school business office should also have governmental accounting and reporting reference materials.

District Response: As a school we certainly understand the need for continuing education classes for all of our staff. However, we have a limited budget and must continually prioritize needs. At this point in time it is not cost effective to train our staff to the level necessary that would enable them to write the financial statements, nor is it feasible to hire additional employees that already possess the skills.

Conclusion: Response accepted.

Instances of Noncompliance:

No matters were reported.

SAC COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2008

Part II: Other Findings Related to Statutory Reporting:

08-II-A Certified Budget: Expenditures for the year ended June 30, 2008 did not exceed the amounts budgeted.

08-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.

08-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.

08-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.

08-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.

08-II-F Board Minutes: We noted one General Fund and three Student Activity Fund disbursements that were not on the lists of bills approved by the board.

The District should review its procedures for preparing the lists of bills for board approval. Chapter 179.29 of the Code of Iowa provides that "the Board shall audit all just claims against the corporation and no order shall be drawn upon the treasury until the claim therefore has been audited and allowed." Chapter 279.30 of the Code of Iowa allows payment of specific items, such as utilities, postage and printing, without prior Board approval. The Board may approve a resolution designating certain other disbursements that may be paid prior to a board meeting with the approval of the Superintendent. The Board's written policy should comply with Chapter 279.30 of the Code of Iowa. Then, except as expressly permitted, no checks should be prepared for claims that have not been properly audited and allowed. Any payments made prior to board approval as allowed should be approved by the board at the next meeting.

SAC COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2008

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

District Response: The omission of these four items was not intentional. We will be more diligent in the future.

Conclusion: Response accepted.

08-II-G Certified Enrollment: The calculations for supplemental weighting reported on line 12 of the Certified Enrollment Certification Form for October 2007, included open enrollment in students.

Recommendation: The District should implement procedures to review the lists of students taking classes eligible for supplemental weighting and remove the open enrollment in students.

District Response: We will revise our procedures.

Conclusion: Response accepted.

08-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.

08-II-I Certified Annual Report: The Certified Annual Report was certified to the Iowa Department of Education timely.

08-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.