

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

June 30, 2010

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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, 2010, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these 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.

Management did not implement Governmental Accounting Standards Board (GASB) Statement number 45, Accounting and Financial Reporting by Employers for Postemployment Benefits other than Pensions. The amount by which this departure would affect the liabilities, net assets and expenditures in the governmental activities and business type activities has not been determined.

In our opinion, except for the effects of not providing a liability for other postemployment benefits for the governmental activities and the business type activities, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and business type activities of Whiting Community School District at June 30, 2010 and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund and the aggregate remaining fund information of Sac Community School District at June 30, 2010, 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 May 10, 2011, 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 34 through 35 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 six years ended June 30, 2009, (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 5, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

May 10, 2011

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, 2010. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2010 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 \$929,356 and total expenditures increased \$872,897.
- Total assets decreased by \$131,545 and total liabilities decreased by \$607,211
- The unspent/undesignated ending General Fund balance was \$1,027,808 and the Solvency Ratio increased to 20.97%.

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.

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.

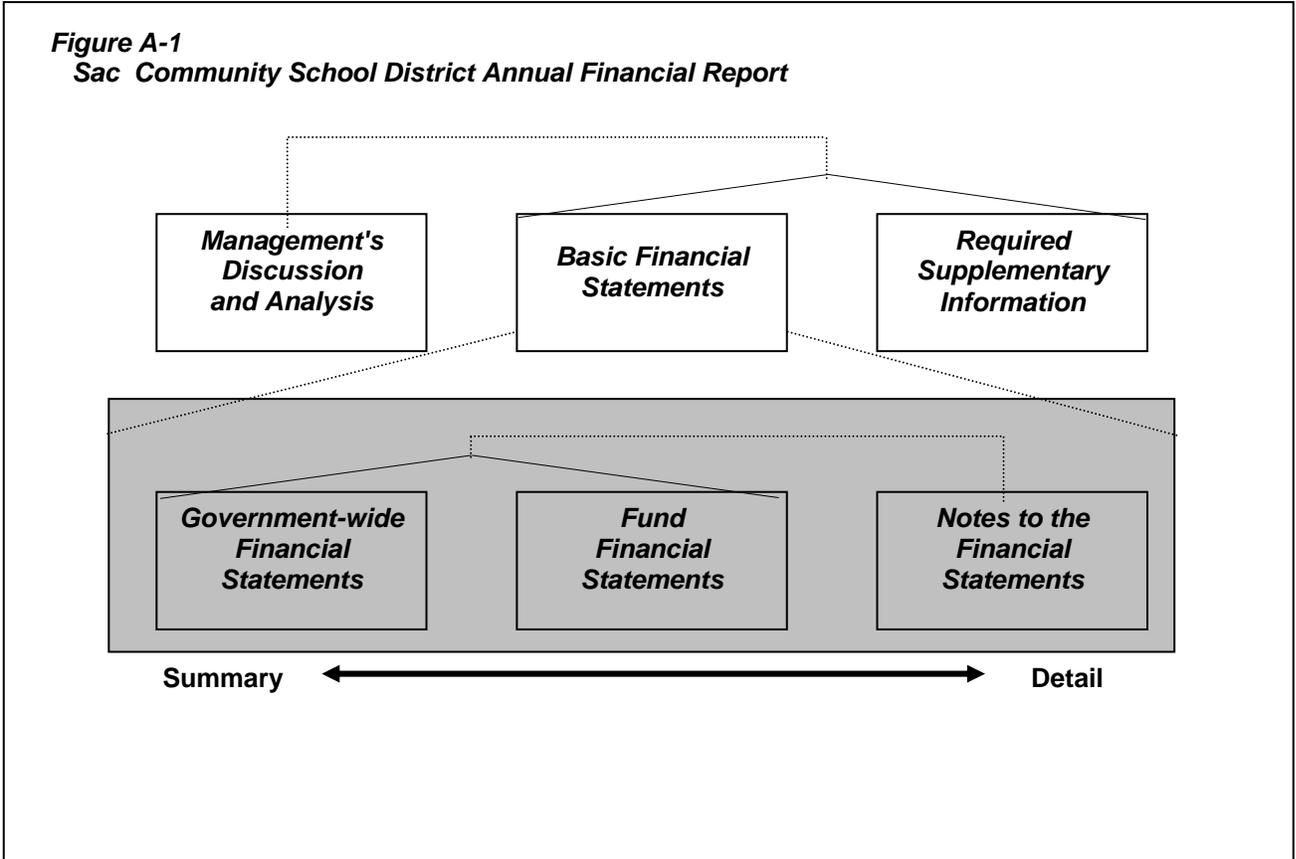


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

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, 2009 compared to June 30, 2008.

Figure A-3

	Condensed Statement of Net Assets						Percentage Change 2009-2010
	Governmental Activities		Business-type Activities		Total School District		
	2009	2010	2009	2010	2009	2010	
	\$	\$	\$	\$	\$	\$	
Current and other assets	4,236,910	4,030,493	41,664	120,002	4,278,574	4,150,495	-3%
Capital assets	2,486,237	2,474,029	17,766	26,508	2,504,003	2,500,537	<-1%
Total assets	6,723,147	6,504,522	59,430	146,510	6,782,577	6,651,032	-2%
Long-term liabilities	-	-	-	-	-	-	0%
Other liabilities	2,297,142	1,678,126	2,115	13,920	2,299,257	1,692,046	-26%
Total liabilities	2,297,142	1,678,126	2,115	13,920	2,299,257	1,692,046	-26%
Net Assets:							
Invested in capital assets, net of related debt	2,486,237	2,474,029	17,766	26,508	2,504,003	2,500,537	<-1%
Restricted	1,272,636	1,324,560	-	-	1,272,636	1,324,560	4%
Unrestricted	667,132	1,027,807	39,549	106,082	706,681	1,133,889	60%
TOTAL NET ASSETS	4,426,005	4,826,396	57,315	132,590	4,483,320	4,958,986	11%

The District's combined net assets increased approximately \$475,666, 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 \$51,924 or 4% 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 \$427,208, or 60%.

Figure A-4 shows the change in net assets for the years ended June 30, 2009 and 2010.

Figure A-4

	Change in Net Assets						Percentage Change 2009-2010
	Governmental Activities		Business-type Activities		Total School District		
	2009 \$	2010 \$	2009 \$	2010 \$	2009 \$	2010 \$	
Revenues							
Program Revenues:							
Charges for services	337,953	1,174,878	99,790	115,913	437,743	1,290,791	195%
Operating grants & contributions	666,048	960,163	125,170	131,017	791,218	1,091,180	38%
Capital grants & contributions	-	-	-	-	-	-	0%
General Revenues:							
Property taxes	1,183,349	1,350,996	-	-	1,183,349	1,350,996	14%
Statewide sales and services tax	258,646	246,489	-	-	258,646	246,489	-5%
Unrestricted state grants	1,852,061	1,530,253	-	-	1,852,061	1,530,253	-17%
Unrestricted investment earnings	51,292	24,176	204	252	51,496	24,428	-53%
Other revenue	24,307	7,381	-	-	24,307	7,381	-70%
Total Revenues	4,373,656	5,294,336	225,164	247,182	4,598,820	5,541,518	20%
Expenses:							
Instruction	2,643,225	3,414,590	-	-	2,643,225	3,414,590	29%
Support services	1,013,750	1,130,328	-	-	1,013,750	1,130,328	11%
Non-instructional programs	3,045	1,502	218,145	171,907	221,190	173,409	-22%
Other expenditures	348,318	347,525	-	-	348,318	347,525	<-1%
Total expenses	4,008,338	4,893,945	218,145	171,907	4,226,483	5,065,852	20%
CHANGE IN NET ASSETS	365,318	400,391	7,019	75,275	372,337	475,666	28%
Net assets beginning of year	4,060,687	4,426,005	50,296	57,315	4,110,983	4,483,320	9%
Net assets end of year	4,426,005	4,826,396	57,315	132,590	4,483,320	4,958,986	11%

Property tax and unrestricted state grants account for 52% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 90% of the total expenses.

Governmental Activities

Revenues for governmental activities were \$5,294,336 and expenses were \$4,893,945.

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 2009 \$	Total Cost Of Services 2010 \$	Net Cost of Services 2009 \$	Net Cost of Services 2010 \$
Instruction	2,643,225	3,414,590	1,811,067	1,473,939
Support Services	1,013,750	1,130,328	1,000,968	1,108,183
Non-instructional Programs	3,045	1,502	3,045	1,502
Other Expenses	348,318	347,525	189,257	175,280
TOTAL	4,008,338	4,893,945	3,004,337	2,758,904

- The cost financed by users of the District's programs was \$1,174,878.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$960,163.
- The net cost of governmental activities was financed with \$1,597,485 in property and other taxes and \$1,530,253 in unrestricted state grants.

Business Type Activities

Revenues for business type activities were \$247,182 and expenses were \$171,907. 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 \$2,352,367, well above last year's ending fund balances of \$1,939,768.

Governmental Fund Highlights

The Districts general fund financial position is the result of many factors. Revenue increase of \$1,073,650 was off set by expenditure increase of \$890,056. Both increases were due to the exchange of funds between the district and their whole grade sharing partner during the fiscal year. This was not done in the previous year.

- The General Fund balance increased from \$667,132 to \$1,027,808.
- The Physical Plant and Equipment Levy (PPEL) Fund balance decreased from \$144,867 in fiscal 2009 to \$116,805 in fiscal 2010.
- The Capital Projects Fund balance increased from \$873,459 in fiscal 2009 to \$953,552 in fiscal 2010.

Proprietary Fund Highlights

School Nutrition Fund net assets increased from \$57,315 at June 30, 2009 to \$132,590 at June 30, 2010.

BUDGETARY HIGHLIGHTS

The District's receipts were \$611,175 less than budgeted receipts. This decrease is primarily due to a reduction in state funding for schools.

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, 2010, 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 \$160,744.

Figure A-6

Capital Assets (net of depreciation)

	Governmental Activities		Business type Activities		Total School District		Percentage Change 2009-2010
	2009	2010	2009	2010	2009	2010	
	\$	\$	\$	\$	\$	\$	
Land	76,319	76,319	-	-	76,319	76,319	0%
Construction in progress	-	-	-	-	-	-	0%
Buildings	1,782,013	1,735,840	-	-	1,782,013	1,735,840	-3%
Improvements	164,388	220,853	-	-	164,388	220,853	34%
Equipment & Furniture	463,517	441,017	17,766	26,508	481,283	467,525	-3%
TOTAL	2,486,237	2,474,029	17,766	26,508	2,504,003	2,500,537	<-1%

Long-Term Debt

At June 30, 2010, 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. Also the uncertainty of State Funding could significantly impact the districts financial condition.

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. 16th Street, Sac City, IA 50583.

BASIC FINANCIAL STATEMENTS

SAC COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2010

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
Assets			
Cash and cash equivalents	2,484,111	114,363	2,598,474
Receivables:			
Property tax:			
Delinquent	10,743	-	10,743
Succeeding year	1,331,220	-	1,331,220
Accounts	-	145	145
Due from other governments	204,419	-	204,419
Inventories	-	5,494	5,494
Capital assets, net of accumulated depreciation	2,474,029	26,508	2,500,537
	<u>6,504,522</u>	<u>146,510</u>	<u>6,651,032</u>
Total assets			
Liabilities			
Accounts payable	4,275	11,607	15,882
Salaries and benefits payable	315,233	-	315,233
Deferred revenue:			
Succeeding year property tax	1,331,220	-	1,331,220
Other	27,398	2,313	29,711
	<u>1,678,126</u>	<u>13,920</u>	<u>1,692,046</u>
Total liabilities			
Net assets			
Invested in capital assets, net of related debt	2,474,029	26,508	2,500,537
Restricted for:			
Management levy	86,780	-	86,780
Physical plant and equipment levy	116,806	-	116,806
Other special revenue purposes	167,422	-	167,422
Sales tax capital projects	953,552	-	953,552
Unrestricted	1,027,807	106,082	1,133,889
	<u>4,826,396</u>	<u>132,590</u>	<u>4,958,986</u>
Total net assets			

SAC COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2010

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
	\$	\$	\$	\$
Governmental activities:				
Instruction:				
Regular	2,156,946	1,082,726	575,959	-
Special	307,740	52,190	94,027	-
Other	949,904	25,442	110,307	-
	<u>3,414,590</u>	<u>1,160,358</u>	<u>780,293</u>	<u>-</u>
Support services:				
Student	43,793	-	-	-
Instructional staff	108,429	-	5,145	-
Administration	377,678	-	-	-
Operation and maintenance of plant	379,067	13,875	-	-
Transportation	221,361	645	2,480	-
	<u>1,130,328</u>	<u>14,520</u>	<u>7,625</u>	<u>-</u>
Non-instructional programs	<u>1,502</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	80,105	-	-	-
AEA flowthrough	172,245	-	172,245	-
Depreciation (unallocated)*	95,175	-	-	-
	<u>347,525</u>	<u>-</u>	<u>172,245</u>	<u>-</u>
Total governmental activities	4,893,945	1,174,878	960,163	-
Business type activities:				
Non-instructional programs:				
Food service operations	<u>171,907</u>	<u>115,913</u>	<u>131,017</u>	<u>-</u>
Total	<u>5,065,852</u>	<u>1,290,791</u>	<u>1,091,180</u>	<u>-</u>
General Revenues:				
Property taxes levied for:				
General purposes				
Capital outlay				
Statewide 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
\$	\$	\$
(498,261)	-	(498,261)
(161,523)	-	(161,523)
(814,155)	-	(814,155)
<u>(1,473,939)</u>	<u>-</u>	<u>(1,473,939)</u>
(43,793)	-	(43,793)
(103,284)	-	(103,284)
(377,678)	-	(377,678)
(365,192)	-	(365,192)
(218,236)	-	(218,236)
<u>(1,108,183)</u>	<u>-</u>	<u>(1,108,183)</u>
(1,502)	-	(1,502)
(80,105)	-	(80,105)
-	-	-
(95,175)	-	(95,175)
<u>(175,280)</u>	<u>-</u>	<u>(175,280)</u>
(2,758,904)	-	(2,758,904)
<u>-</u>	<u>75,023</u>	<u>75,023</u>
<u>(2,758,904)</u>	<u>75,023</u>	<u>(2,683,881)</u>
1,315,760	-	1,315,760
35,236	-	35,236
246,489	-	246,489
1,530,253	-	1,530,253
24,176	252	24,428
7,381	-	7,381
<u>3,159,295</u>	<u>252</u>	<u>3,159,547</u>
400,391	75,275	475,666
<u>4,426,005</u>	<u>57,315</u>	<u>4,483,320</u>
<u>4,826,396</u>	<u>132,590</u>	<u>4,958,986</u>

SAC COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2010

	General Fund	Capital Projects	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$
Assets				
Cash and pooled investments	1,224,620	890,630	368,861	2,484,111
Receivables:				
Property tax:				
Delinquent	9,871	-	872	10,743
Succeeding year	1,219,716	-	111,504	1,331,220
Interfund receivable	31,976	-	33,250	65,226
Due from other governments	141,497	62,922	-	204,419
Total assets	<u>2,627,680</u>	<u>953,552</u>	<u>514,487</u>	<u>4,095,719</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	4,275	-	-	4,275
Salaries and benefits payable	315,233	-	-	315,233
Interfund payable	33,250	-	31,976	65,226
Deferred revenue:				
Succeeding year property tax	1,219,716	-	111,504	1,331,220
Other	27,398	-	-	27,398
Total liabilities	<u>1,599,872</u>	<u>-</u>	<u>143,480</u>	<u>1,743,352</u>
Fund balances:				
Unreserved reported in:				
General fund	1,027,808	-	-	1,027,808
Special revenue funds	-	-	371,007	371,007
Capital projects funds	-	953,552	-	953,552
Total fund balances	<u>1,027,808</u>	<u>953,552</u>	<u>371,007</u>	<u>2,352,367</u>
Total liabilities and fund balances	<u>2,627,680</u>	<u>953,552</u>	<u>514,487</u>	<u>4,095,719</u>

SAC COMMUNITY SCHOOL DISTRICT

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

June 30, 2010

	\$
Total fund balances of governmental funds (Exhibit C)	2,352,367
<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>2,474,029</u>
Net assets of governmental activities (Exhibit A)	<u><u>4,826,396</u></u>

SAC COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2010

	General Fund	Capital Projects	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	1,241,318	246,489	109,678	1,597,485
Tuition	1,113,177	-	-	1,113,177
Other	55,591	7,287	22,999	85,877
State sources	1,987,502	-	94	1,987,596
Federal sources	502,820	-	-	502,820
Total revenues	<u>4,900,408</u>	<u>253,776</u>	<u>132,771</u>	<u>5,286,955</u>
Expenditures:				
Current:				
Instruction:				
Regular	2,135,483	-	1,100	2,136,583
Special	307,740	-	-	307,740
Other	932,319	-	17,585	949,904
	<u>3,375,542</u>	<u>-</u>	<u>18,685</u>	<u>3,394,227</u>
Support services:				
Student	43,793	-	-	43,793
Instructional staff	108,429	-	-	108,429
Administration	331,215	-	44,488	375,703
Operation and maintenance of plant	334,074	-	46,128	380,202
Transportation	180,313	-	51,640	231,953
	<u>997,824</u>	<u>-</u>	<u>142,256</u>	<u>1,140,080</u>
Non-instructional programs	<u>1,502</u>	<u>-</u>	<u>-</u>	<u>1,502</u>
Other expenditures:				
Facilities acquisition	-	173,683	-	173,683
AEA flowthrough	172,245	-	-	172,245
	<u>172,245</u>	<u>173,683</u>	<u>-</u>	<u>345,928</u>
Total expenditures	<u>4,547,113</u>	<u>173,683</u>	<u>160,941</u>	<u>4,881,737</u>
Excess (deficiency) of revenues over (under) expenditures	353,295	80,093	(28,170)	405,218
Other financing sources (uses):				
Sales of materials and equipment	7,381	-	-	7,381
Net change in fund balances	360,676	80,093	(28,170)	412,599
Fund balances beginning of year	<u>667,132</u>	<u>873,459</u>	<u>399,177</u>	<u>1,939,768</u>
Fund balances end of year	<u>1,027,808</u>	<u>953,552</u>	<u>371,007</u>	<u>2,352,367</u>

See notes to financial statements.

SAC COMMUNITY SCHOOL DISTRICT

Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances - Governmental Funds to the
Statement of Activities

Year ended June 30, 2010

	\$	\$
Net change in fund balances - total governmental funds (Exhibit E)		412,599
 <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	144,469	
Depreciation expense	<u>(156,677)</u>	<u>(12,208)</u>
 Changes in net assets of governmental activities (Exhibit B)		 <u><u>400,391</u></u>

SAC COMMUNITY SCHOOL DISTRICT

Statement of Net Assets
Proprietary Funds

June 30, 2010

	Nonmajor School Nutrition
	<u>\$</u>
Assets	
Cash and cash equivalents	114,363
Accounts receivable	145
Inventories	5,494
Capital assets, net of accumulated depreciation	<u>26,508</u>
Total assets	<u>146,510</u>
Liabilities	
Accounts payable	11,607
Deferred revenue	<u>2,313</u>
Total liabilities	<u>13,920</u>
Net assets	
Invested in capital assets	26,508
Unrestricted	<u>106,082</u>
Total net assets	<u><u>132,590</u></u>

SAC COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2010

	Nonmajor School Nutrition
	<u>\$</u>
Operating revenues:	
Local sources:	
Charges for service	<u>115,913</u>
Operating expenses:	
Non-instructional programs:	
Salaries	60,551
Benefits	8,589
Purchased services	721
Supplies	97,979
Depreciation	4,067
Total operating expenses	<u>171,907</u>
Operating gain (loss)	<u>(55,994)</u>
Non-operating revenues:	
State sources	2,456
Federal sources	128,561
Interest income	252
Total non-operating revenues	<u>131,269</u>
Change in net assets	75,275
Net assets beginning of year	<u>57,315</u>
Net assets end of year	<u><u>132,590</u></u>

SAC COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows
Proprietary Funds

Year ended June 30, 2010

	Nonmajor School Nutrition
	<u>\$</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	125,055
Cash payments to employees for services	(66,471)
Cash payments to suppliers for goods or services	(82,167)
Net cash used by operating activities	<u>(23,583)</u>
Cash flows from non-capital financing activities:	
State grants received	2,456
Federal grants received	120,496
Net cash provided by non-capital financing activities	<u>122,952</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	<u>(12,809)</u>
Cash flows from investing activities:	
Interest on investments	<u>252</u>
Net increase (decrease) in cash and cash equivalents	86,812
Cash and cash equivalents at beginning of year	<u>27,551</u>
Cash and cash equivalents at end of year	<u><u>114,363</u></u>
Reconciliation of operating gain (loss) to net cash used by operating activities:	
Operating gain (loss)	(55,994)
Adjustments to reconcile operating gain (loss) to net cash used by operating activities:	
Commodities used	18,664
Depreciation	4,067
Decrease (increase) in inventories	(2,131)
Decrease (increase) in accounts receivable	6
(Decrease) increase in accounts payable	11,607
(Decrease) increase in deferred revenue	198
Net cash used by operating activities	<u><u>(23,583)</u></u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2010, the District received \$18,664 of federal commodities.

SAC COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2010

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. The Enterprise School Nutrition Fund is not a major fund.

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, 2008 assessed property valuations; is for the tax accrual period July 1, 2009, through June 30, 2010, and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2009.

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

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

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

<u>Asset Class</u>	<u>Amount</u>
	\$
Land	500
Buildings	1,500
Improvements other than buildings	1,500
Intangibles	25,000
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
Intangibles	3-10 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, 2010 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, 2010, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	<u>Amortized Cost</u>
	\$
Diversified Portfolio	704,075

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, 2010 is as follows:

Receivable Fund	Payable Fund	Amount \$
Nonmajor Governmental:		
Physical Plant and Equipment Levy Fund	General Fund	8,250
Management Fund	General Fund	25,000
Nonmajor Governmental:		
General Fund	Physical Plant and Equipment Levy Fund	31,976

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. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. Bankers Trust Co. NA is the trustee for the program.

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. 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. The interest rate on the Series 2009-10A warrants was 2.5%. The interest rate on the Series 2009-10B warrants is a variable rate, calculated daily based upon the Bankers Trust Co., NA prime rate plus 50 basis points with a minimum interest rate of 4.5% A summary of the District's ISCAP activity for the year ended June 30, 2010, is as follows:

Series	Warrant Date	Final Warrant Maturity Date	Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
			\$	\$	\$	\$
2009-10A	6/25/09	6/23/10	-	-	-	-
2009-10B	2/1/10	1/21/11	-	115,000	115,000	-
			-	115,000	115,000	-

During the year ended June 30, 2010, the District paid \$2,741 of interest on the ISCAP warrants.

5. Capital Assets

Capital assets activity for the year ended June 30, 2010 was as follows:

	Balance Beginning of Year, as Restated	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
Governmental activities:				
Capital assets not being depreciated:				
Land	76,319	-	-	76,319
Capital assets being depreciated:				
Buildings	3,560,608	26,028	-	3,586,636
Improvements other than buildings	505,900	67,550	-	573,450
Furniture and equipment	885,575	50,891	-	936,466
Total capital assets being deprec.	<u>4,952,083</u>	<u>144,469</u>	-	<u>5,096,552</u>
Less accumulated depreciation for:				
Buildings	1,778,595	72,201	-	1,850,796
Improvements other than buildings	341,512	11,085	-	352,597
Furniture and equipment	422,058	73,391	-	495,449
Total accumulated depreciation	<u>2,542,165</u>	<u>156,677</u>	-	<u>2,698,842</u>
Total capital assets being depreciated, net	<u>2,409,918</u>	<u>(12,208)</u>	-	<u>2,397,710</u>
Governmental activities capital assets, net	<u>2,486,237</u>	<u>(12,208)</u>	-	<u>2,474,029</u>
	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
Business type activities:				
Furniture and equipment	164,436	12,809	-	177,245
Less accumulated depreciation	<u>146,670</u>	<u>4,067</u>	-	<u>150,737</u>
Business type activities capital assets, net	<u>17,766</u>	<u>8,742</u>	-	<u>26,508</u>

Depreciation expense was charged to the following functions:

	\$
Governmental activities:	
Instruction:	
Regular	20,363
Support services:	
Administration services	1,975
Operation and maintenance of plant	4,756
Transportation	<u>34,408</u>
	61,502
Unallocated depreciation	<u>95,175</u>
Total depreciation expense – governmental activities	<u>156,677</u>
Business type activities:	
Food services	<u>4,067</u>

6. Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2010, are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
	\$	\$	\$	\$	\$
Governmental activities:					
Termination benefits	-	45,000	45,000	-	-
Total	-	45,000	45,000	-	-

Termination Benefits

In fiscal year 2010, the District approved a voluntary early retirement plan for employees. The plan was only offered to employees for one year. Eligible employees must have completed at least twenty years of full-time 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.

Early retirement benefits are equal to a maximum retirement benefit of \$15,000.

At June 30, 2010, the District has no obligations to any participants. Actual early retirement expenditures for the year ended June 30, 2010 totaled \$45,000.

7. Pension and Retirement Benefits

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

Plan members are required to contribute 4.30% of their annual covered salary and the District is required to contribute 6.65% of annual covered salary. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2010, 2009, and 2008 were \$155,427, \$148,168 and \$130,331 respectively, equal to the required contributions for each year.

8. Other Postemployment Benefits (OPEB)

The District has not implemented GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits other than Pensions as of June 30, 2010.

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 \$172,245 for the year ended June 30, 2010 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

11. Lease Commitment

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

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

12. District Merger

The District has voted to merge with the Wall Lake View Auburn Community School District as of July 1, 2011.

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, 2010

	Governmental Fund Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
				Original	Final	
	\$	\$	\$	\$	\$	\$
Revenues:						
Local sources	2,796,539	116,165	2,912,704	3,113,606	3,113,606	(200,902)
Intermediate sources	-	-	-	40,000	40,000	(40,000)
State sources	1,987,596	2,456	1,990,052	2,771,706	2,771,706	(781,654)
Federal sources	502,820	128,561	631,381	220,000	220,000	411,381
Total revenues	<u>5,286,955</u>	<u>247,182</u>	<u>5,534,137</u>	<u>6,145,312</u>	<u>6,145,312</u>	<u>(611,175)</u>
Expenditures/Expenses:						
Instruction	3,394,227	-	3,394,227	4,195,000	4,195,000	800,773
Support services	1,140,080	-	1,140,080	1,320,000	1,320,000	179,920
Non-instructional programs	1,502	171,907	173,409	265,000	265,000	91,591
Other expenditures	345,928	-	345,928	1,101,041	1,101,041	755,113
Total expenditures/expenses	<u>4,881,737</u>	<u>171,907</u>	<u>5,053,644</u>	<u>6,881,041</u>	<u>6,881,041</u>	<u>1,827,397</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	405,218	75,275	480,493	(735,729)	(735,729)	1,216,222
Other financing sources (uses) net	<u>7,381</u>	<u>-</u>	<u>7,381</u>	<u>-</u>	<u>-</u>	<u>7,381</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures/expenses	412,599	75,275	487,874	(735,729)	(735,729)	1,223,603
Balance beginning of year, as restated	<u>1,939,768</u>	<u>57,315</u>	<u>1,997,083</u>	<u>1,455,199</u>	<u>1,455,199</u>	<u>541,884</u>
Balance end of year	<u><u>2,352,367</u></u>	<u><u>132,590</u></u>	<u><u>2,484,957</u></u>	<u><u>719,470</u></u>	<u><u>719,470</u></u>	<u><u>1,765,487</u></u>

SAC COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2010

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 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 did not amend their budget.

OTHER SUPPLEMENTARY INFORMATION

SAC COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2010

Assets	Special Revenue Funds			Total
	Management	Student	Physical	
	Levy	Activity	Plant and	
		Fund	Equipment	
	\$	\$	Levy	\$
Cash and pooled investments	77,938	167,422	123,501	368,861
Receivables:				
Property tax:				
Delinquent	592	-	280	872
Succeeding year	75,000	-	36,504	111,504
Interfund receivable	8,250	-	25,000	33,250
Total assets	161,780	167,422	185,285	514,487
Liabilities & Fund Balances				
Liabilities:				
Interfund payables	-	-	31,976	31,976
Deferred revenue:				
Succeeding year property tax	75,000	-	36,504	111,504
Total liabilities	75,000	-	68,480	143,480
Fund balances:				
Unreserved reported in:				
Special revenue funds	86,780	167,422	116,805	371,007
Total liabilities and fund balances	161,780	167,422	185,285	514,487

SAC COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2010

	Special Revenue Funds			Total
	Management	Student	Physical	
	Levy	Activity	Plant and	
	\$	Fund	Equipment	\$
	\$	\$	Levy	\$
Revenues:				
Local sources:				
Local tax	74,442	-	35,236	109,678
Other	45	22,762	192	22,999
State sources	64	-	30	94
Total revenues	<u>74,551</u>	<u>22,762</u>	<u>35,458</u>	<u>132,771</u>
Expenditures:				
Current:				
Instruction:				
Regular	-	-	1,100	1,100
Other	-	17,585	-	17,585
Support services:				
Administration	43,087	-	1,401	44,488
Operation and maintenance of plant	30,109	-	16,019	46,128
Transportation	6,640	-	45,000	51,640
Total expenditures	<u>79,836</u>	<u>17,585</u>	<u>63,520</u>	<u>160,941</u>
Net change in fund balances	(5,285)	5,177	(28,062)	(28,170)
Fund balances beginning of year	<u>92,065</u>	<u>162,245</u>	<u>144,867</u>	<u>399,177</u>
Fund balances end of year	<u><u>86,780</u></u>	<u><u>167,422</u></u>	<u><u>116,805</u></u>	<u><u>371,007</u></u>

SAC COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2010

<u>Account</u>	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
	\$	\$	\$	\$
Activity ticket	25,509	4,525	-	30,034
Foreign exchange fund balance	2,321	-	-	2,321
Interest fund balance	16,729	434	-	17,163
CD's and investments	21,715	1,125	-	22,840
Cheerleaders	279	-	-	279
Concessions	61	692	599	154
Elementary student council	1,340	604	705	1,239
Custodial support acct.	107	375	22	460
Drama & speech fund balance	7,982	2,824	1,631	9,175
Elementary	2,273	148	719	1,702
Elementary pop machine	1,341	1,048	983	1,406
Future Homemakers of America	108	-	107	1
Middle school	1,417	856	612	1,661
Junior high student council	2,277	2,450	1,893	2,834
National Honor Society	226	-	38	188
Picture fund	2,581	-	-	2,581
Tag fund balance	702	-	422	280
S. club	1,601	-	-	1,601
Student council	289	-	-	289
Vocal music	676	100	25	751
All sports account balance	66,775	6,422	7,109	66,088
Student athletic fees	3,222	-	-	3,222
Spanish club	24	-	-	24
Activity scholarship	952	475	1,425	2
Library balance	796	684	1,295	185
Drill team	942	-	-	942
Total	162,245	22,762	17,585	167,422

SAC COMMUNITY SCHOOL DISTRICT

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

For the Last Seven Years

	Modified Accrual Basis						
	2010	2009	2008	2007	2006	2005	2004
	\$	\$	\$	\$	\$	\$	\$
Revenues:							
Local sources:							
Local tax	1,597,485	1,441,995	1,350,351	1,413,947	1,302,969	1,531,068	1,350,272
Tuition	1,113,177	249,122	898,356	158,543	196,241	202,722	154,253
Other	85,877	148,373	197,118	265,606	286,252	138,935	216,728
Intermediate sources	-	1,975	-	-	-	-	-
State sources	1,987,596	2,343,772	2,117,138	1,988,328	1,999,771	1,883,151	1,964,754
Federal sources	502,820	172,362	120,284	156,074	198,981	217,075	218,274
Total revenues	5,286,955	4,357,599	4,683,247	3,982,498	3,984,214	3,972,951	3,904,281
Expenditures:							
Instruction:							
Regular	2,136,583	2,058,385	2,783,438	2,018,205	1,802,518	1,788,431	1,748,823
Special	307,740	321,519	223,881	217,261	312,110	304,335	326,789
Other	949,904	265,124	221,864	307,166	371,390	294,262	273,419
Support services:							
Student	43,793	41,017	43,652	66,764	52,563	49,928	48,924
Instructional staff	108,429	70,870	105,255	114,505	116,448	86,422	84,037
Administration	375,703	336,545	364,111	382,806	446,759	426,876	423,836
Operation and maintenance	380,202	353,529	390,155	361,252	309,903	479,339	405,349
Transportation	231,953	209,823	202,504	194,101	184,272	122,120	116,718
Non-instructional programs	1,502	3,045	1,009	17,092	5,759	1,060	1,377
Other expenditures:							
Facilities acquisition	173,683	189,922	97,978	80,951	157,441	24,396	-
Long-term debt:							
Principal	-	-	-	8,932	8,906	7,282	4,560
Interest and other charges	-	-	-	1,310	4,750	6,374	9,096
AEA flowthrough	172,245	159,061	151,259	146,914	142,382	142,582	145,911
Total expenditures	4,881,737	4,008,840	4,585,106	3,917,259	3,915,201	3,733,407	3,588,839

SAC COMMUNITY SCHOOL DISTRICT

Schedule of Expenditures of Federal Awards

Year ended June 30, 2010

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Grant Number</u>	<u>Expenditures</u> \$
Direct:			
U.S. Department of Education:			
Rural Education	84.358	FY10	36,729
Subtotal Direct			<u>36,729</u>
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Education:			
School Nutrition Cluster Programs:			
School Breakfast Program	10.553	FY10	21,807
National School Lunch Program (non-cash)	10.555	FY10	18,664
National School Lunch Program	10.555	FY10	87,532
Special Milk Program for Children	10.556	FY10	558
			<u>128,561</u>
U.S. Department of Education:			
Iowa Department of Education:			
Title I, Part A Cluster:			
Title I Grants to Local Educational Agencies	84.010	FY10	66,288
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	FY10	44,019
			<u>110,307</u>
Safe and Drug Free Schools and Communities - State Grants	84.186	FY10	1,502
Reading Excellence Program	84.338	FY10	5,145
Improving Teacher Quality State Grants	84.367	FY10	21,526
Grants for State Assessments and Related Activities	84.369	FY10	2,977
ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	84.394	FY10	230,607
Prairie Lakes Area Education Agency:			
Special Education Cluster (IDEA):			
Special Education - Grants to States	84.027	FY10	25,049
ARRA - Special Education Grants to States, Recovery Act	84.391	FY10	13,698
			<u>38,747</u>
Subtotal Indirect			<u>539,372</u>
Total			<u><u>576,101</u></u>

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

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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, 2010, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated May 10, 2011. Our opinions on the governmental activities and the business type activities were qualified because the District did not adopt GASB statement number 45, Accounting and Financial Reporting by Employers for Postemployment Benefits other than Pensions. 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 an 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs as items 10-II-A, 10-II-B and 10-II-C to be 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 IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2010 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 Questioned Costs. 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, including federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of 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

May 10, 2011

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

To the Board of Education of
Sac Community School District:

Compliance

We have audited Sac Community School District's compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that could have a direct and material effect on Sac Community School District's major federal programs for the year ended June 30, 2010. Sac Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Sac Community School District's management. Our responsibility is to express an opinion on Sac Community School District's compliance based on our audit.

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

In our opinion, Sac Community School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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, including federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

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

May 10, 2011

SAC COMMUNITY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
Year ended June 30, 2010

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

- (a) A qualified opinion was issued on the Statement of Assets and Statement of Activities due to lack of implementation of GASB 45 (Other Post Employment Benefits).
- (b) Material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No significant deficiencies or material weaknesses in internal control over the major programs were disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed no audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
 - CFDA Number 84.394 – ARRA – State Fiscal Stabilization Fund (SFSF)– Education State Grants, Recovery Act
 - Title I Part A Cluster
 - CFDA Number 84.010 - Title I Grants to Local Educational Agencies
 - CFDA Number 84.389 – ARRA – Title I Grants to Local Educational Agencies, Recovery Act
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Sac Community School District did not qualify as a low-risk auditee.

SAC COMMUNITY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
Year ended June 30, 2010

Part II: Findings Related to the Financial Statements:

Internal Control Deficiencies:

10-II-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.

10-II-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.

SAC COMMUNITY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
Year ended June 30, 2010

Part II: Findings Related to the Financial Statements:

10-II-C Signature Stamp: We noted that a secretary occasionally signs checks in lieu of the board secretary and also has access to the board president signature stamp.

Recommendation: This practice negates the control established by requiring two signatures on the checks. The secretary should not have access to or use a stamp with the Board President's signature.

District Response: We will discuss methods to limit access to the stamp.

Conclusion: Response accepted.

Instances of Noncompliance:

No matters were reported.

SAC COMMUNITY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
Year ended June 30, 2010

Part III: Findings and Questioned Costs For Federal Awards:

Instances of Non-Compliance:

No matters were noted.

Internal Control Deficiencies:

No matters were reported.

SAC COMMUNITY SCHOOL DISTRICT
 Schedule of Findings and Questioned Costs
 Year ended June 30, 2010

Part IV: Other Findings Related to Required Statutory Reporting:

10-IV-A Certified Budget: Expenditures for the year ended June 30, 2010 did not exceed the amounts budgeted.

10-IV-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.

10-IV-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.

10-IV-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.

10-IV-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.

10-IV-F Board Minutes: No transactions requiring board approval that had not been approved by the board were noted.

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

10-IV-H Supplementary Weighting: No variances regarding supplementary weighting certified to the Department of Education were noted.

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

SAC COMMUNITY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
Year ended June 30, 2010

Part IV: Other Findings Related to Required Statutory Reporting (Continued):

10-IV-J Certified Annual Report: The Certified Annual Report was certified to the Iowa Department of Education timely. We noted that the CAR included accrued salaries and benefits from the prior year which had not been reversed out of the current year expenditures.

Recommendation: The District should review this accrual and consider amending the CAR with the Department of Education.

District Response: We will check with the Department of Education and consider amending the CAR.

Conclusion: Response accepted.

10-IV-K Categorical Funding: No instances were noted of categorical funding being used to supplant rather than supplement other funds.

According to proposed administrative rules, "Categorical funding shall not be commingled with other funding. School districts shall use a project code and program code as defined by Uniform Financial Accounting." We noted that during the year some categorical funding expenditures were commingled with other General Fund expenditures, and then were reclassified as categorical spending at the end of the year.

Recommendation: All categorical funding expenditures should be posted to the correct expenditure accounts as the expenditures are incurred.

District Response: We have revised our procedures for identifying categorical expenditures so that they will be coded to the correct expenditure accounts

Conclusion: Response accepted.

10-IV-L Statewide Sales, Services and Use Tax: No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. For the year ended June 30, 2010, the District's financial activity and other required information for the statewide sales, services and use tax revenue are as follows:

SAC COMMUNITY SCHOOL DISTRICT
 Schedule of Findings and Questioned Costs
 Year ended June 30, 2010

Part IV: Other Findings Related to Required Statutory Reporting (Continued):

	\$	\$
Beginning balance		873,459
Statewide sales, services and use tax	246,489	
Interest	7,287	253,776
Expenditures/transfers out:		
School infrastructure:		
Buildings and building improvements		173,683
Ending balance		953,552

The statewide sales, services and use tax revenue received during the year ended June 30, 2010 is equivalent to a reduction in the following levies:

	Per \$1,000 of Taxable Valuation	Property Tax Dollars
	\$	\$
Physical plant and equipment levy	2.29	246,489

10-IV-M Student Activity Fund Accounts: We noted that there were library books purchased in the Student Activity Fund that may belong more appropriately in other funds.

Recommendation: We recommend these accounts be reviewed and any inappropriate expenditures be reimbursed by the proper fund.

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

Conclusion: Response accepted.

10-IV-N Intangible Assets: During the year the District adopted GASB statement number 51, Intangible Assets. The statement requires that the District capitalize and amortize intangible assets over the life of the assets. The District, however, did not adopt a written policy that sets the capitalization threshold for intangible assets. This could lead to the situation where different thresholds are used in different years.

Recommendation: The District should adopt a written policy for the capitalization of intangible assets.

District Response: We will do this.

Conclusion: Response accepted.

SAC COMMUNITY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
Year ended June 30, 2010

Part IV: Other Findings Related to Required Statutory Reporting (Continued):

10-IV-O Interfund loans: On October 22, 2009 the Iowa Department of Education issued a revised declaratory order covering interfund loans. The Order states that all loans between funds must be approved by the board of directors, interest must be paid on the interfund loans and the loans must be repaid before the October 1, after each year-end.

Recommendation: The District should follow the declaratory order with respect to the interfund loans that are listed in Note 3 to the financial statements and any future interfund loans.

District Response: We will review our procedures for interfund loans and will follow the declaratory order.

Conclusion: Response accepted.