CITY OF SAC CITY, IOWA

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

AS OF AND FOR THE YEAR ENDED JUNE 30, 2011

Cornwell, Frideres, Maher & Associates, P.L.C.
Certified Public Accountants

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City of Sac City, Iowa

Officials

Name	Title	Term Expires
Barb Bloes	Mayor	Jan 2012
Bill Brenny	Mayor Pro Tem	Jan 2012
Jim Johnston	Council Member	Jan 2014
Gary Hansen	Council Member	Jan 2014
Jim Frederick	Council Member	Jan 2012
Nich Frohardt	Council Member	Jan 2014
Adam Ledford	City Administrator	Jan 2012
Sandy Tellinghuisen	City Clerk/Treasurer	Jan 2012
Colin McCullough	Attorney	Jan 2012
Matt Wallace	Airport Commission	Jan 2014
Jim Currie	Airport Commission	Jan 2014
Milo Lines	Airport Commission	Jan 2016
Earl Zimmerman	Airport Commission	Jan 2013

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Certified Public Accountants

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Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Sac City, Iowa, as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Sac City's management. Our responsibility is to express opinions on these 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.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Sac City as of June 30, 2011, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated March 13, 2012 on our consideration of the City of Sac City'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 internal control over financial reporting or 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 10 and 30 through 32 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 required 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 the City of Sac City'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, 2010 (which are not presented herein) and expressed unqualified opinions on those financial statements which were prepared in conformity with an other comprehensive basis of accounting. Other supplementary information included in Schedules 1 through 6, 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.

Cornwell, Frideres, Maher & Associates, P.L.C.

Cornwell, Frideres, Maher & Associates, P.L.C.
Certified Public Accountants

March 13, 2012

City of Sac City
Management's Discussion & Analysis
June 30, 2011

The discussion and analysis is intended to be an easily readable analysis of the City of Sac City's financial activities based on current conditions. This analysis focuses on activities for the year ended June 30th, 2011 and should be read in conjunction with the financial statements within this report.

2011 Financial Highlights

- Total governmental funds cash balances increased 3.5% or approximately $24,375 from fiscal year 2010 to 2011. The stagnation was partially a result of delayed expenditures from 2010 that did not occur until this fiscal year.
- Disbursements of the City's governmental activities decreased 5.5% or approximately $95,304 in fiscal year 2010 to 2011. This slight decline is a result of continued efficiency improvements.
- Revenues of the City's governmental activities decreased 12% or approximately $236,677 from fiscal year 2010 to 2011. This was partially a result of reduced grants associated with a limited number of capital projects during the fiscal year.
- Total business funds cash balances decreased 6.1% or approximately $64,076 from fiscal year 2010 to 2011. This is due to several significant one-time capital purchases during the fiscal year.
- Disbursements of the City's business activities increased 213.1% or approximately $4,005,268. This is due to cost associated with the ongoing sewer projects and one-time capital expenditures.
- Revenues of the City's business activities increased 195.3% or approximately $3,652,305. This is due to loan disbursements as part of the ongoing sewer projects.

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 City's financial activities.

The Government-wide Financial Statement consists of a State of Activities and Net Assets. This statement provides information about the activities of the City as a whole and presents an overall view of the City'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

the City's operations in more detail than the government-wide statement 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 City's budget for the year.
Other Supplementary Information provides detailed information about lower priority governmental funds.

Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable, and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, the readers should keep in mind the limitations resulting from the use of the cash basis of accounting.

Reporting the City's Financial Activities

Government-wide Financial Statement

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Activities and Net Assets reports information which help answer this question.

The Statement of Activities and Net Assets presents the City's net assets. Over time, increases or decreases in the City's net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities and Net Assets is divided into two kinds of activities:

- Governmental Activities included public safety, public works, culture and recreation, community and economic development, general government, debt service, and capital projects. Property taxes, state grants, and federal grants finance most of these activities.
- Business Type Activities include the waterworks, the sanitary sewer system, and municipal gas utilities. These activities are financed primarily by user charges.

Fund Financial Statements

The City has two kinds of funds:

1. Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax, 3) the Debt Service Fund, 4) the Capital Projects Funds, and 5) the Permanent Funds. The governmental fund financial statements provide a detailed, short-term view of the City's general governmental operations and the basic services it provides. Government fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statements for governmental funds include a statement of cash receipts, disbursements, and changes in cash balances.

2. Proprietary funds accounts for the City's Enterprise Funds and for the Internal Service Fund. Enterprise funds are used to report business type activities. The City maintains four enterprise funds to provide separate information for the water, sewer, gas, and garbage funds of which water and gas are determined to be major funds of the City. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the City's various functions.

The required financial statements for proprietary funds include a statement of cash receipts, disbursements, and changes in cash balances.

Reconciliations between the government-wide statement and the fund financial statements follow the fund financial statements.

Government-wide Financial Analysis

Net assets may serve over time as a useful indicator of financial position. The analysis that follows focuses on the changes in cash balances for governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities

	2010-2011	**2009-2010**
Receipts & transfers:		
Program Receipts:		
Charges for service	72,778	67,743
Intergovernmental	290,045	291,277
Capital Grants	319,624	358,756
General Receipts:		
Property Tax	699,954	853,116
Other City Tax	163,904	164,676
Miscellaneous	75,366	79,661
Use of Money & Property	1,577	2,005
Transfers, Net	90,900	133,591
Bond Proceeds	0	0
Total Receipts:	1,714,148	1,950,825
Disbursements:		
Public Safety	400,363	335,507
Public Works	361,042	311,642
Culture & Recreation	270,683	291,850
Community & Econ Dev	3,600	3,850
General Government	200,041	343,778
Debt Service	134,420	302,415
Capital Projects	319,624	196,035
Total Disbursements:	1,689,773	1,785,077
Change in cash balances	24,375	165,748
Cash basis net assets beginning of the year	694,437	528,689
Cash basis net assets end of the year	**718,812**	**694,437**

The City's total receipts for government activities for Fiscal Year 2010-2011 were $1,714,148 compared to $1,950,825 the previous year. This reflects a 12% reduction in receipts mostly due to a reduction in collection for outstanding debt.

The expenditures of all governmental activities for Fiscal Year 2010-2011 were $1,689,773 compared to $1,785,077 the previous year. This reflects a 5.5% reduction in disbursements also due to a reduction in collection for outstanding debt.

Changes in Cash Basis Net Assets of Business Type Activities

	2010-2011	**2009-2010**
Receipts:		
Program Receipts:		
Sewer	402,341	556,312
Gas	1,259,052	1,371,089
Non-major (Water/Solid Waste)	819,286	807,305
General Receipts:		
Miscellaneous	33,963	28,702
Intergovernmental	741,032	0
Interest	7,892	3,605
Bond Proceeds	4,310,167	1,197,106
Transfers In	(90,900)	(133,591)
Total Receipts:	7,482,833	3,830,528
Disbursements:		
Sewer	5,413,324	1,606,830
Gas	1,334,340	1,273,060
Non-major	799,245	661,751
Total Disbursements:	7,546,909	3,541,641
Change in cash balances	(64,076)	288,887
Cash basis net assets beginning of year	1,049,428	760,541
Case basis net change in assets	**985,352**	**1,049,428**

Total business activities receipts for the fiscal year were $7.483 million compared to $3.831 million last year. The increased receipts were due to significantly more bond proceeds as a result of the sanitary sewer projects.

Total disbursements for the fiscal year were $7.547 million compared to $3.542 million last year. The increased disbursements were also due to the sanitary sewer projects.

The balance decreased approximately $64,076 to $985,352 from the prior year. The 6.1% drop was partially due to the purchase of one-time capital equipment.

Individual Major Governmental Fund Analysis

As Sac City completed the year, its governmental funds reported a combined fund balance of $720,613 and increase of $25,526 above last year's total of $695,087. While the balance in the major funds stayed fairly consistent, the following are major contributors to the changes in fund balances from the prior year.

- The General Fund cash balance increased from $201,918 to $178,813. This reflects a realization of capital purchases originally anticipated in the 2010 budget.

- The Capital Funds cash balance increased from $211,214 to $220,081.
- The Special Revenue Funds cash balance increased from $146,605 to $181,544. This reflects mostly one-time revenue increases from the I-JOBS program.
- The Debt Service Fund cash balance increased from $49,822 to $54,247.
- The Permanent Fund cash balance increase from $85,528 to $85,928.

Individual Major Business Type Fund Analysis

As Sac City completed the year, its business funds reported a decrease in the combined fund balance above last year's total. While the balance in the major funds stayed fairly consistent, the following are major contributors to the changes in fund balances from the prior year.

- The Gas Fund cash balance decreased from $708,492 to $647,218. This was mostly due to one-time capital expenditures.
- The Sewer Fund cash balance increased from $163,609 to $174,221.
- The Non-Major Fund (Water/Solid Waste) cash balance decreased from $178,270 to $166,260. This was mostly due to one-time capital expenditures.

Budgetary Highlights

Over the course of the year, the City amended its budget once for $718,000. $550,000 was reported as an increased in expenditures as a result of two projects (LMI Housing Project & Airport Improvement Project). The remaining $168,000 reflects increases mostly resulting from capital purchases originally anticipated in the 2010 budget. The amendment included $550,000 in additional revenues from grants received for the two projects referenced above.

Debt Administration

At June 30, 2011, the City had approximately $6,568,038 in bonds and other long-term debt, compared to approximately $2,367,870 the previous year, as shown below.

Outstanding Debt at Year-End

	2011	**2010**
General Obligation Bonds	$400,000	$510,000
Revenue Debt	$6,168,038	$1,857,870
Total	$6,568,038	$2,367,870

Debt increased as a result of a new revenue obligation as part of the sanitary sewer department improvements. No new general obligation bonds were created while the City continued to pay down existing bonds.

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation of $400,000 is significantly below its constitutional debt limit of over $3 million.

Economic Factors & Next Year's Budget & Rates

Several factors were considered and affected the preparation of the City's 2011 budget, as follows:

- The local economy is moderately stable with some concerns as a result of the ongoing national recession.
- The local unemployment rate has remained lower than the state of Iowa averages.
- The rate lids and property tax rollback imposed by the state of Iowa.
- Grant revenues.

Contacting the City's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions about this report or require additional information, contact Charles Adam Ledford, City Administrator, 302 E. Main Street, Sac City, Iowa.

Basic Financial Statements

City of Sac City, Iowa
Statement of Activities and Net Assets - Cash Basis
As of and for the year ended June 30, 2011

		Program Receipts		
	Disbursements	Charges for Service	Operating Grants, Contributions, and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Functions/Programs:				
Primary Government:				
Governmental activities:				
Public safety	$ 400,363	13,636	17,835	-
Public works	361,042	6,925	224,151	-
Culture and recreation	270,683	49,850	48,059	-
Community and economic development	3,600	-	-	-
General government	200,041	-	-	136,123
Debt service	134,420	-	-	-
Capital projects	319,624	2,367	-	183,501
Total governmental activities	1,689,773	72,778	290,045	319,624
Business type activities:				
Gas	1,334,340	1,259,052	-	-
Sewer	5,413,324	402,341	741,032	-
Nonmajor	799,245	819,286	-	-
Total business type activities	7,546,909	2,480,679	741,032	-
Total	9,236,682	2,553,457	1,031,077	319,624
Component unit:				
Airport	$ 72,816	10,359	15,000	-

General Receipts:

Property tax levied for:

General purposes

Debt service

Local option sales tax

Unrestricted interest on investments

Bond Proceeds

Miscellaneous

Transfers

Total general receipts and transfers

Change in cash basis net assets

Cash basis net assets beginning of year

Cash basis net assets end of year

Cash Basis Net Assets

Restricted:

Nonexpendable:

Cemetary Perpetual Care

Expendable:

Streets

Debt service

Other purposes

Unrestricted

Total cash basis net assets

See notes to financial statements.

Net (Disbursements) Receipts and Changes in Cash Basis Net Assets			Component Unit
Governmental Activities	Business Type Activities	Total	Airport
(368,892)	-	(368,892)	-
(129,966)	-	(129,966)	-
(172,774)	-	(172,774)	-
(3,600)	-	(3,600)	-
(63,918)	-	(63,918)	-
(134,420)	-	(134,420)	-
(133,756)	-	(133,756)	-
(1,007,326)	-	(1,007,326)	-
-	(75,288)	(75,288)	-
-	(4,269,951)	(4,269,951)	-
-	20,041	20,041	-
-	(4,325,198)	(4,325,198)	-
(1,007,326)	(4,325,198)	(5,332,524)	-
-	-	-	(47,457)
657,451	-	657,451	-
42,503	-	42,503	-
163,904	-	163,904	-
1,577	7,892	9,469	956
-	4,310,167	4,310,167	-
75,366	33,963	109,329	25,967
90,900	(90,900)	-	-
1,031,701	4,261,122	5,292,823	26,923
24,375	(64,076)	(39,701)	(20,534)
694,437	1,049,428	1,743,865	67,430
$ 718,812	985,352	1,704,164	46,896
85,928	-	85,928	-
243,681	-	243,681	-
54,247	-	54,247	-
243,872	-	243,872	-
91,084	985,352	1,076,436	46,896
$ 718,812	985,352	1,704,164	46,896

Exhibit B

City of Sac City, Iowa
Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Governmental Funds
As of and for the year ended June 30, 2011

	General	Other Nonmajor Governmental Funds	Total
Receipts:			
Property tax	$ 423,151	249,709	672,860
Other city tax	16,995	174,003	190,998
Licenses and permits	18,553	-	18,553
Use of money and property	17,372	-	17,372
Intergovernmental	63,423	505,480	568,903
Charges for service	52,356	-	52,356
Special assessments	-	2,367	2,367
Miscellaneous	40,738	59,101	99,839
Total receipts	632,588	990,660	1,623,248
Disbursements:			
Operating:			
Public safety	400,363	-	400,363
Public works	166,588	194,454	361,042
Culture and recreation	269,401	1,282	270,683
Community and economic development	3,600		3,600
General government	198,890	-	198,890
Debt service	-	134,420	134,420
Capital projects	-	319,624	319,624
Total disbursements	1,038,842	649,780	1,688,622
Excess (deficiency) of receipts over (under) disbursements	(406,254)	340,880	(65,374)
Other financing sources (uses):			
Operating transfers in	383,149	102,842	485,991
Operating transfers out	-	(395,091)	(395,091)
Total other financing sources (uses)	383,149	(292,249)	90,900
Net change in cash balances	(23,105)	48,631	25,526
Cash balances beginning of year	201,918	493,169	695,087
Cash balances end of year	$ 178,813	541,800	720,613
Cash Basis Fund Balances			
Nonspendable - Cemetary perpetual care	$ -	85,928	85,928
Restricted for:			
Streets	-	62,900	62,900
Debt service	-	54,247	54,247
Capital projects	-	220,081	220,081
Other purposes		118,644	118,644
Unassigned	178,813	-	178,813
Total cash basis fund balances	$ 178,813	541,800	720,613

See notes to financial statements.

City of Sac City, Iowa

Exhibit C

Reconciliation of the Statement of Cash
Receipts, Disbursements and Changes in Cash Balances
to the Statement of Activities and Net Assets -
Governmental Funds
As of and for the year ended June 30, 2011

Total governmental funds cash balances (page 14)	$ 720,613
Amounts reported for governmental activities in the Statement of Activities and Net Assets are different because:	
The Internal Service Fund is used by management to charge the costs of the City's payroll to individual funds. The assets of the Internal Service Fund are included in governmental activities in the Statement of Net Assets.	(1,801)
Cash basis net assets of governmental activities (page 12)	$ 718,812
Net change in cash balances (page 14)	$ 25,526
Amounts reported for governmental activities in the Statement of Activities and Net Assets are different because:	
The Internal Service Fund is used by management to charge the costs of the City's payroll to individual funds. The change in net assets of the Internal Service Fund is reported with governmental activities.	(1,151)
Change in cash balance of governmental activities (page 12)	$ 24,375

See notes to financial statements.

City of Sac City, Iowa
Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Proprietary Funds
As of and for the year ended June 30, 2011

	Enterprise Funds		
	Gas	Sewer	Nonmajor
Operating receipts:			
Charges for service	$ 1,259,052	402,341	819,286
Miscellaneous	6,536	17,267	10,160
Total operating receipts	1,265,588	419,608	829,446
Operating disbursements:			
Governmental activities:			
Public safety	-	-	-
Public works	-	-	-
Culture and recreation	-	-	-
General government	-	-	-
Business type activities	1,218,135	262,903	686,270
Total operating disbursements	1,218,135	262,903	686,270
Excess (deficiency) of operating receipts over (under) operating disbursements	47,453	156,705	143,176
Non-operating receipts (disbursements):			
Interest on investments	7,140	263	489
Intergovernmental	-	741,032	-
Bond proceeds	-	4,310,167	-
Capital projects	(114,801)	(5,150,421)	(112,975)
Total non-operating receipts (disbursements)	(107,661)	(98,959)	(112,486)
Excess (deficiency) of receipts over (under) disbursements	(60,208)	57,746	30,690
Operating transfers in	23,145	-	-
Operating transfers out	(24,211)	(47,134)	(42,700)
Total operating transfers	(1,066)	(47,134)	(42,700)
Net change in cash balances	(61,274)	10,612	(12,010)
Cash balances beginning of year	708,492	163,609	178,270
Cash balances end of year	$ 647,218	174,221	166,260
Cash Basis Fund Balances			
Unrestricted	$ 647,218	174,221	166,260
Total cash basis fund balances	$ 647,218	174,221	166,260

See notes to financial statements.

Exhibit D

Total	Internal Service Fund Employee Payroll
2,480,679	-
33,963	1,051,489
2,514,642	1,051,489
-	192,016
-	145,459
-	96,618
-	23,569
2,167,308	596,382
2,167,308	1,054,044
347,334	(2,555)
7,892	-
741,032	-
4,310,167	-
(5,378,197)	-
(319,106)	-
28,228	(2,555)
23,145	-
(114,045)	-
(90,900)	-
(62,672)	(2,555)
1,050,371	(1,593)
987,699	(4,148)
987,699	(4,148)
987,699	(4,148)

Reconciliation of the Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
to the Statement of Activities and Net Assets -
Proprietary Funds
As of and for the year ended June 30, 2011

Total enterprise funds cash balances (page 16)	$ 987,699
Amounts reported for business type activities in the Statement of Activities and Net Assets are different because:	
The Internal Service Fund is used by management to charge the costs of the City's payroll to individual funds. The assets of the Internal Service Fund are included in business type activities in the Statement of Net Assets.	(2,347)
Cash basis net assets of business type activities (page 12)	$ 985,352
Net change in cash balances (page 16)	$ (62,672)
Amounts reported for business type activities in the Statement of Activities and Net Assets are different because:	
The Internal Service Fund is used by management to charge the costs of the City's payroll to individual funds. The change in net assets of the Internal Service Fund is reported with business type activities.	(1,404)
Change in cash balance of business type activities (page 12)	$ (64,076)

See notes to financial statements.

(1) Summary of Significant Accounting Policies

The City of Sac City is a political subdivision of the State of Iowa located in Sac County. It was first incorporated in 1875 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development, and general government services. The City also provides water, sewer and gas utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Sac City has included all funds, organizations, agencies, boards, commissions and authorities. The City 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 City are such that exclusion would cause the City'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 City 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 City.

Discretely Presented Component Unit

These financial statements present the City of Sac City (the primary government) and its component unit. The component unit discussed below is included in the City's reporting entity because of the significance of its operational or financial relationship with the City.

The Sac City Municipal Airport Authority (Authority) was established pursuant to Chapter 330A of the Code of Iowa to operate the City's airport facility. The Authority is governed by a five member board appointed by the Sac City, City Council. The board members serve at the pleasure of the City. The City annually provides significant operating subsidies to the Authority. In accordance with criteria set by the Governmental Accounting Standards Board, the Authority meets the definition of a component unit which should be discretely presented. The Authority is accounted for as a Governmental Fund in these financial statements.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Sac County Emergency Management Commission, Sac County Landfill Commission, Sac County Joint E911 Service Board, Recreation Center Board, and Kid's World Board.

B. Basis of Presentation

Government-wide Financial Statement – The Statement of Activities and Net Assets reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which 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 services.

The Statement of Activities and Net Assets presents the City's nonfiduciary net assets. Net assets are reported in the following categories/components:

Nonexpendable restricted net assets are subject to externally imposed stipulations which require them to be maintained permanently by the City, including the City's Permanent Fund.

Expendable 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 preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities and Net Assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts 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 on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements – Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts 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 disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

The City reports the following major proprietary funds:

The Gas Fund accounts for the operation and maintenance of the City's gas system.

The Sewer Fund accounts for the operation and maintenance of the City's waste water treatment and sanitary sewer system.

The City also reports the following additional proprietary fund:

An Internal Service Fund is utilized to account for the City's payroll, which is then allocated to the City's departments on a cost reimbursement basis.

C. Measurement Focus and Basis of Accounting

The City of Sac City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Governmental Cash Basis Fund Balances:

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent because they are legally or contractually required to be maintained intact.

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors, or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Unassigned – All amounts not included in other spendable classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2011, disbursements exceeded the amounts budgeted in the community and economic development function.

F. Subsequent Events

The City has evaluated subsequent events through March 13, 2012, the date which the financial statements were available to be issued.

(2) Cash

The City and its component unit's deposits in banks at June 30, 2011 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 City and its component unit are 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 City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City and its component unit had no investments at June 30, 2011. The City and its component unit invested its excess funds in savings accounts and certificates of deposit.

(3) Bonds and Notes Payable

Annual debt service requirements to maturity for general obligation bonds and notes are as follows:

Year Ending	General Obligation Notes		Revenue Bonds		Total	
June 30,	Principal	Interest	Principal	Interest	Principal	Interest
2012	$ 115,000	18,430	---	125,041	115,000	143,471
2013	55,000	13,005	128,000	125,041	183,000	138,046
2014	55,000	10,557	209,000	121,231	264,000	131,788
2015	55,000	8,083	216,000	117,301	271,000	125,384
2016	60,000	5,580	223,000	113,221	283,000	118,801
2017-2021	60,000	2,820	1,226,000	500,285	1,286,000	503,105
2022-2026	---	---	1,441,000	376,835	1,441,000	376,835
2027-2031	---	---	1,692,000	231,845	1,692,000	231,845
2032-2035	---	---	1,033,038	64,417	1,033,038	64,417
Total	$ 400,000	58,475	6,168,038	1,775,217	6,568,038	1,833,692

Revenue Bonds

The City has pledged future sewer customer receipts, net of specified operating disbursements to repay $6,793,000 of sewer revenue bonds authorized in January 2010. Proceeds from the bonds will provide financing for the construction of improvements to the sewer system. Annual principal and interest payments on the notes are expected to require less than 90 percent of net receipts. The notes are payable solely from the sewer

customer net receipts and are payable through 2037. The City is drawing down funds from this revenue bond as needed. As of June 30, 2011 $6,168,038 has been received by the City. Of this amount received, $2 million is forgivable as described in the following paragraph.

Two million dollars of the total $6.793 million sewer revenue bond is a forgivable loan. The $2 million is forgivable provided that the City of Sac City completes the project in accordance with the note agreement. Not only is the principal forgiven, but the interest, servicing fee and initiation fee are also forgiven. Repayments on this bond commence with the fiscal year ending June 30, 2013.

The resolutions providing for the issuance of the sewer revenue bonds include the following provisions:

(a) The bonds will only be redeemed from the future net revenues of the municipal sanitary sewer system of the City, a sufficient portion of which has been ordered set aside and pledged for that purpose.

(b) Monthly transfers shall be made to the Sewer Revenue Sinking Fund for the purpose of making the bond principal and interest payments when due.

(c) Rates shall be established at a level sufficient to meet the operation and maintenance expenses of the Wastewater Treatment System and to produce and maintain net revenues at a level not less than 110% of the amount of principal and interest on the revenue bond.

(4) Pension and Retirement Benefits

The City 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.

Most regular plan members are required to contribute 4.50% of their annual covered salary and the City is required to contribute 6.95% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2011, 2010 and 2009 were $75,561, $71,271 and $66,155, respectively, equal to the required contributions for each year.

(5) Other Postemployment Benefits (OPEB)

Plan Description – The city operates a single-employer health benefit plan which provides medical/dental benefits for employees and retirees and their spouses. There are 22 active and 1 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/dental benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/dental benefits as active employees.

Funding Policy – The contribution requirements of plan members are established and may be amended by the City. The City currently finances the benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and plan members are $490 for single coverage, $1,008 for 2-person coverage, and $1,357 for family coverage. The same monthly premiums apply to retirees. For the year ended June 30, 2011, the City contributed $280,411.

(6) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, retirement, or death. Sick leave is payable upon retirement in limited situations. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation and sick leave payments payable to employees at June 30, 2011, primarily relating to the General Fund, is as follows:

Type of Benefit	Amount
Vacation	$ 61,000
Sick Leave	1,000
	$ 62,000

This liability has been computed based on rates of pay in effect at June 30, 2011.

(7) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2011 is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue:	
	Employee Benefits	$ 217,305
	Local Option Sales Tax	119,186
	Long-term Capital	
	Fire Department	5,658
	Enterprise:	
	Gas	21,000
	Water	10,000
	Sewer	10,000
Debt Service	Enterprise:	
	Gas	3,211
	Water	32,700
	Sewer	30,634
	Special Revenue:	
	Local Option Sales Tax	29,797
Capital Projects:	Enterprise:	
Special Assessment	Sewer	6,500
Enterprise:	Special Revenue:	
Gas	Revolving Loan	23,145
Total		$ 509,136

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

(8) Risk Management

The City of Sac City is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 645 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public official's liability, police professional liability, property, boiler/machinery, and inland marine. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 150 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The City's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The City's contributions to the Pool for the year ended June 30, 2011 were $102,859.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to $350,000 per claim. Claims exceeding $350,000 are reinsured in an amount not to exceed $2,650,000 per claim. For members requiring specific coverage from $3,000,000 to $12,000,000 such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to $150,000 each occurrence, each location, with excess coverage reinsured by the Travelers Insurance Company.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. As of June 30, 2011, settled claims have not exceeded the risk pool or reinsurance company coverage since the Pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their casualty capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its casualty capital contributions. However, the refund is reduced by an amount equal to the annual casualty operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

The City also carries commercial insurance purchased from other insurers for coverage associated with worker's compensation. The City assumes liability for any deductibles, and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(9) Intergovernmental Agreements

The County entered into an agreement with the Sac County Solid Waste Agency, in accordance with Chapter 28E of the Code of Iowa, to provide for the disposal of solid waste. For the year ended June 30, 2011 $88,377 was paid for landfill fees pursuant to the agreement.

State and federal laws and regulations require the Agency to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. The cost to the Agency for compliance with these requirements have been estimated at $1,040,892 according to the Agency's latest audit report available, which was for the year ended June 30, 2010.

The Agency has demonstrated financial assurance for closure and post closure care costs by establishing a local government dedicated fund as provided in Chapter 111.6(9) of the Iowa Administrative Code.

(10) Early Childhood Development Project

A management agreement is in effect where Kid's World will repay the City the amount it advanced plus interest. The balance owing to the City at June 30, 2011, including interest, is $208,663.

(11) Construction Commitments

The City of Sac City has committed to a sewer improvement project for approximately $7 million. This project will be paid from a combination of SRF funding, ARRA and CDBG grants and rate increases. As of June 30, 2011, $6.5 million has been expended on this project.

Required Supplemental Information

City of Sac City, Iowa

Budgetary Comparison Schedule
of Receipts, Disbursements, and Changes in Balances -
Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Funds

Required Supplementary Information

Year ended June 30, 2011

	Governmental Funds Actual	Proprietary Funds Actual	Funds not Required to be Budgeted
Receipts:			
Property tax	$ 672,860	-	-
Other city tax	190,998	-	-
Licenses and permits	18,553	-	-
Use of money and property	17,372	7,892	-
Intergovernmental	568,903	741,032	-
Charges for service	52,356	2,480,679	-
Special assessments	2,367	-	-
Miscellaneous	99,839	1,085,452	1,051,489
Total receipts	1,623,248	4,315,055	1,051,489
Disbursements:			
Public safety	400,363	192,016	192,016
Public works	361,042	145,459	145,459
Health and social services	-	-	-
Culture and recreation	270,683	96,618	96,618
Community and economic development	3,600	-	-
General government	198,890	23,569	23,569
Debt service	134,420	-	-
Capital projects	319,624	-	-
Business type activities	-	8,141,887	596,382
Total disbursements	1,688,622	8,599,549	1,054,044
Excess (deficiency) of receipts over (under) disbursements	(65,374)	(4,284,494)	(2,555)
Other financing sources (uses), net	90,900	4,219,267	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	25,526	(65,227)	(2,555)
Balances beginning of year	695,087	1,048,778	(1,593)
Balances end of year	$ 720,613	983,551	(4,148)

See accompanying independent auditor's report.

Net	Budgeted Amounts Original	Budgeted Amounts Final	Final to Net Variance
672,860	702,181	702,181	(29,321)
190,998	152,387	152,387	38,611
18,553	8,600	8,600	9,953
25,264	40,000	40,000	(14,736)
1,309,935	2,251,562	2,801,562	(1,491,627)
2,533,035	3,237,760	3,237,760	(704,725)
2,367	3,500	3,500	(1,133)
133,802	143,450	143,450	(9,648)
4,886,814	6,539,440	7,089,440	(2,202,626)
400,363	354,500	414,500	14,137
361,042	360,130	420,130	59,088
-	1,500	4,500	4,500
270,683	283,720	303,720	33,037
3,600	3,000	3,000	(600)
198,890	206,960	231,960	33,070
134,420	217,626	217,626	83,206
319,624	-	550,000	230,376
7,545,505	9,751,550	9,751,550	2,206,045
9,234,127	11,178,986	11,896,986	2,662,859
(4,347,313)	(4,639,546)	(4,807,546)	460,233
4,310,167	4,793,000	4,793,000	(482,833)
(37,146)	153,454	(14,546)	(22,600)
1,745,458	1,644,174	1,644,174	101,284
1,708,312	1,797,628	1,629,628	78,684

City of Sac City, Iowa

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2011

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards 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 City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Internal Service Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds, the Permanent Fund and Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted revenues by $550,000 and increased budgeted disbursements by $718,000. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2011, disbursements exceeded the amounts budgeted in the community and economic development function.

Other Supplementary Information

City of Sac City, Iowa

Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Nonmajor Governmental Funds

As of and for the year ended June 30, 2011

	Special Revenue					
	Road Use Tax	Employee Benefits	Unemployment Compensation	Local Option	Arts Council	Long-term Capital Fire Department
Receipts:						
Property tax	$ -	208,822	-	-	-	-
Other city tax	-	8,483	-	163,904	-	-
Intergovernmental	224,151	-	-	-	-	2,471
Special assessments	-	-	-	-	-	-
Miscellaneous	-	-	-	-	525	211
Total receipts	224,151	217,305	-	163,904	525	2,682
Disbursements						
Operating:						
Public works	194,454	-	-	-	-	-
Culture and recreation	-	-	-	-	225	-
General government	-	-	-	-	-	-
Debt service	-	-	-	-	-	-
Capital projects	-	-	-	-	-	-
Total Disbursements	194,454	-	-	-	225	-
Excess (deficiency) of receipts over (under) disbursements	29,697	217,305	-	163,904	300	2,682
Other financing sources (uses):						
Operating transfers in	-	-	-	-	-	-
Operating transfers out	-	(217,305)	-	(148,983)	-	(5,658)
Total other financing sources (uses)	-	(217,305)	-	(148,983)	-	(5,658)
Net change in cash balances	29,697	-	-	14,921	300	(2,976)
Cash balances beginning of year	33,203	-	9,042	-	1,455	94,747
Cash balances end of year	62,900	-	9,042	14,921	1,755	91,771
Cash Basis Fund Balances						
Nonspendable - Cemetary perpetual care	-	-	-	-	-	-
Restricted for:						
Streets	62,900	-	-	-	-	-
Debt service	-	-	-	-	-	-
Capital projects	-	-	-	-	-	-
Other purposes	-	-	9,042	14,921	1,755	91,771
Total cash basis fund balances	$ 62,900	-	9,042	14,921	1,755	91,771

See accompanying independent auditor's report.

				Capital Projects			Permanent	
Revolving Loan	CDBG Housing Grant	Library	Debt Service	Capital Improvements	Special Assessment	Airport Improvements	Cemetery Perpetual Care	Total
-	-	-	40,887	-	-	-	-	249,709
-	-	-	1,616	-	-	-	-	174,003
-	136,123	-	-	-	-	142,735	-	505,480
-	-	-	-	-	2,367	-	-	2,367
15,430	-	1,769	-	-	-	40,766	400	59,101
15,430	136,123	1,769	42,503	-	2,367	183,501	400	990,660
-	-	-	-	-	-	-	-	194,454
-	-	1,057	-	-	-	-	-	1,282
-	-	-	-	-	-	-	-	-
-	-	-	134,420	-	-	-	-	134,420
-	136,123	-	-	-	-	183,501	-	319,624
-	136,123	1,057	134,420	-	-	183,501	-	649,780
15,430	-	712	(91,917)	-	2,367	-	400	340,880
-	-	-	96,342	-	6,500	-	-	102,842
(23,145)	-	-	-	-	-	-	-	(395,091)
(23,145)	-	-	96,342	-	6,500	-	-	(292,249)
(7,715)	-	712	4,425	-	8,867	-	400	48,631
7,715	-	443	49,822	39,300	171,914	-	85,528	493,169
-	-	1,155	54,247	39,300	180,781	-	85,928	541,800
-	-	-	-	-	-	-	85,928	85,928
-	-	-	-	-	-	-	-	62,900
-	-	-	54,247	-	-	-	-	54,247
-	-	-	-	39,300	180,781	-	-	220,081
-	-	1,155	-	-	-	-	-	118,644
-	-	1,155	54,247	39,300	180,781	-	85,928	541,800

City of Sac City, Iowa

Schedule 2

Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Nonmajor Proprietary Funds

As of and for the year ended June 30, 2011

	Enterprise Funds			
	Storm Sewer	Water	Garbage	Total
Operating receipts:				
Charges for service	$ 59,034	538,557	221,695	819,286
Miscellaneous	-	4,733	5,427	10,160
Total operating receipts	59,034	543,290	227,122	829,446
Operating disbursements:				
Business type activities	24,121	426,173	235,976	686,270
Total operating disbursements	24,121	426,173	235,976	686,270
Deficiency of operating receipts under operating disbursements	34,913	117,117	(8,854)	143,176
Non-operating receipts (disbursements):				
Interest on investments	-	356	133	489
Capital projects	-	(112,975)	-	(112,975)
Total non-operating receipts (disbursements)	-	(112,619)	133	(112,486)
Deficiency of receipts under disbursements	34,913	4,498	(8,721)	30,690
Other financing sources:				
Operating transfers out	-	(42,700)	-	(42,700)
Total other financing sources	-	(42,700)	-	(42,700)
Net change in cash balances	34,913	(38,202)	(8,721)	(12,010)
Cash balances beginning of year	95,945	73,398	8,927	178,270
Cash balances end of year	$ 130,858	35,196	206	166,260
Cash Basis Fund Balances				
Unrestricted	130,858	35,196	206	166,260
Total cash basis fund balances	$ 130,858	35,196	206	166,260

See accompanying independent auditor's report.

City of Sac City, Iowa

Schedule of Indebtedness

Year ended June 30, 2011

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation bonds/notes:			
Corporate purpose	Apr 2, 2002	3.00-5.00%	$ 1,195,000
Corporate purpose	Jul 15, 2006	4.15-4.70%	660,000
Total			
Revenue Bonds:			
Sewer - Forgivable	Jan 27, 2010	0.00%	$ 2,000,000
Sewer - Non-forgivable	Jan 27, 2010	3.00%	$ 4,793,000
Total			

See accompanying independent auditor's report.

Schedule 3

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Interest Due and Unpaid
125,000	-	60,000	65,000	6,190	-
385,000	-	50,000	335,000	17,330	-
$ 510,000	-	110,000	400,000	23,520	-
1,175,182	824,818	-	2,000,000	-	-
682,688	3,485,350	-	4,168,038	83,620	-
$ 1,857,870	4,310,168	-	6,168,038	83,620	-

City of Sac City, Iowa

Bond and Note Maturities

June 30, 2011

Year Ending June 30,	General Obligation Notes: Corporate Purpose Issued April 2, 2002 — Interest Rates	Amount	Corporate Purpose Issued July 15, 2006 — Interest Rates	Amount	Total
2012	5.00 %	$ 65,000	4.35 %	$ 50,000	115,000
2013		-	4.45	55,000	55,000
2014		-	4.50	55,000	55,000
2015		-	4.55	55,000	55,000
2016		-	4.60	60,000	60,000
2017		-	4.70	60,000	60,000
Total		$ 65,000		$ 335,000	400,000

See accompanying independent auditor's report.

Schedule 4

Year Ending June 30,	Revenue Bonds: Sewer - Forgivable Issued January 27, 2010 Interest Rates	Amount	Sewer - Non-forgivable Issued January 27, 2010 Interest Rates	Amount	Total
2012	0.00 %	$ -	3.00 %	$ -	-
2013	0.00	1,000	3.00	127,000	128,000
2014	0.00	78,000	3.00	131,000	209,000
2015	0.00	80,000	3.00	136,000	216,000
2016	0.00	83,000	3.00	140,000	223,000
2017	0.00	85,000	3.00	145,000	230,000
2018	0.00	88,000	3.00	149,000	237,000
2019	0.00	91,000	3.00	154,000	245,000
2020	0.00	94,000	3.00	159,000	253,000
2021	0.00	97,000	3.00	164,000	261,000
2022	0.00	100,000	3.00	170,000	270,000
2023	0.00	104,000	3.00	175,000	279,000
2024	0.00	107,000	3.00	181,000	288,000
2025	0.00	110,000	3.00	187,000	297,000
2026	0.00	114,000	3.00	193,000	307,000
2027	0.00	118,000	3.00	199,000	317,000
2028	0.00	122,000	3.00	206,000	328,000
2029	0.00	126,000	3.00	212,000	338,000
2030	0.00	130,000	3.00	219,000	349,000
2031	0.00	134,000	3.00	226,000	360,000
2032	0.00	138,000	3.00	234,000	372,000
2033	0.00	-	3.00	241,000	241,000
2034	0.00	-	3.00	249,000	249,000
2035	0.00	-	3.00	171,038	171,038
Total		$ 2,000,000		$ 4,168,038	6,168,038

City of Sac City, Iowa

Schedule of Receipts By Source and Disbursements By Function -
All Governmental Funds

For the Last Eight Years

	2011	2010	2009
Receipts:			
Property tax	$ 672,860	818,521	811,747
Other city tax	190,998	199,271	197,818
Licenses and permits	18,553	20,274	35,770
Use of money and property	17,372	12,623	5,730
Intergovernmental	568,903	638,323	257,207
Charges for service	52,356	45,536	50,232
Special assessments	2,367	9,164	3,457
Miscellaneous	99,839	73,522	134,723
Total	$ 1,623,248	1,817,234	1,496,684
Disbursements:			
Operating			
Public safety	$ 400,363	335,507	372,935
Public works	361,042	311,642	358,469
Culture and recreation	270,683	291,850	231,848
Community and economic development	3,600	3,850	54,268
General government	198,890	343,673	161,786
Debt service	134,420	302,415	377,345
Capital projects	319,624	196,035	319,624
Total	$ 1,688,622	1,784,972	1,876,275

See accompanying independent auditor's report.

Schedule 5

2008	2007	2006	2005	2004
810,620	825,999	820,574	809,303	795,773
157,567	216,251	73,857	36,744	44,795
38,336	7,167	5,532	8,748	6,948
3,677	704	1,243	602	724
408,955	346,795	307,071	259,114	254,058
59,131	81,176	82,927	59,870	69,455
5,880	6,946	2,602	14,049	23,349
52,228	70,527	53,246	30,516	15,493
1,536,394	1,555,565	1,347,052	1,218,946	1,210,595
322,888	298,221	315,358	295,179	272,397
341,981	312,692	280,860	263,854	268,324
240,422	237,138	225,204	226,173	215,432
-	-	-	-	-
177,950	170,766	181,399	154,047	140,806
407,980	304,999	278,800	320,740	315,860
156,472	339,278	82,364	-	5,000
1,647,693	1,663,094	1,363,985	1,259,993	1,217,819

City of Sac City, Iowa

Schedule of Expenditures of Federal Awards

Year ended June 30, 2011

Granter/Program	CFDA Number	Agency or Pass Through Number	Program Expenditures
Direct:			
U.S. Department of Transportation:			
Airport Improvement Program	20.106	3-19-0080-05	$ 2,847
Airport Improvement Program	20.106	3-19-0080-06	8,632
Airport Improvement Program	20.106	3-19-0080-07	32,659
Airport Improvement Program	20.106	3-19-0080-08	95,750
			139,888
Indirect:			
Department of Homeland Security:			
Iowa Department of Emergency Management:			
Disaster Grants - Public Assistance	97.036	FEMA-1880-DR-IA	13,609
U.S. Department of Education:			
Iowa Department of Education:			
ARRA- State Fiscal Stabilization Fund (SFSF)- Government Services, Recovery Act	84.397	S397A090016A	2,828
Department of Housing and Urban Development:			
Iowa Department of Economic Development Community Development Block Grant/ States Program	14.228	08-HGS-041	136,123
Iowa Department of Economic Development Community Development Block Grant/ States Program	14.228	08-US-063	331,131
Iowa Department of Economic Development Community Development Block Grant/ States Program	14.228	09-US-051	409,901
			877,155
Environmental Protection Agency:			
Iowa Finance Authority:			
Capitalization Grants for Clean Water State Revolving Funds	66.458	FY 2011	3,776,888
Total indirect			4,670,480
Total			$ 4,810,368

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

See accompanying independent auditor's report.

Cornwell, Frideres, Maher & Associates, P.L.C.

Certified Public Accountants

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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 Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Sac City, Iowa, as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon dated March 13, 2012. Our report expressed unqualified opinions on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. 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 the City of Sac City'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 the City of Sac City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Sac City'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 and other deficiencies we consider to be significant deficiencies.

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 misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City of Sac City's financial statements will not be prevented or detected on a timely basis. We consider the deficiency described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-A-11 to be a material weakness.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-B-11 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Sac City'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 City's operations for the year ended June 30, 2011, are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. 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.

The City of Sac City'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 City's responses, we did not audit the City of Sac City'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 the City of Sac City and other parties to whom the City of Sac City may report, including federal awarding agencies and pass-through entities. 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 the City of Sac City 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.

Cornwell, Frideres, Maher & Associates, P.L.C.

Cornwell, Frideres, Maher & Associates, P.L.C.
Certified Public Accountants

March 13, 2012

Cornwell, Frideres, Maher & Associates, P.L.C.

Certified Public Accountants

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Independent Auditor's 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 Honorable Mayor and
Members of the City Council:

Compliance

We have audited the compliance of the City of Sac City, Iowa, with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on the City of Sac City's major federal program for the year ended June 30, 2011. The City of Sac City's major federal program is identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its major federal program is the responsibility of the City of Sac City's management. Our responsibility is to express an opinion on the City of Sac City'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 noncompliance 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 the City of Sac City'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 the City of Sac City's compliance with those requirements.

In our opinion, the City of Sac City complied, in all material respects, with the requirements referred to above that could have a direct and material effect on its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

The management of the City of Sac City is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and

grant agreements applicable to federal programs. In planning and performing our audit, we considered the City of Sac City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order 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 the City of Sac City's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance 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 discussed below, we identified a deficiency in internal control over compliance we consider to be a material weakness.

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. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-A-11 to be a material weakness.

The City of Sac City'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 City's responses, we did not audit the City of Sac City'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 the City of Sac City and other parties to whom the City of Sac City 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.

Cornwell, Frideres, Maher & Associates, P.L.C.

Cornwell, Frideres, Maher & Associates, P.L.C.
Certified Public Accountants

March 13, 2012

City of Sac City, Iowa

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

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

(a) Unqualified opinions were issued on the financial statements which were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

(b) Significant deficiencies and 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) A material weakness in internal control over the major programs was disclosed by the audit of the financial statements.

(e) An unqualified opinion was issued on compliance with requirements applicable to the major program.

(f) The audit disclosed an audit finding which is required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).

(g) The major programs were CFDA Number 14.228 – Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii, and CFDA Number 66.458 Capitalization Grants for Clean Water State Revolving Funds.

(h) The dollar threshold used to distinguish between Type A and Type B programs was $300,000.

(i) The City of Sac City did not qualify as a low-risk auditee.

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

II-A-11 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noticed that certain functions are not entirely segregated, such as preparing receipts and posting utility billing.

Recommendation – We realize that with four office employees, segregation of duties is difficult. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response – We feel we are doing the best we can and that no further segregation is possible without additional staff.

Conclusion – Response accepted.

II-B-11 Preparation of Financial Statements – Management is responsible for establishing and maintaining internal controls over financial reporting and procedures related to the fair presentation of the financial statements in accordance with the cash basis of accounting. The City of Sac City does not have an internal control system designed to provide for the preparation of the financial statements, including the accompanying footnotes as required by generally accepted accounting principles. The guidance in Statement of Auditing Standards No. 115, *Communicating Internal Control Related Matters Identified in an Audit*, requires us to communicate this matter to those charged with governance.

As auditors, we were requested to draft the financial statements, the Schedule of Federal Expenditures and accompanying notes to the financial statements. The outsourcing of these services is not unusual in an organization of your size.

Recommendation – We realize that obtaining the expertise necessary to prepare the financial statements, including all necessary disclosures, in accordance with the cash basis of accounting can be considered costly and ineffective. However, it is the responsibility of the City's management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Response – Management feels that committing the resources to remain current on reporting requirements and corresponding footnote disclosures would lack benefit in relation to the cost, but will continue evaluating on a going forward basis.

Conclusion – Response accepted.

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

CFDA Number 14.228: Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii
Pass-through Agency Number: 08-HGS-041; 08-WS-063; 09-WS-051
Federal Award Year: 2010
U.S. Department of Housing and Urban Development
Passed through the Iowa Department of Economic Development

CFDA Number 66.458: Capitalization Grant For Clean Water State Revolving Funds
Federal Award Year: 2010
Environmental Protection Agency
Passed through the Iowa Finance Authority

III-A-11 Segregation of Duties – The City did not properly segregate record-keeping duties for the checking account relating to federal programs.

City of Sac City, Iowa

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

Part IV: Other Findings Related to Statutory Reporting:

IV-A-11 Certified Budget – Disbursements during the year ended June 30, 2011 exceeded the amounts budgeted in the community and economic development function. Chapter 384.20 of the Code of Iowa states, in part, "Public monies may not be expended or encumbered expect under an annual or continuing appropriation."

Recommendation – The budget should have been amended in sufficient amounts in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – The budget will be amended in sufficient amounts in the future, if applicable.

Conclusion – Response accepted.

IV-B-11 Questionable Disbursements – No disbursements were noted that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

IV-C-11 Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

IV-D-11 Business Transactions – No business transactions between the City and City officials were noted.

IV-E-11 Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage is reviewed annually to insure that coverage is adequate for current operations.

IV-F-11 Council Minutes – No transactions were found that we believe should have been approved on the council minutes but were not.

IV-G-11 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy were noted.

IV-H-11 Revenue Notes – No instances of non-compliance with the wastewater revenue note provisions were noted.