

SAYDEL COMMUNITY SCHOOL DISTRICT
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2005

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Saydel Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September 2004 Election)		
Joel Godwin	President	2004
Buddy Hicks	Vice-President	2004
Terry Shafer	Board Member	2004
Chris Snyder	Board Member	2005
Laura Mullin	Board Member (Resigned)	2005
Kirk Hartung	Board Member (Appointed)	2004
Susan Moon	Board Member	2006
Jane Prange	Board Member (Resigned)	2006

Board of Education
(After September 2004 Election)

Joel Godwin	President	2007
Buddy Hicks	Vice President	2007
Kirk Hartung	Board Member	2007
Paul Breitbarth	Board Member	2005
Ray Livingston	Board Member	2006
Susan Moon	Board Member	2006
Chris Snyder	Board Member	2005

School Officials

Chuck Knight	Superintendent	2005
Joyce Johnson	District Secretary/Treasurer and Business Manager	2005
Ahlers & Cooney, P.C.	Attorney	2005

NOLTE, CORNMAN & JOHNSON P.C.
Certified Public Accountants
(a professional corporation)
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INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the
Saydel Community School District:

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Saydel Community School District, Des Moines, Iowa as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Saydel Community School District at June 30, 2005, and the respective changes in financial position and cash flows, where applicable, for the year ended in conformity with U.S. generally accepted accounting principles.

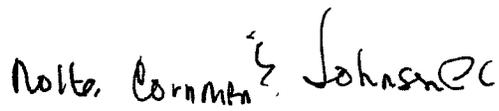
In accordance with Government Auditing Standards, we have also issued our reports dated October 5, 2005 on our consideration of Saydel Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of those reports 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. Those reports are 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 13 and 34 through 37 are not required parts of the basic financial statements, but are supplementary

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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 Saydel Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2004 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 5, including the accompanying 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.


NOLTE, CORNMAN & JOHNSON, P.C.

October 5, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS

Saydel Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2005. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2005 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$11,066,060 in fiscal 2004 to \$11,392,678 in fiscal 2005, while General Fund expenditures increased from \$10,606,135 in fiscal 2004 to \$11,050,209 in fiscal 2005. This resulted in a increase in the District's General Fund balance from \$2,623,499 in fiscal 2004 to a balance of \$2,965,968 in fiscal 2005, a 13% increase from the prior year.
- The increase in General Fund revenues was attributable to an increase in local and federal sources in fiscal 2005. The increase in expenditures was due primarily to an increase in instruction and support services functional areas.

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

Notes to the 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.

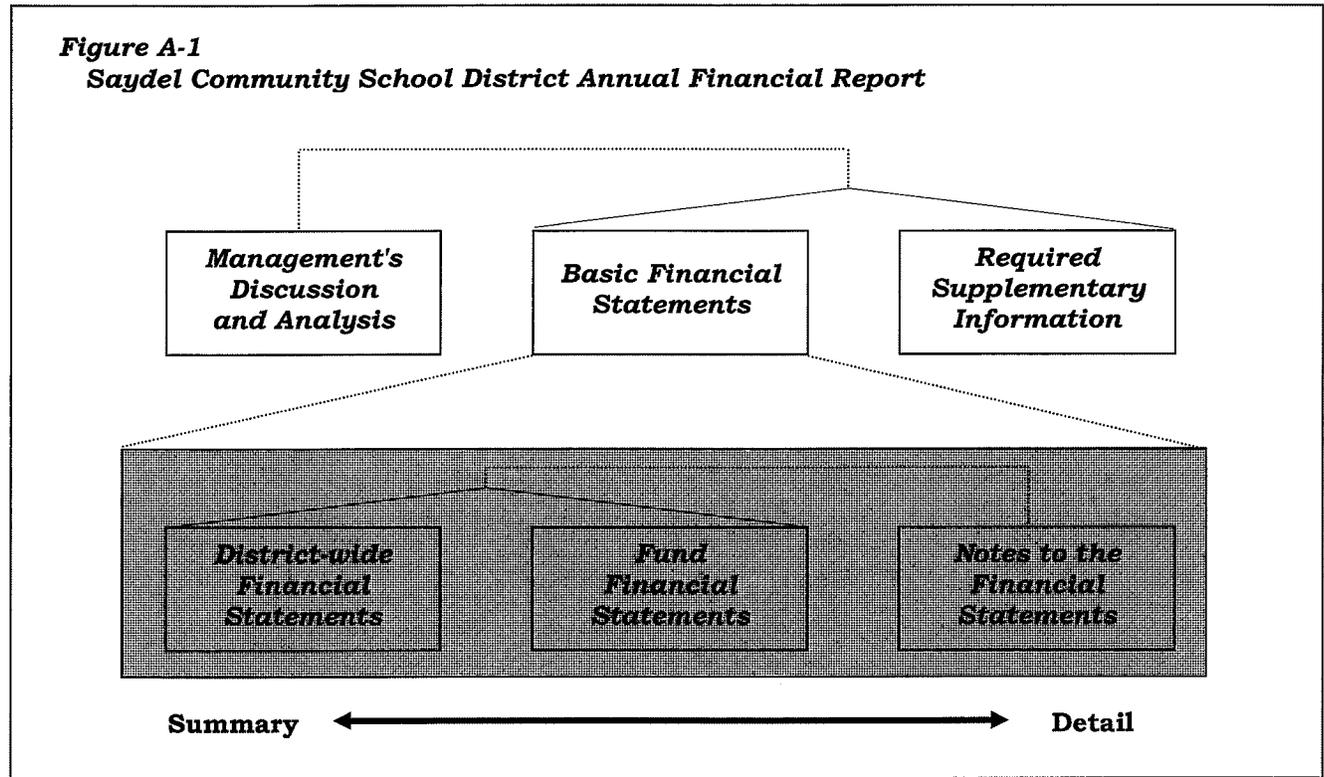


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

Figure A-2
Major Features of the Government-wide and Fund Financial Statements

	Government-wide Statements	Fund Statements	
		Governmental Funds	Proprietary Funds
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
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 net assets • Statement of cash flows
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
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, and short-term and long-term
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

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 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 the 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 three enterprise funds, the School Nutrition Fund, the Cornell Elementary Preschool Fund and the Eagles Nest Daycare Fund.

The required financial statements for the proprietary funds include a statement of revenues, expenses and changes in 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 for the year ended June 30, 2005 compared to June 30, 2004.

Figure A-3
Condensed Statement of Net Assets

	Governmental Activities		Business-type Activities		Total School District		Total Change
	2005	2004	2005	2004	2005	2004	2004-05
Current and other assets	\$ 14,681,322	14,329,683	193,933	156,724	14,875,255	14,486,407	2.68%
Capital assets	12,733,090	12,885,205	86,497	85,381	12,819,587	12,970,586	-1.16%
Total assets	27,414,412	27,214,888	280,430	242,105	27,694,842	27,456,993	0.87%
Long-term obligations	10,836,387	11,590,000	0	0	10,836,387	11,590,000	-6.50%
Other liabilities	7,643,683	8,058,548	7,576	9,455	7,651,259	8,068,003	-5.17%
Total liabilities	18,480,070	19,648,548	7,576	9,455	18,487,646	19,658,003	-5.95%
Net assets:							
Invested in capital assets, net of related debt	4,462,415	3,594,827	86,497	85,381	4,548,912	3,680,208	23.60%
Restricted	1,587,969	1,453,458	0	0	1,587,969	1,453,458	9.25%
Unrestricted	2,883,958	2,518,055	186,357	147,269	3,070,315	2,665,324	15.19%
Total net assets	\$ 8,934,342	7,566,340	272,854	232,650	9,207,196	7,798,990	18.06%

The District's combined net assets increased by 18.06%, or \$1,408,206, over the prior year. The largest portion of the District's net assets is the invested in capital assets, net of related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represents 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 \$134,511, or 9.25% over the prior year. The increase was primarily a result of the District's increase in fund balances in the Special Revenue Funds.

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 \$404,991, or 15.19%. This increase in unrestricted net assets was a result of the District's increase in the General Fund balance.

Figure A-4 shows the changes in net assets for the year ended June 30, 2005 compared to June 30, 2004.

Figure A-4
Changes of Net Assets

	Governmental Activities		Business-type Activities		Total School District		Total Change
	2005	2004	2005	2004	2005	2004	2004-05
Revenues:							
Program revenues:							
Charges for services	\$ 1,170,457	1,100,793	415,462	379,645	1,585,919	1,480,438	7.12%
Operating grants and contributions and restricted interest	1,108,063	1,100,228	274,788	254,001	1,382,851	1,354,229	2.11%
General revenues:							
Property tax	6,462,905	5,996,669	0	0	6,462,905	5,996,669	7.77%
Local option sales and services tax	1,551,939	1,325,164	0	0	1,551,939	1,325,164	17.11%
Unrestricted state grants	4,743,203	4,763,746	0	0	4,743,203	4,763,746	-0.43%
Other	137,739	75,913	2,951	1,465	140,690	77,378	81.82%
Total revenues	15,174,306	14,362,513	693,201	635,111	15,867,507	14,997,624	5.80%
Program expenses:							
Governmental activities:							
Instructional	6,726,741	7,106,583	0	0	6,726,741	7,106,583	-5.34%
Support services	4,873,171	3,657,043	0	0	4,873,171	3,657,043	33.25%
Non-instructional programs	1,680	30,253	652,997	593,697	654,677	623,950	4.92%
Other expenses	2,204,712	1,573,528	0	0	2,204,712	1,573,528	40.11%
Total expenses	13,806,304	12,367,407	652,997	593,697	14,459,301	12,961,104	11.56%
Capital contributions	0	0	0	38,814	0	38,814	-100.00%
Changes in net assets	1,368,002	1,995,106	40,204	80,228	1,408,206	2,075,334	-32.15%
Beginning net assets	7,566,340	5,571,234	232,650	152,422	7,798,990	5,723,656	36.26%
Ending net assets	\$ 8,934,342	7,566,340	272,854	232,650	9,207,196	7,798,990	18.06%

Property tax and unrestricted state grants account for 71% of the total revenue. The District's expenses primarily relate to instruction and support services which account for 80% of the total expenses.

Changes in revenues will be as a result of changes in student participation, whether in the regular, special or extracurricular programs. The most significant change in revenues was due to the increase in property tax monies. Fluctuations in basic enrollment will significantly impact the state revenues, as well as property tax revenues, keeping in mind that neither source of funding will be ever fully realized with current law and funding structure as set by the legislature.

The most significant fluctuation in expenditure levels will be caused by increased salary and benefit obligations, in large part resulting from collective bargaining agreements. With a declining enrollment comes lesser ability to fund various programs required by the state and constant evaluation of staffing needs becomes a priority. Even with certain staff reductions there may still be an increase in expenditures due to the salary and benefit requirements.

The District makes a continual effort to be a good steward of public funds and maintains a philosophy of providing the best education possible, exploring every avenue available to fund the programs, while making certain to keep watch for services that could be merged with other programs. The District saw an overall greater increase in revenues than the increase in expenditures, demonstrating an increase in the financial position for the year.

Governmental Activities

Revenues for governmental activities were \$15,174,306 and expenses were \$13,806,304. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues.

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

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services	Net Cost of Services
Instruction	\$ 6,726,741	4,867,437
Support services	4,873,171	4,864,055
Non-instructional programs	1,680	1,680
Other expenses	2,204,712	1,794,612
Totals	<u>\$ 13,806,304</u>	<u>11,527,784</u>

- The cost financed by users of the District's programs was \$1,170,457.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,108,063.
- The net cost of governmental activities was financed with \$6,462,905 in property tax, \$1,551,939 in local option sales and services tax, \$4,743,203 in state foundation aid and \$137,739 in interest income.

Business-Type Activities

Revenues of the District's business-type activities were \$693,201 and expenses were \$652,997. The District's business-type activities include the School Nutrition Fund, the Cornell Elementary Preschool, and the Eagles Nest Daycare. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

As previously noted, the Saydel 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 combined fund balance of \$7,163,921, above last year's ending fund balances of a \$6,419,709. However, the primary reason for the increase in combined fund balances in fiscal 2005 is due to the issuance of general obligation bonds and revenue bonds.

Governmental Fund Highlights

- The District's growing General Fund financial position is the product of many factors:
 - Increase in state aid grants and other local sources during the year resulted in an increase in revenues.
 - The increase in negotiated salary and benefits settlement, as well as existing expenditure commitments of the District, resulted in an increase in expenditures.

-
- The Management Fund balance increased from \$751,687 in fiscal 2004 to \$999,316 in fiscal 2005. This increase was due to the increase in property tax monies received.
 - The Capital Projects Fund balance decreased from \$347,902 in fiscal 2004 to \$75,424 in fiscal 2005. This was partially due to the defeasance of debt in the Capital Projects Fund.
 - The Debt Service Fund balance increased from \$2,100,294 in fiscal 2004 to \$2,535,183 in fiscal 2005. This increase was partially due to the issuance of general obligation bonds.

Proprietary Fund Highlights

The Proprietary Fund net assets increased from \$232,650 at June 30, 2004 to \$272,854 at June 30, 2005, representing an increase of 17.28%. For fiscal 2005, the District received an increase in federal revenues.

BUDGETARY HIGHLIGHTS

Over the course of the year, Saydel Community School District amended its annual budget one time to reflect additional expenditures associated with all functional areas.

The District's revenues were \$466,885 more than budgeted revenues, a variance of 3.09%. The most significant variance resulted from the District receiving more in intermediate sources than originally anticipated.

Total expenditures were less than budgeted, primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

In spite of the District's budgetary practice, the certified budget was exceeded in the non-instructional programs and other expenditures functional areas.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2005, the District had invested \$12.8 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) This amount represents a net decrease of 1.18% from last year. More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$938,221.

The original cost of the District's capital assets was \$32.6 million. Governmental funds account for \$32.5 million with the remainder of \$.1 million in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the land improvement category. The District's land improvements totaled \$872,829 at June 30, 2005, compared to \$1,271,340 reported at June 30, 2004. This decrease resulted from the disposition of assets during fiscal 2005.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental Activities		Business-type Activities		Total School District		Total Change
	2005	2004	2005	2004	2005	2004	2003-04
Land	\$ 7,500	7,500	0	0	7,500	7,500	0.00%
Buildings	10,729,123	10,697,105	0	0	10,729,123	10,697,105	0.30%
Land improvements	872,829	1,271,340	0	0	872,829	1,271,340	-45.66%
Machinery and equipment	1,123,638	909,260	86,497	85,381	1,210,135	994,641	17.81%
Total	\$ 12,733,090	12,885,205	86,497	85,381	12,819,587	12,970,586	-1.18%

Long-Term Debt

At June 30, 2005, the District had \$10,836,387 in general obligation and other long-term debt outstanding. This represents a decrease of 6.5% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 5 to the financial statements.

The District had outstanding general obligation bonds of \$5,080,000 at June 30, 2005.

The District had outstanding revenue bonded indebtedness at June 30, 2005 of \$5,675,000.

The District had total outstanding Early Retirement payable of \$81,387 at June 30, 2005.

Figure A-7
Outstanding Long-Term Obligations

	Total School District		Total Change
	2005	2004	
General obligation bonds	\$ 5,080,000	5,635,000	-9.8%
Revenue bonds	5,675,000	5,955,000	-4.7%
Early Retirement	81,387	0	100.0%
Totals	\$ 10,836,387	11,590,000	-6.5%

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:

The District's major funding sources are based on student enrollment numbers, gathered on the third Friday in September of every year. Saydel Community School District has seen a decline in basic enrollment, from 1449.6 in 2003, 1409.9 in 2004 to 1358.1 in 2005. This normally represents a significant reduction in funding for the school, but it must also be noted that while the district experienced a decline in resident pupils, it also recorded an increase in open enrolled in students, 145 in 2003, 148 in 2004 and 188 in 2005. The funds for educating those students will come from their resident districts.

It remains a concern for the district that the overall student population has seen a decline, but it is hoped that the planned-for, additional, affordable housing in the area will become a reality in the near future. It is not unreasonable to assume that at least a portion of the housing would be purchased by those with school-age families. Saydel CSD has a traditionally stable population, often seeing those educated here remain in the district after graduation, and the additional housing is seen as an opportunity to help keep the enrollment numbers in a more stable position.

While the proposed additional housing would increase the tax base from the residential side of the spectrum, the business support of the tax base has not demonstrated many new additions. There is a proposed incarceration center to be built in the district, but it will not add to the tax base. The businesses in the district area do appear to be continuing to grow, so that the tax burden remains apparently stable.

It is a concern of this district, as well as every district in the state, that certain costs will continue to increase, such as those associated with negotiated agreements with unions, i.e. salaries and benefits, and other uncontrolled costs such as fuel. With the legislature's hesitancy to fully fund and increase funding, knowing that these costs will continue to rise, the district remains vigilant to use completely and efficiently all the resources at its disposal. Even given the concerns, it is the belief that the overall financial health of the district will remain stable.

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 Joyce M. Johnson, District Secretary/Treasurer and Business Manager, Saydel Community School District, 5740 NE 14th St, Des Moines, Iowa, 50313.

BASIC FINANCIAL STATEMENTS

SAYDEL COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2005

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and pooled investments	\$ 8,288,125	184,724	8,472,849
Receivables:			
Property tax:			
Delinquent	130,032	0	130,032
Succeeding year	5,898,858	0	5,898,858
Accounts	713	0	713
Due from other governments	363,594	0	363,594
Inventories	0	9,209	9,209
Capital assets, net of accumulated depreciation(Note 4)	12,733,090	86,497	12,819,587
TOTAL ASSETS	27,414,412	280,430	27,694,842
LIABILITIES			
Excess of warrants issued over bank balance	101,074	0	101,074
Accounts payable	419,666	496	420,162
Salaries and benefits payable	1,097,803	3,310	1,101,113
Accrued interest payable	126,282	0	126,282
Deferred revenue:			
Succeeding year property tax	5,898,858	0	5,898,858
Other	0	3,770	3,770
Long-term liabilities(Note 5):			
Portion due within one year:			
General obligation bonds payable	225,000	0	225,000
Revenue bonds payable	785,000	0	785,000
Early retirement payable	21,306	0	21,306
Portion due after one year:			
General obligation bonds payable	4,855,000	0	4,855,000
Revenue bonds payable	4,890,000	0	4,890,000
Early retirement payable	60,081	0	60,081
TOTAL LIABILITIES	18,480,070	7,576	18,487,646
NET ASSETS			
Investment in capital assets, net of related debt	4,462,415	86,497	4,548,912
Restricted for:			
Phase III	32,118	0	32,118
Early intervention	14,791	0	14,791
Talented and gifted	34,514	0	34,514
Salary improvement program	587	0	587
Management levy	917,929	0	917,929
Physical plant and equipment levy	498,777	0	498,777
Other special revenue purposes	89,253	0	89,253
Unrestricted	2,883,958	186,357	3,070,315
TOTAL NET ASSETS	\$ 8,934,342	272,854	9,207,196

SEE NOTES TO FINANCIAL STATEMENTS.

SAYDEL COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2005

	Program Revenues		
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest
Functions/Programs			
Governmental activities:			
Instruction:			
Regular instruction	\$ 3,555,074	901,857	688,847
Special instruction	2,437,538	268,600	0
Other instruction	734,129	0	0
	<u>6,726,741</u>	<u>1,170,457</u>	<u>688,847</u>
Support services:			
Student services	350,956	0	0
Instructional staff services	812,946	0	0
Administration services	1,343,684	0	0
Operation and maintenance of plant services	1,539,378	0	0
Transportation services	826,207	0	9,116
	<u>4,873,171</u>	<u>0</u>	<u>9,116</u>
Non-instructional programs:			
Food service operations	1,680	0	0
Other expenditures:			
Facilities and acquisitions	687,894	0	0
Long-term debt interest	468,759	0	0
AEA flowthrough	410,100	0	410,100
Depreciation(unallocated)*	637,959	0	0
	<u>2,204,712</u>	<u>0</u>	<u>410,100</u>
Total governmental activities	13,806,304	1,170,457	1,108,063
Business-Type activities:			
Non-instructional programs:			
Nutrition services	572,822	322,924	274,788
Preschool activities	10,664	13,600	0
Daycare activities	69,511	78,938	0
Total business-type activities	<u>652,997</u>	<u>415,462</u>	<u>274,788</u>
Total	<u>\$ 14,459,301</u>	<u>1,585,919</u>	<u>1,382,851</u>

General Revenues:

Local tax for:
 General purposes
 Debt Service
 Capital outlay
 Local option sales and services tax
 Unrestricted state grants
 Unrestricted investment earnings

Total general revenues

Changes in net assets

Net assets beginning of year

Net assets end of year

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

SEE NOTES TO FINANCIAL STATEMENTS.

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
(1,964,370)	0	(1,964,370)
(2,168,938)	0	(2,168,938)
(734,129)	0	(734,129)
(4,867,437)	0	(4,867,437)
(350,956)	0	(350,956)
(812,946)	0	(812,946)
(1,343,684)	0	(1,343,684)
(1,539,378)	0	(1,539,378)
(817,091)	0	(817,091)
(4,864,055)	0	(4,864,055)
(1,680)	0	(1,680)
(687,894)	0	(687,894)
(468,759)	0	(468,759)
0	0	0
(637,959)	0	(637,959)
(1,794,612)	0	(1,794,612)
(11,527,784)	0	(11,527,784)
0	24,890	24,890
0	2,936	2,936
0	9,427	9,427
0	37,253	37,253
(11,527,784)	37,253	(11,490,531)
\$ 5,165,724	0	5,165,724
856,709	0	856,709
440,472	0	440,472
1,551,939	0	1,551,939
4,743,203	0	4,743,203
137,739	2,951	140,690
12,895,786	2,951	12,898,737
1,368,002	40,204	1,408,206
7,566,340	232,650	7,798,990
\$ 8,934,342	272,854	9,207,196

SAYDEL COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2005

	General	Management	Capital Projects	Debt Service	Other Nonmajor Governmental Funds	Total
ASSETS						
Cash and pooled investments	\$ 4,128,209	986,611	0	2,517,893	655,412	8,288,125
Receivables:						
Property tax:						
Delinquent	90,709	13,142	0	17,290	8,891	130,032
Succeeding year	4,589,408	200,000	0	800,855	308,595	5,898,858
Accounts	713	0	0	0	0	713
Due from other governments	158,058	0	205,536	0	0	363,594
TOTAL ASSETS	\$ 8,967,097	1,199,753	205,536	3,336,038	972,898	14,681,322
LIABILITIES AND FUND BALANCES						
Liabilities:						
Excess of warrants issued over bank balance	\$ 0	0	101,074	0	0	101,074
Accounts payable	313,918	437	29,038	0	76,273	419,666
Salaries and benefits payable	1,097,803	0	0	0	0	1,097,803
Deferred revenue:						
Succeeding year property tax	4,589,408	200,000	0	800,855	308,595	5,898,858
Total liabilities	6,001,129	200,437	130,112	800,855	384,868	7,517,401
Fund balances:						
Reserved for:						
Phase III	32,118	0	0	0	0	32,118
Early intervention	14,791	0	0	0	0	14,791
Talented and gifted	34,514	0	0	0	0	34,514
Salary improvement program	587	0	0	0	0	587
Debt service	0	0	0	2,535,183	0	2,535,183
Unreserved:						
General	2,883,958	0	0	0	0	2,883,958
Management	0	999,316	0	0	0	999,316
Capital Projects	0	0	75,424	0	0	75,424
Physical plant and equipment levy	0	0	0	0	498,777	498,777
Other special revenue purposes	0	0	0	0	89,253	89,253
Total fund balances	2,965,968	999,316	75,424	2,535,183	588,030	7,163,921
TOTAL LIABILITIES AND FUND BALANCES	\$ 8,967,097	1,199,753	205,536	3,336,038	972,898	14,681,322

SEE NOTES TO FINANCIAL STATEMENTS.

SAYDEL COMMUNITY SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2005

Total fund balances of governmental funds (page 17)	\$ 7,163,921
<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 in the governmental funds.	12,733,090
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(126,282)
Long-term liabilities, including early retirement, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(10,836,387)</u>
Net assets of governmental activites (page 14)	<u><u>\$ 8,934,342</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

SAYDEL COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2005

	General	Management	Capital Projects	Debt Service	Other Nonmajor Governmental Funds	Total
REVENUES:						
Local sources:						
Local tax	\$ 4,514,575	651,149	1,551,939	856,709	440,472	8,014,844
Tuition	877,047	0	0	0	0	877,047
Other	148,704	17,667	6,346	32,373	223,270	428,360
Intermediate sources	2,121	0	0	0	0	2,121
State sources	5,554,674	346	0	455	234	5,555,709
Federal sources	295,557	0	0	0	668	296,225
Total revenues	11,392,678	669,162	1,558,285	889,537	664,644	15,174,306
EXPENDITURES:						
Current:						
Instruction:						
Regular instruction	3,804,845	250,097	0	0	0	4,054,942
Special instruction	2,462,914	0	0	0	0	2,462,914
Other instruction	584,227	69	0	0	198,330	782,626
	6,851,986	250,166	0	0	198,330	7,300,482
Support services:						
Student services	337,694	9,935	0	0	0	347,629
Instructional staff services	672,007	11,952	0	0	0	683,959
Administration services	1,289,401	21,836	0	0	0	1,311,237
Operation and maintenance of plant services	940,953	115,190	0	0	474,611	1,530,754
Transportation services	548,068	10,774	0	0	0	558,842
	3,788,123	169,687	0	0	474,611	4,432,421
Non-instructional programs:						
Food service operations	0	1,680	0	0	0	1,680
Other expenditures:						
Facilities acquisitions	0	0	959,360	0	0	959,360
Long-term debt:						
Principal	0	0	0	2,415,000	0	2,415,000
Interest and fiscal charges	0	0	0	491,051	0	491,051
AEA flowthrough	410,100	0	0	0	0	410,100
	410,100	0	959,360	2,906,051	0	4,275,511
Total expenditures	11,050,209	421,533	959,360	2,906,051	672,941	16,010,094
Excess(deficiency) of revenues over(under) expenditures	342,469	247,629	598,925	(2,016,514)	(8,297)	(835,788)
Other financing sources:						
Operating transfers in	0	0	0	1,346,403	0	1,346,403
Operating transfers out	0	0	(1,346,403)	0	0	(1,346,403)
General obligation bonds issued	0	0	0	1,105,000	0	1,105,000
Revenue bonds issued	0	0	475,000	0	0	475,000
Total other financing sources	0	0	(871,403)	2,451,403	0	1,580,000
Net change in fund balances	342,469	247,629	(272,478)	434,889	(8,297)	744,212
Fund balance beginning of year	2,623,499	751,687	347,902	2,100,294	596,327	6,419,709
Fund balance end of year	\$ 2,965,968	999,316	75,424	2,535,183	588,030	7,163,921

SEE NOTES TO FINANCIAL STATEMENTS.

SAYDEL COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 JUNE 30, 2005

Net change in fund balances - total governmental funds (page 19)	\$	744,212
 <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 reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:		
Capital outlays	\$ 1,874,171	
Depreciation expense	(924,972)	
Loss on disposal of capital assets	<u>(1,101,314)</u>	(152,115)
 Repayment of long-term debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets		
		835,000
 Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.		
		22,292
 Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.		
Early retirement	\$ (81,387)	<u>(81,387)</u>
 Changes in net assets of governmental activities (page 16)		 <u><u>\$ 1,368,002</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

SAYDEL COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2005

	School Nutrition	Cornell Elem.	Eagles Nest	Total
ASSETS				
Cash and pooled investments	\$ 134,937	8,654	41,133	184,724
Inventories	9,209	0	0	9,209
Capital assets, net of accumulated depreciation(Note 5)	86,497	0	0	86,497
TOTAL ASSETS	230,643	8,654	41,133	280,430
LIABILITIES				
Accounts payable	496	0	0	496
Salaries and benefits payable	0	0	3,310	3,310
Deferred revenue:				
Other	3,770	0	0	3,770
TOTAL LIABILITIES	4,266	0	3,310	7,576
NET ASSETS				
Investment in capital assets, net of related debt	86,497	0	0	86,497
Unrestricted	139,880	8,654	37,823	186,357
TOTAL NET ASSETS	\$ 226,377	8,654	37,823	272,854

SEE NOTES TO FINANCIAL STATEMENTS.

SAYDEL COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2005

	School Nutrition	Cornell Elem.	Eagles Nest	Total
OPERATING REVENUE:				
Local sources:				
Charges for services	\$ 322,924	13,600	78,938	415,462
TOTAL OPERATING REVENUES	322,924	13,600	78,938	415,462
OPERATING EXPENSES:				
Non-instructional programs:				
Salaries	224,052	9,333	52,819	286,204
Benefits	59,080	1,251	6,414	66,745
Services	9,284	0	0	9,284
Supplies	267,157	80	10,278	277,515
Depreciation	13,249	0	0	13,249
TOTAL OPERATING EXPENSES	572,822	10,664	69,511	652,997
OPERATING INCOME (LOSS)	(249,898)	2,936	9,427	(237,535)
NON-OPERATING REVENUES:				
State sources	6,759	0	0	6,759
Federal sources	268,029	0	0	268,029
Interest on investments	1,899	272	780	2,951
TOTAL NON-OPERATING REVENUES	276,687	272	780	277,739
Change in net assets	26,789	3,208	10,207	40,204
Net assets beginning of year	199,588	5,446	27,616	232,650
Net assets end of year	\$ 226,377	8,654	37,823	272,854

SEE NOTES TO FINANCIAL STATEMENTS.

SAYDEL COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2005

	School Nutrition	Cornell Elem.	Eagles Nest	Total
Cash flows from operating activities:				
Cash received from sale of lunches and breakfasts	\$ 297,875	0	0	297,875
Cash received from miscellaneous	26,141	13,600	78,938	118,679
Cash payments to employees for services	(283,132)	(10,584)	(61,310)	(355,026)
Cash payments to suppliers for goods or services	(250,518)	(80)	(10,278)	(260,876)
Net cash used in operating activities	<u>(209,634)</u>	<u>2,936</u>	<u>7,350</u>	<u>(199,348)</u>
Cash flows from non-capital financing activities:				
State grants received	6,759	0	0	6,759
Federal grants received	241,460	0	0	241,460
Net cash provided by non-capital financing activities	<u>248,219</u>	<u>0</u>	<u>0</u>	<u>248,219</u>
Cash flows from capital and related financing activities:				
Purchase of capital assets	(14,365)	0	0	(14,365)
Net cash used in capital and related financing activities	<u>(14,365)</u>	<u>0</u>	<u>0</u>	<u>(14,365)</u>
Cash flows from investing activities:				
Interest on investments	1,899	272	780	2,951
Net cash provided by investing activities	<u>1,899</u>	<u>272</u>	<u>780</u>	<u>2,951</u>
Net increase in cash and cash equivalents	26,119	3,208	8,130	37,457
Cash and cash equivalents at beginning of year	108,818	5,446	33,003	147,267
Cash and cash equivalents at end of year	<u>\$ 134,937</u>	<u>8,654</u>	<u>41,133</u>	<u>184,724</u>
Reconciliation of operating loss to net cash used in operating activities:				
Operating gain (loss)	\$ (249,898)	2,936	9,427	(237,535)
Adjustments to reconcile operating loss to net cash used in operating activities:				
Commodities consumed	26,569	0	0	26,569
Depreciation	13,249	0	0	13,249
Decrease in inventories	248	0	0	248
Decrease in accounts payable	(894)	0	0	(894)
Decrease in salaries and benefits payable	0	0	(2,077)	(2,077)
Increase in deferred revenue	1,092	0	0	1,092
Net cash provided by (used in) operating activities	<u>\$ (209,634)</u>	<u>2,936</u>	<u>7,350</u>	<u>(199,348)</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:				
Current assets:				
Cash and pooled investments	<u>\$ 134,937</u>	<u>8,654</u>	<u>41,133</u>	<u>184,724</u>
NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:				

During the year ended June 30, 2005, the District received Federal commodities valued at \$26,569.

SEE NOTES TO FINANCIAL STATEMENTS.

SAYDEL COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005

(1) **Summary of Significant Accounting Policies**

The Saydel Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the City of Des Moines, Iowa, and the predominate agricultural territory in Polk 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, Saydel Community School District has included all funds, organizations, account groups, 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 Saydel Community School District has no component units which 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 do 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 Polk County Assessors' 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 support.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

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

Unrestricted net asset consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that 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 that are 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 other 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 receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The Management Fund is utilized to account for the payment of property insurance, early retirement benefits and unemployment benefits.

The Debt Service Fund is utilized to account for the payment of interest and principal on the District's general long-term debt.

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

The District's proprietary funds are the School Nutrition Fund, Cornell Elementary Preschool Fund, and Eagles Nest Daycare Fund. The Nutrition fund is used to account for the food service operations of the District. The Cornell Elementary Preschool Fund is used to account for the preschool operations of the District. The Eagles Nest Daycare fund is used to account for the daycare operations of the District.

C. Measurement Focus and Basis of Accounting

The government-wide and proprietary 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 judgments, 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 terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee

on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the balance sheet:

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

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

Property Tax Receivable - Property tax in the governmental funds are 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 that 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 become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2003 assessed property valuations; is for the tax accrual period July 1, 2004 through June 30, 2005 and

reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2004.

Interfund Receivables and Payables - During the course of its operations, the District has numerous transactions between funds. To the extent that certain transactions between funds had not been paid or received as of June 30, 2005 balances of interfund accounts receivable or payable have been recorded.

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

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

Capital Assets - Capital assets, which include property, furniture, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs 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.

Asset Class	Amount
Land	\$ 500
Buildings	500
Land improvements	500
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	500

Property, machinery and equipment are depreciated using the straight line method of depreciation over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Land improvements	20-50 years
Machinery and equipment	5-15 years

Salaries and Benefits Payable - Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which is 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 receivables and other receivables not collected within sixty days after year end.

Deferred revenue on the statement of net assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Long-term obligations - 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 Balances - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2005, disbursements in the non-instructional and other expenditures functional areas exceeded the amounts budgeted.

(2) Cash and Pooled Investments

The District's deposits at June 30, 2005 were entirely covered by Federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education and the Treasurer of the State of Iowa; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2005, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	<u>Amortized Cost</u>
Diversified Portfolio	<u>\$ 569,005</u>

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit risk. The investments in the Iowa Schools Joint Investment Trust were rated Aaa by Moody's Investors Service.

(3) Transfers

The detail of transfers for the year ended June 30, 2005 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects	<u>\$ 1,346,403</u>

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

(4) Capital Assets

Capital assets activity for the year ended June 30, 2005 is as follows:

	<u>Balance Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance End of Year</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 7,500	0	0	7,500
Total capital assets not being depreciated	<u>7,500</u>	<u>0</u>	<u>0</u>	<u>7,500</u>
Capital assets being depreciated:				
Buildings	23,898,609	522,279	0	24,420,888
Land improvements	4,623,056	846,694	3,990,937	1,478,813
Machinery and equipment	3,949,725	505,198	591,241	3,863,682
Total capital assets being depreciated	<u>32,471,390</u>	<u>1,874,171</u>	<u>4,582,178</u>	<u>29,763,383</u>
Less accumulated depreciation for:				
Buildings	13,201,504	490,261	0	13,691,765
Land improvements	3,351,716	147,698	2,893,430	605,984
Machinery and equipment	3,040,465	287,013	587,434	2,740,044
Total accumulated depreciation	<u>19,593,685</u>	<u>924,972</u>	<u>3,480,864</u>	<u>17,037,793</u>
Total capital assets being depreciated, net	<u>12,877,705</u>	<u>949,199</u>	<u>1,101,314</u>	<u>12,725,590</u>
Governmental activities capital assets, net	<u>\$ 12,885,205</u>	<u>949,199</u>	<u>1,101,314</u>	<u>12,733,090</u>

	Balance Year	Increases	Decreases	Balance of Year
Business-type activities:				
Machinery and equipment	\$ 186,864	14,365	24,745	176,484
Less accumulated depreciation	101,483	13,249	24,745	89,987
Business-type activities capital assets, net	\$ 85,381	1,116	0	86,497

Depreciation expense was charged by the District as follows:

Governmental activities:			
Instruction:			
Regular			\$ 94,894
Special			27,990
Support services:			
Student			2,053
Instructional staff			7,894
Administration			29,842
Operation and maintenance of plant			7,425
Transportation			116,915
			<u>287,013</u>
Unallocated depreciation			<u>637,959</u>
Total governmental activities depreciation expense			<u>\$ 924,972</u>
Business-type activities:			
Food services			\$ 13,249
Total business-type activities depreciation expense			<u>\$ 13,249</u>

(5) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2005 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
General obligation bonds	\$ 5,635,000	1,105,000	1,660,000	5,080,000	225,000
Revenue bonds	5,955,000	475,000	755,000	5,675,000	785,000
Early Retirement	0	81,387	0	81,387	21,306
Total	\$ 11,590,000	1,661,387	2,415,000	10,836,387	1,031,306

Bonds Payable

Details of the District's June 30, 2005 general obligation bonds, which will be paid using Debt Service Funds, are as follows:

Year Ending June 30,	Bond Issue of January 1, 1999			Bond Issue of March 1, 2005			Total		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest	Principal	Interest	Total
2006	4.00	25,000	173,705	3.00	575,000	27,150	600,000	200,855	800,855
2007	4.00	25,000	172,705	3.00	430,000	9,675	455,000	182,380	637,380
2008	4.25	500,000	171,705				500,000	171,705	671,705
2009	4.25	525,000	150,455				525,000	150,455	675,455
2010	4.25	545,000	128,143				545,000	128,143	673,143
2011	4.25	570,000	104,980				570,000	104,980	674,980
2012	4.25	600,000	80,755				600,000	80,755	680,755
2013	4.30	635,000	55,255				635,000	55,255	690,255
2014	4.30	650,000	27,950				650,000	27,950	677,950
Total		\$ 4,075,000	1,065,653		\$ 1,005,000	36,825	5,080,000	1,102,478	6,182,478

Revenue Bonds Payable

Details of the District's June 30, 2005 revenue bonded indebtedness, which are paid with Local Option Sales and Services Tax reported in the Capital Projects Fund are as follows:

Year Ending June 30,	Bond Issue of September 1, 2002			Bond Issue of August 1, 2004			Total		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest	Principal	Interest	Total
2006	3.00	785,000	158,587	3.00		14,250	785,000	172,837	957,837
2007	3.00	815,000	134,587	3.00		14,250	815,000	148,837	963,837
2008	3.00	850,000	109,612	3.00	475,000	7,125	1,325,000	116,737	1,441,737
2009	3.30	875,000	82,425				875,000	82,425	957,425
2010	3.55	925,000	51,569				925,000	51,569	976,569
2011	3.70	950,000	17,575				950,000	17,575	967,575
Total		\$ 5,200,000	554,355		\$ 475,000	35,625	5,675,000	589,980	6,264,980

Early Retirement

The District offers a voluntary early retirement plan to its employees. Eligible employees must be between the ages of fifty-five and sixty-two, must have completed ten years of full-time service to the District. Employees must complete an application which is required to be approved by the Board of Education. The early retirement incentive for each eligible employee is calculated upon 85 percent of the difference between the salary schedule base and the licensed employee's current salary, less supplemental pay or extended contract pay, plus the cost to the school district for providing continuing coverage under the school district's group insurance plan until the licensed employee uses up their reserve. A liability has been recorded in the Statement of Net Assets representing the District's commitment to fund non-current early retirement.

(6) Defeasance of Debt

On March 1, 2005, the District issued \$1,105,000 in General Obligation Bonds with an average interest rate of 3.0 percent to advance refund \$505,000 of outstanding 1995A Series bonds with an average interest rate of 5.4 percent, \$360,000 of outstanding 1995B Series bonds with an average interest rate of 5.3 percent, and \$225,000 of outstanding 1996 Series bonds with an average

interest rate of 5.0 percent. The net proceeds of \$1,099,675 (after payment of underwriting fees and issuance costs) plus \$542 from the district's debt service fund were used to call the outstanding bonds of \$1,090,000 and pay for accrued interest to date of call of \$10,217. The expected present value of the savings of the bond refunding is \$23,884.

(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 3.70% of their annual covered salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2005, 2004 and 2003. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2005, 2004, and 2003 were \$374,134, \$369,326, and \$354,740 respectively, equal to the required contributions for each year.

(8) Risk Management

Saydel 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.

(9) 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 \$410,100 for the year ended June 30, 2005 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

REQUIRED SUPPLEMENTAL INFORMATION

SAYDEL COMMUNITY SCHOOL DISTRICT
 BUDGETARY COMPARISON 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, 2005

	Governmental Fund Types Actual	Proprietary Fund Type Actual
Receipts:		
Local sources	\$ 8,780,236	419,505
Intermediate sources	214,782	0
State sources	5,638,547	6,759
Federal sources	265,255	268,029
Total revenues	<u>14,898,820</u>	<u>694,293</u>
Disbursements:		
Instruction	7,216,454	0
Support services	4,347,405	0
Non-instructional programs	1,610	656,836
Other expenditures	4,387,675	0
Total expenditures	<u>15,953,144</u>	<u>656,836</u>
Excess(deficiency) of receipts over(under) disbursements	(1,054,324)	37,457
Other financing sources, net	<u>1,580,000</u>	<u>0</u>
Excess(deficiency) of receipts over(under) disbursements	525,676	37,457
Balance beginning of year	<u>7,661,375</u>	<u>147,267</u>
Balance end of year	<u>\$ 8,187,051</u>	<u>184,724</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
	Original	Final	
9,199,741	8,983,607	8,983,607	216,134
214,782	1,300	1,300	213,482
5,645,306	5,769,321	5,769,321	(124,015)
533,284	372,000	372,000	161,284
<u>15,593,113</u>	<u>15,126,228</u>	<u>15,126,228</u>	<u>466,885</u>
7,216,454	8,244,000	8,891,013	1,674,559
4,347,405	4,570,788	5,600,958	1,253,553
658,446	580,000	600,000	(58,446)
4,387,675	2,515,381	3,800,000	(587,675)
<u>16,609,980</u>	<u>15,910,169</u>	<u>18,891,971</u>	<u>2,281,991</u>
(1,016,867)	(783,941)	(3,765,743)	(2,748,876)
<u>1,580,000</u>	<u>0</u>	<u>0</u>	<u>(1,580,000)</u>
563,133	(783,941)	(3,765,743)	(4,328,876)
7,808,642	5,413,666	5,413,666	2,394,976
<u>8,371,775</u>	<u>4,629,725</u>	<u>1,647,923</u>	<u>6,723,852</u>

SAYDEL COMMUNITY SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE - BUDGET TO GAAP RECONCILIATION
 REQUIRED SUPPLEMENTARY INFORMATION
 YEAR ENDED JUNE 30, 2005

	Governmental Funds		
	Cash	Accrual	Modified
	Basis	Adjust- ments	Accrual Basis
Revenues	\$ 14,898,820	275,486	15,174,306
Expenditures	15,953,144	56,950	16,010,094
Net	(1,054,324)	218,536	(835,788)
Other financing sources, net	1,580,000	0	1,580,000
Beginning fund balances	7,661,375	(1,241,666)	6,419,709
Ending fund balances	\$ 8,187,051	(1,023,130)	7,163,921

	Proprietary Fund		
	Enterprise		
	Cash	Accrual	Modified
	Basis	Adjust- ments	Accrual Basis
Revenues	\$ 694,293	(1,092)	693,201
Expenditures	656,836	(3,839)	652,997
Net	37,457	2,747	40,204
Other financing sources, net	0	0	0
Beginning fund balances	147,267	85,383	232,650
Ending fund balances	\$ 184,724	88,130	272,854

SAYDEL COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2005

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparison 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 Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the cash basis. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functional areas, not by fund or fund type. These four functional areas are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing budgeted disbursements by \$2,981,802.

During the year ended June 30, 2005, disbursements in the non-instructional and other expenditures functions exceeded the amounts budgeted.

OTHER SUPPLEMENTAL INFORMATION

SAYDEL COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2005

	Special Revenue Funds			
	Student Activity	Physical Plant and Equipment Levy	Trust	Total Special Revenue Funds
ASSETS				
Cash and pooled investments	\$ 68,832	558,420	28,160	655,412
Receivables:				
Property tax:				
Current year delinquent	0	8,891	0	8,891
Succeeding year	0	308,595	0	308,595
TOTAL ASSETS	\$ 68,832	875,906	28,160	972,898
LIABILITIES AND FUND EQUITY				
Liabilities:				
Accounts payable	\$ 6,789	68,534	950	76,273
Deferred revenue:				
Succeeding year property tax	0	308,595	0	308,595
Income surtax	0	0	0	0
	<u>6,789</u>	<u>377,129</u>	<u>950</u>	<u>384,868</u>
Fund equity:				
Fund balances:				
Unreserved:				
Undesignated	62,043	498,777	27,210	588,030
Total fund balances	<u>62,043</u>	<u>498,777</u>	<u>27,210</u>	<u>588,030</u>
TOTAL LIABILITIES AND FUND EQUITY	\$ 68,832	875,906	28,160	972,898

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SAYDEL COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2005

	Special Revenue Funds			Total Special Revenue Funds
	Physical Plant and Student Activity	Equipment Levy	Trust	
REVENUES:				
Local sources:				
Local tax	\$ 0	440,472	0	440,472
Other	211,424	11,371	475	223,270
State sources	0	234	0	234
Federal sources	0	668	0	668
TOTAL REVENUES	211,424	452,745	475	664,644
EXPENDITURES:				
Current:				
Instruction:				
Other instruction	196,880	0	1,450	198,330
Support services:				
Operation and maintenance of plant services	0	474,611	0	474,611
TOTAL EXPENDITURES	196,880	474,611	1,450	672,941
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	14,544	(21,866)	(975)	(8,297)
FUND BALANCE BEGINNING OF YEAR	47,499	520,643	28,185	596,327
FUND BALANCE END OF YEAR	\$ 62,043	498,777	27,210	588,030

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SAYDEL COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2005

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
HS Drama	\$ 5,486	3,514	3,411	5,589
HS Band	243	187	0	430
HS Athletics	(10,886)	116,886	107,089	(1,089)
Class of 2003	2,540	0	2,540	0
Class of 2004	640	0	1,137	(497)
Class of 2005	4,473	4,652	8,930	195
Class of 2006	295	3,833	3,196	932
Class of 2007	1,028	0	0	1,028
Class of 2008	0	30	0	30
Other HS Accounts	22,344	32,455	24,121	30,678
Woodside Accounts	19,236	42,114	39,503	21,847
Cornell Accounts	188	4,985	4,767	406
Norwoodville Accounts	606	2,549	2,186	969
Interest	1,306	219	0	1,525
 Total	 \$ 47,499	 211,424	 196,880	 62,043

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SAYDEL COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
 ALL GOVERNMENTAL FUND TYPES
 FOR THE LAST FOUR YEARS

	Modified Accrual Basis			
	Years Ended June 30,			
	2005	2004	2003	2002
Revenues:				
Local sources:				
Local tax	\$ 8,014,844	7,321,833	7,069,691	6,650,592
Tuition	877,047	831,183	634,092	789,101
Other	428,360	340,121	415,019	346,361
Intermediate sources	2,121	5,402	7,498	7,485
State sources	5,555,709	5,634,457	5,549,180	5,564,082
Federal sources	296,225	229,517	231,587	258,103
Total	\$ 15,174,306	14,362,513	13,907,067	13,615,724
Expenditures:				
Current:				
Instruction:				
Regular instruction	\$ 4,054,942	3,898,480	4,129,736	4,263,825
Special instruction	2,462,914	2,330,861	1,991,768	1,914,258
Other instruction	782,626	807,675	808,977	1,036,400
Support services:				
Student services	347,629	382,996	346,912	617,704
Instructional staff services	683,959	377,178	418,433	488,340
Administration services	1,311,237	1,416,274	1,237,231	1,186,100
Operation and maintenance of plant services	1,530,754	1,203,079	1,343,647	1,078,018
Transportation services	558,842	470,960	457,323	403,722
Non-instructional programs	1,680	30,253	0	215
Other expenditures:				
Facilities acquisitions	959,360	3,805,648	2,174,936	1,473,231
Long-term debt:				
Principal	2,415,000	1,280,000	1,530,000	450,000
Interest	491,051	545,000	471,488	395,302
AEA flow-through	410,100	411,969	419,018	421,526
Total	\$ 16,010,094	16,960,373	15,329,469	13,728,641

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SAYDEL COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 YEAR ENDED JUNE 30, 2005

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	PROGRAM EXPENDITURES
INDIRECT:			
DEPARTMENT OF AGRICULTURE:			
IOWA DEPARTMENT OF EDUCATION:			
FOOD DISTRIBUTION (non-cash)	10.550	FY 05	\$ 26,569
SCHOOL NUTRITION CLUSTER PROGRAMS:			
SCHOOL BREAKFAST PROGRAM	10.553	FY 05	56,396
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY 05	185,064
			<u>241,460</u>
DEPARTMENT OF EDUCATION:			
IOWA DEPARTMENT OF EDUCATION:			
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	FY 05	129,120
INNOVATIVE EDUCATION PROGRAM STRATEGIES (TITLE V PROGRAM)	84.298	FY 05	7,378
FLOOD CONTROL PROJECTS	12.106	FY 05	668
SAFE AND DRUG-FREE SCHOOLS AND COMMUNITIES - STATE GRANTS	84.186	FY 05	8,826
TITLE IIA - FEDERAL TEACHER QUALITY PROGRAM	84.367	FY 05	22,819
YELLOW SCHOOL BUS	45.025	FY 05	200
SPECIAL EDUCATION - GRANTS TO STATES (PART B)	84.027	FY 05	75,050
TOTAL			<u>\$ 512,090</u>

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of the Saydel Community School District and is presented in conformity with 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 Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the general-purpose financial statements.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

117 West 3rd Street North, Newton, Iowa 50208-3040

Telephone (641) 792-1910

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 the
Saydel 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 Saydel Community School District as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated October 5, 2005. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Saydel Community School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part I of the accompanying Schedule of Findings.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item I-A-05 is a material weakness.

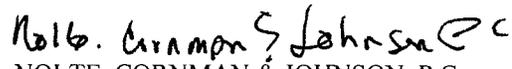
Compliance and Other Matters

As part of obtaining reasonable assurance about whether Saydel 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 an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2005 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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


NOLTE, CORNMAN & JOHNSON, P.C.

October 5, 2005

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

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Telephone (641) 792-1910

Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133

To the Board of Education of the
Saydel Community School District:

Compliance

We have audited the compliance of Saydel Community School District with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2005. Saydel 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 grant agreements applicable to each of its major federal programs is the responsibility of Saydel Community School District's management. Our responsibility is to express an opinion on Saydel 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 Saydel 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 Saydel Community School District's compliance with those requirements.

In our opinion, Saydel 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, 2005.

Internal Control Over Compliance

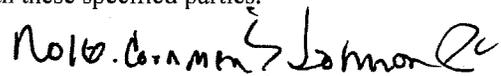
The management of Saydel Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Saydel Community School District'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.

We noted a matter involving the internal control over compliance and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect Saydel Community School District's ability to administer a major

federal program in accordance with applicable requirements of laws, regulations, contracts and grant agreements. The reportable condition is described as item III-A-05 in the accompanying Schedule of Findings and Questioned Costs.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that non-compliance with applicable requirements of laws, regulations, contracts and grant agreements caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses.

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


NOLTE, CORNMAN & JOHNSON, P.C.

October 5, 2005

SAYDEL COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2005

Part I: Summary of the Independent Auditor's Report

- (a) An unqualified opinion was issued on the financial statements.
- (b) Reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements, including a material weakness.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) Reportable conditions in internal control over 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 did not disclose any audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major program were as follows:
 - Clustered
 - CFDA Number 10.553 – School Breakfast Program
 - CFDA Number 10.555 – National School Lunch Program
 - Individual
 - CFDA Number 84.010 – Title I Grants to Local Educational Agencies
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Saydel Community School District did not qualify as a low-risk auditee.

SAYDEL COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2005

Part II: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

II-A-05 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted in the Student Activity Fund that the cash receipts and bank deposits were done by the same person.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However the District should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response - We will investigate available alternatives and implement as soon as possible.

Conclusion - Response accepted.

II-C-05 Gate Admissions - The gate admissions were not reconciled to pre-numbered tickets.

Recommendation - The District should establish reconciliation procedures for gate admissions. The reconciliation should include the issuance of pre-numbered tickets and the reconciling of the admissions to the number of tickets issued.

Response - We will take the actions necessary to ensure that the reconciliation of admissions to pre-numbered tickets is performed.

Conclusion - Response accepted.

II-D-05 Timely Deposits - We noted during our audit that deposits for the Student Activity fund were not done timely.

Recommendation - All receipts should be deposited when received. The district should review procedures to ensure that the deposits are made timely.

Response - We will see to it that receipts are deposited in a more timely manner.

Conclusion - Response accepted.

SAYDEL COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2005

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

CFDA Number 10.553: School Breakfast Program and
CFDA Number 10.555: National School Lunch Program
Federal Award Year: 2005
U.S. Department of Agriculture
Passed through the Iowa Department of Education

CFDA Number 84.010: Title I Grants to Local Educational Agencies
Federal Award Year: 2005
U.S. Department of Education
Passed through the Iowa Department of Education

III-A-05 Title V, Title VI A, Title II Grants - The final reports for Title V, Title VI A and Title II were not filed timely and expenditures were not coded to the correct project codes.

Recommendation - The district should file the final reports by the due date. The district should monitor timelines for grants to ensure that final reports are filed timely and therefore grant revenues are received for the programs.

Response - We will investigate methods by which timelines could better be monitored and strive for more timely filing.

Conclusion - Response accepted.

SAYDEL COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2005

Part IV: Other Findings Related to Statutory Reporting

IV-A-05 Official Depositories - A resolution naming official depositories have been approved by the Board. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2005.

IV-B-05 Certified Budget - District disbursements for the year ended June 30, 2005, exceeded the amended certified budget amounts in the non-instructional and other expenditures functional areas.

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

Response - We will endeavor to bring our estimations in line with expenditures, given unanticipated receipts.

Conclusion - Response accepted.

IV-C-05 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.

IV-D-05 Travel Expense - 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.

IV-E-05 Business Transactions - No business transactions between the District and District officials or employees were noted.

IV-F-05 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

IV-G-05 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board. However, we noted that the minutes were not always published in a timely manner.

Recommendation - The District should publish the minutes within two weeks of the Board meeting, as required by 279.35 of the Code of Iowa.

Response - We will take steps to improve, publishing in a more timely fashion

Conclusion - Response accepted.

IV-H-05 Certified Enrollment - We noted a variance in the basic enrollment data certified to the Department of Education. The number of students which were open enrolled out was understated by 2.8 students.

Recommendation - The District should contact the Iowa Department of Education and the Department of Management to resolve this matter.

Response - The District will contact the appropriate authorities at the state to resolve the matter.

Conclusion - Response accepted.

IV-I-05 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

IV-J-05 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely, and we noted no significant deficiencies in the amounts reported.

IV-K-05 Public Hearing for Public Improvements - The District did not hold a public hearing on the parking project required by Chapter 73A.2 of the Code of Iowa.

Recommendation - Before entering into any contract for public improvements where the net cost is \$25,000 or more, the District should set a date for a public hearing and give notice at least ten days prior to the hearing.

Response - Steps will be taken to ensure the error is not repeated.

Conclusion - Response accepted.