

SAYDEL COMMUNITY SCHOOL DISTRICT
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2009

Contents

		<u>Page</u>
Officials		1
Independent Auditor's Report		2-3
Management's Discussion and Analysis (MD&A)		4-15
Basic Financial Statements:	<u>Exhibit</u>	
Government-Wide Financial Statements:		
Statement of Net Assets	A	16
Statement of Activities	B	17
Governmental Fund Financial Statements:		
Balance Sheet	C	18
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets	D	19
Statement of Revenues, Expenditures and Changes in Fund Balances	E	20
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	F	21
Proprietary Fund Financial Statements:		
Statement of Net Assets	G	22
Statement of Revenues, Expenses and Changes in Net Assets	H	23
Statement of Cash Flows	I	24
Fiduciary Fund Financial Statements:		
Statement of Fiduciary Net Assets	J	25
Statement of Changes in Fiduciary Net Assets	K	26
Notes to Financial Statements		27-40
Required Supplementary Information:		
Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances - Budget and Actual - All Governmental Funds and Proprietary Fund		41
Notes to Required Supplementary Information - Budgetary Reporting		42
Schedule of Funding Progress for the Retiree Health Plan		43
Other Supplementary Information:	<u>Schedule</u>	
Nonmajor Governmental Funds:		
Combining Balance Sheet	1	44
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	2	45
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	3	46
Combining Statement of Fiduciary Net Assets Private Purpose Trust - Scholarship Funds	4	47
Combining Statement of Changes in Fiduciary Net Assets Private Purpose Trust - Scholarship Funds	5	48
Schedule of Revenues by Source and Expenditures by Function - All Governmental Fund Types	6	49
Schedule of Expenditures of Federal Awards	7	50
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>		51-52
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		53-54
Schedule of Findings and Questioned Costs		55-63

Saydel Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September 2008 Election)		
Joel Godwin	President	2010
Buddy Hicks	Vice President	2010
Brian Bowman	Board Member	2008
Paul Breitbarth	Board Member	2008
Ray Livingston	Board Member	2009
Melissa Sassman	Board Member	2009
Kirk Hartung	Board Member	2010
Board of Education (After September 2008 Election)		
Joel Godwin	President	2009 *
Kirk Hartung	Vice President	2011 *
Buddy Hicks	Board Member	2009 *
Ray Livingston	Board Member	2009
Melissa Sassman	Board Member	2009
Brian Bowman	Board Member	2011
Paul Breitbarth	Board Member	2011
School Officials		
Dr. Debra Van Gorp	Superintendent	2009
Jennifer Jamison	Business Manager/ Board Treasurer	2009
Jane Prange	Board Secretary	2009
Brian Gruhn	Attorney	2009
Ahlers & Cooney, P.C.	Attorney	2009

* Board term altered per the District's transition plan for changing Board terms from 3 to 4 years in accordance with Chapter 39.24 of the Code of Iowa.

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(a professional corporation)
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Telephone (641) 792-1910

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, 2009, 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.

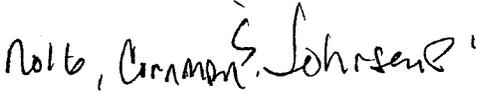
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Saydel Community School District at June 30, 2009, 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 report dated February 24, 2010 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 that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and Budgetary Comparison Information and Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 15 and 41 through 43 are not required parts of the basic financial statements, but are supplementary

information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise 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 five years ended June 30, 2008 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 7, 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.

February 24, 2010

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, 2009. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2009 FINANCIAL HIGHLIGHTS

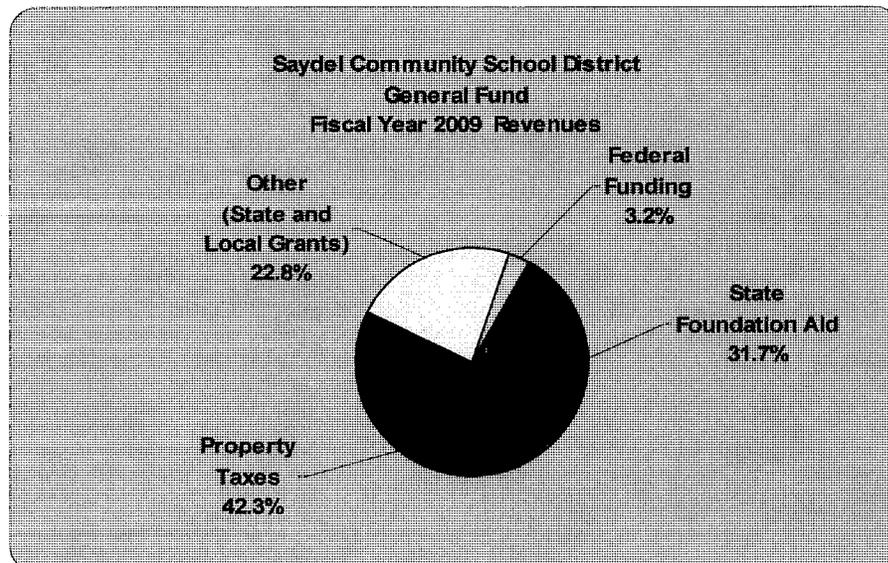
- **Budget:** The State of Iowa legislatively approved an allowable growth factor of 4 percent for fiscal year 2009. The district's enrollment increased by 12.3 students from 1,323.5 in fiscal year 2008 to 1,335.8 in fiscal year 2009. The increase in enrollment resulted in a 4.9 percent increase, or \$350,957 in new regular program funding.

In April, 2008, the board approved a budget for fiscal year 2009 for all funds of \$18,595,105 (including transfers). In February 2009, the board approved budget amendments to expenditures of \$7,177,100, to increase all functional areas to adjust for anticipated expenditures, most of which were for capital improvements to install HVAC in all instructional areas.

As in past years, the District continued to stay within its statutory budget in each of its legally required spending categories.

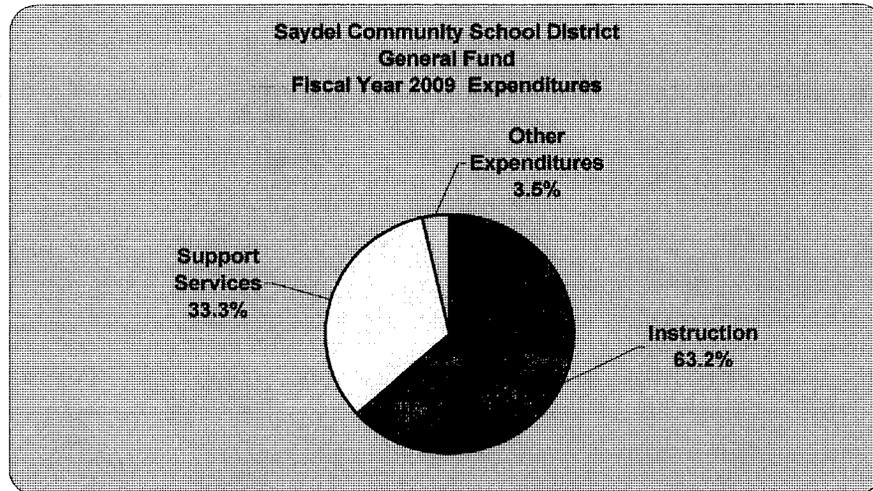
- **Revenue:** District-wide revenues were \$17,827,508, which primarily consisted of state aid, property taxes, federal grants, and sales taxes. General Fund revenues accounted for 74.3 percent of the District-wide revenue. Program specific revenues in the form of charges for services and grants and contributions, accounted for 24.5 percent of total fiscal year 2009 revenues.

The General Fund had \$13,243,057 in revenues for fiscal year 2009, which primarily consisted of state aid and property taxes. General Fund revenues increased from \$13,113,265 in fiscal year 2008 to \$13,243,057 in fiscal year 2009, which is less than a 1% increase.



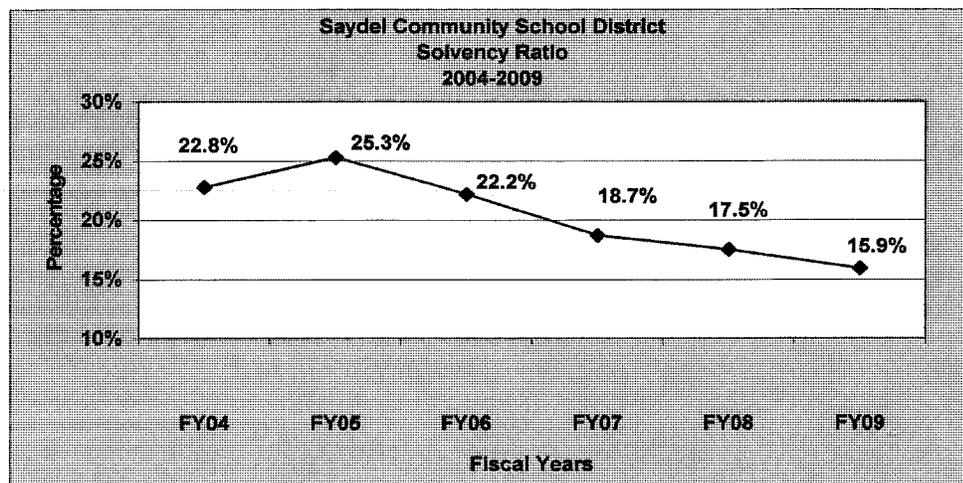
- Expenses:** The District had \$15,248,483 in expenses related to governmental activities, of which \$3,442,123 were offset by program specific charges for services or grants and contributions. General revenues of \$11,806,360 provided for the remaining cost of these programs.

The General Fund had \$13,324,305 in fiscal year 2009 expenses, which primarily consisted of instructional expenses. General Fund expenses increased from \$13,096,172 in fiscal 2008 to \$13,324,305 in fiscal year 2009. The increase in General Fund expenses was primarily because of negotiated salary increases within the instructional and student services areas.



- General Fund Balance and Solvency Ratio:** The District's overall General Fund balance decreased from \$2,340,684 as of June 30, 2008 to \$2,260,043 as of June 30, 2009. However, the General Fund undesignated and unreserved portion of fund balance decreased from \$2,237,736 as of June 30, 2008 to \$2,100,692 as of June 30, 2009. This decrease is primarily because a larger proportion of the fund balance on June 30, 2009 was reserved for various state categorical funds and board designated reserve balances.

The District's solvency ratio (unreserved-undesignated fund balance/General Fund revenues) decreased slightly from 17.5 percent to 15.9 percent in 2009.



The Board guidelines set a target of 10 percent for the District's solvency ratio. The Iowa Association of School Boards (IASB) considers a solvency ratio to be within "target" or "good" if it is within 5 percent – 10 percent and, therefore, "can handle the unexpected." Additionally, the IASB believes solvency ratio of 10 percent – 15 percent to be "excellent".

- **Debt:** The District's total long-term debt increased by a net of \$4,629,805 during fiscal year 2009. The increase in total long-term debt was because the District issued \$7.93 million dollars of new revenue bonds to defray the costs associated with the HVAC system upgrades to all the district buildings. The total outstanding bond and notes debt at the end of the fiscal year is approximately \$10.93 million.

The Debt Service Fund balance decreased from \$3,134,682 at the end of fiscal year 2008 to \$922,826 at the end of fiscal year 2009 due to the principal and interest payment of general obligation and sales tax revenue bonds and the defeasance of the September 1, 2002 revenue bonds. The cash and pooled investments of the Debt Service Fund include cash held in a sinking fund and debt service fund at Bankers Trust per the bond covenant for the sales tax revenue bonds. Monthly revenues are transferred from the Capital Projects Fund to the Debt Service Fund for payment of principal and interest on the sales tax revenue bonds.

- **Capital Projects:** Revenues from sales taxes increased from \$1,290,210 in fiscal year 2008 to \$1,327,359 in fiscal year 2009. The increase was due to an increase in the proportionate number of students enrolled at Saydel compared to the rest of Polk County. Expenses (including transfers out to debt service) increased from \$1,267,408 in fiscal year 2008 to \$3,336,280 in fiscal year 2009 due to increased expenses related to district-wide HVAC installation.

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 the School District.

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, as well as presenting the schedule of funding progress for the retiree health plan.

Other Supplementary Information provides detailed information about the nonmajor funds. In addition, the Schedule of Expenditures of Federal Awards provides detail of various programs benefiting the District.

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

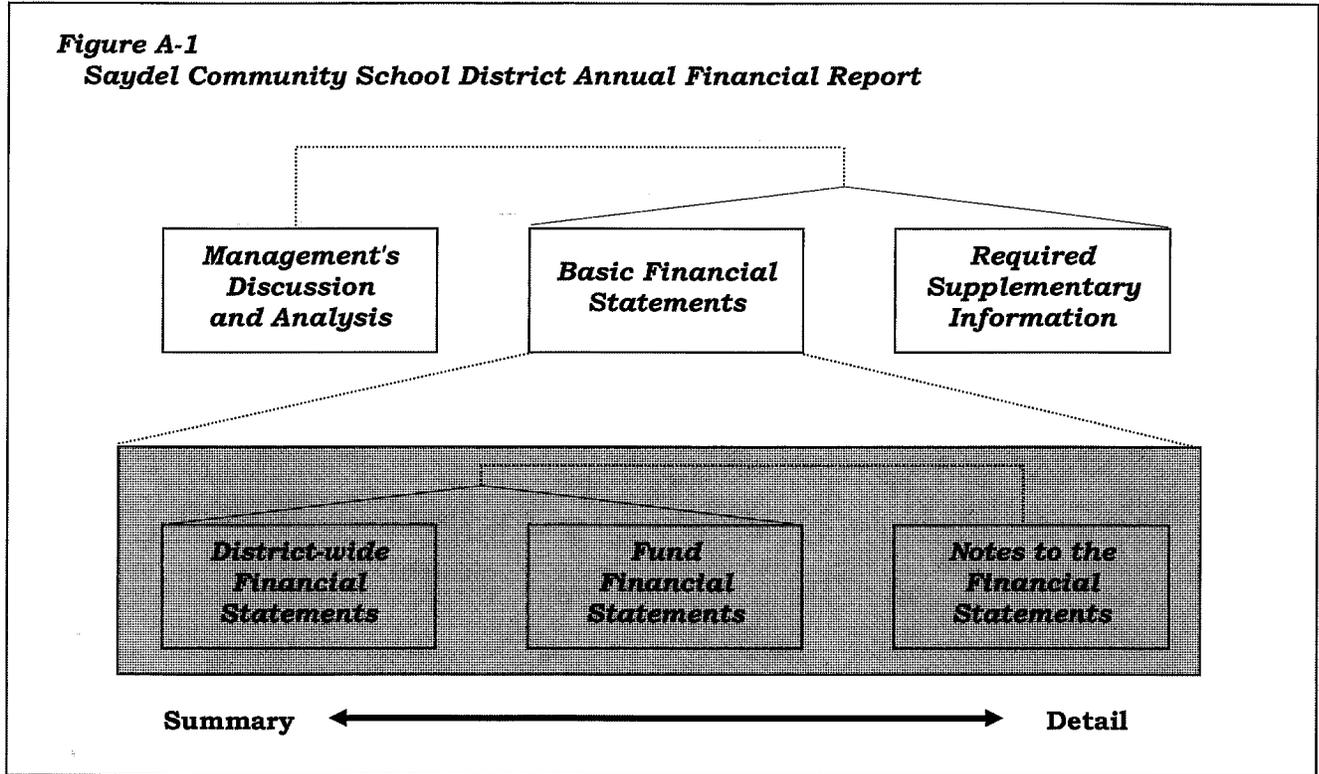


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses, e.g., food service	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
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 revenues, expenses and changes in net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District’s assets and liabilities. All of the current year’s revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or 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 three 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.

- 3) *Fiduciary funds:* The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust and Agency funds.

- Private-Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.

The District is responsible for ensuring that the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the District-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

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, 2009 compared to June 30, 2008.

Figure A-3
Condensed Statement of Net Assets

	Governmental Activities		Business type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2009	2008	2009	2008	2009	2008	2008-09
Current and other assets	\$ 23,532,723	16,706,965	371,785	341,736	23,904,508	17,048,701	40.21%
Capital assets	13,838,147	11,845,248	139,982	138,091	13,978,129	11,983,339	16.65%
Total assets	37,370,870	28,552,213	511,767	479,827	37,882,637	29,032,040	30.49%
Long-term obligations	11,343,377	8,389,231	97	0	11,343,474	8,389,231	35.21%
Other liabilities	11,784,273	7,660,202	17,307	14,659	11,801,580	7,674,861	53.77%
Total liabilities	23,127,650	16,049,433	17,404	14,659	23,145,054	16,064,092	44.08%
Net assets:							
Invested in capital assets, net of related debt	2,908,147	5,570,248	139,982	138,091	3,048,129	5,708,339	-46.60%
Restricted	9,482,493	4,813,367	0	0	9,482,493	4,813,367	97.00%
Unrestricted	1,852,580	2,119,165	354,381	327,077	2,206,961	2,446,242	-9.78%
Total net assets	\$ 14,243,220	12,502,780	494,363	465,168	14,737,583	12,967,948	13.65%

The District's combined net assets increased by 13.65%, or \$1,769,635, 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 \$4,669,126, or 97.00% over the prior year. The increase in restricted net assets can be attributable to the increase in fund balance in the Capital Projects Fund due to the issuance of \$7.93 million in revenue bonds for district HVAC projects.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased \$239,281, or 9.78%. This decrease can be due partly to the decrease in General Fund carryover balance.

Figure A-4 shows the changes in net assets for the year ended June 30, 2009 compared to the year ended June 30, 2008.

Figure A-4
Changes of Net Assets

	Governmental Activities		Business type Activities		Total School District		Total Change
	2009	2008	2009	2008	2009	2008	2008-09
Revenues:							
Program revenues:							
Charges for services	\$ 1,431,044	1,418,491	470,411	460,488	1,901,455	1,878,979	1.20%
Operating grants and contributions and restricted interest	2,011,035	1,816,739	364,913	350,324	2,375,948	2,167,063	9.64%
Capital grants and contributions and restricted interest	44	0	0	0	44	0	100.00%
General revenues:							
Property tax	7,819,063	7,041,450	0	0	7,819,063	7,041,450	11.04%
Statewide sales and services tax	1,327,359	1,290,210	0	0	1,327,359	1,290,210	2.88%
Unrestricted state grants	4,226,172	4,428,087	0	0	4,226,172	4,428,087	-4.56%
Other	174,206	639,005	3,261	8,014	177,467	647,019	-72.57%
Total revenues	16,988,923	16,633,982	838,585	818,826	17,827,508	17,452,808	2.15%
Program expenses:							
Governmental activities:							
Instructional	8,707,159	8,540,091	0	0	8,707,159	8,540,091	1.96%
Support services	4,845,433	4,765,777	10,220	0	4,855,653	4,765,777	1.89%
Non-instructional programs	250	0	799,170	762,078	799,420	762,078	4.90%
Other expenses	1,695,641	1,576,799	0	0	1,695,641	1,576,799	7.54%
Total expenses	15,248,483	14,882,667	809,390	762,078	16,057,873	15,644,745	2.64%
Change in net assets	1,740,440	1,751,315	29,195	56,748	1,769,635	1,808,063	-2.13%
Beginning net assets	12,502,780	10,751,465	465,168	408,420	12,967,948	11,159,885	16.20%
Ending net assets	\$ 14,243,220	12,502,780	494,363	465,168	14,737,583	12,967,948	13.65%

In fiscal 2009, property tax, local option (statewide) sales and services tax and unrestricted state grants account for 78.71% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 99.61% of the revenue from business type activities.

The District's total revenues were approximately \$17.83 million of which \$16.99 million was for governmental activities and approximately \$0.84 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 2.15% increase in revenues and a 2.64% increase in expenses. Property tax increased \$777,613 to fund increases in expenses. The increase in expenses is related to increase in the negotiated salary and benefits.

Governmental Activities

Revenues for governmental activities were \$16,988,923 and expenses were \$15,248,483.

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

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2009	2008	Change 2008-09	2009	2008	Change 2008-09
Instruction	\$ 8,707,159	8,540,091	1.96%	5,745,257	5,754,191	-0.16%
Support services	4,845,433	4,765,777	1.67%	4,831,338	4,755,544	1.59%
Non-instructional programs	250	0	100.00%	250	0	100.00%
Other expenses	1,695,641	1,576,799	7.54%	1,229,515	1,137,702	8.07%
Totals	<u>\$ 15,248,483</u>	<u>14,882,667</u>	<u>2.46%</u>	<u>11,806,360</u>	<u>11,647,437</u>	<u>1.36%</u>

- The cost financed by users of the District's programs was \$1,431,044.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$2,011,079.
- The net cost of governmental activities was financed with \$7,819,063 in property tax, \$1,327,359 in local option (statewide) sales and services tax, \$4,226,172 in unrestricted state grants, \$121,318 in interest income and \$52,888 in other general revenues.

Business type Activities

Revenues of the District's business type activities were \$838,585 and expenses were \$809,390. 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 \$11,934,504, above last year's ending fund balances of a \$7,444,708. However, the primary reason for the increase in combined fund balances in fiscal 2009 is due to the increase in Capital Projects Fund balance because of the issuance of revenue bonds dated February 1, 2009 for district HVAC projects.

Governmental Fund Highlights

- The District's deteriorating General Fund financial position is the result of many factors. Overall, District revenues for fiscal 2009 increased approximately 1%, or \$130,399, as compared to one year ago. The expenses, in the prior year were higher than the revenues, continued to increase rising by 1.74%, or \$228,133. The revenues under expenses in the amount of \$80,641 ensured the financial position of the General Fund would decrease.
- The Management Levy Fund balance increased from \$934,126 in fiscal 2008 to \$962,010 in fiscal 2009. The increase in property tax monies received by the District as compared to fiscal 2008 ensured that the Management Levy Fund would increase in fund balance. The revenues received in fiscal 2009 (\$454,818) for the Management Levy Fund were greater than expenditures (\$426,934). This balance will be used in the future for early retirement incentives and property insurance.

-
- The Capital Projects Fund balance increased from \$208,989 in fiscal 2008 to \$6,217,899 in fiscal 2009. The increase in fund balance is mainly due to the issuance of \$7.93 million of revenue bonds to finance the costs associated with district HVAC projects.
 - The Debt Service Fund balance decreased from \$3,134,682 in fiscal 2008 to \$922,826 in fiscal 2009. The decrease is due to payments made to the fiscal agent to defease the September 1, 2002 revenue bond issuance.

Proprietary Fund Highlights

The Proprietary Fund net assets increased from \$465,168 at June 30, 2008 to \$494,363 at June 30, 2009, representing an increase of 6.28%.

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 \$189,130 less than budgeted revenues, a variance of 1.05%. The most significant variance resulted from the District receiving less in intermediate source revenues 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. The District amended budgeted disbursements by a total of \$7,177,100 in all functional areas to assure that the statutory budget would not be exceeded.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2009, the District had invested \$13.98 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 increase of 16.65% from last year. More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$873,122.

The original cost of the District's capital assets was \$32.24 million. Governmental funds account for approximately \$31.96 million with the remainder of approximately \$0.28 million in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress totaled \$0 at June 30, 2008, compared to \$2,442,144 reported at June 30, 2009. This increase is due to district-wide improvements being made to the HVAC systems.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental		Business type		Total		Total
	Activities		Activities		School District		Change
	June 30,		June 30,		June 30,		June 30,
	2009	2008	2009	2008	2009	2008	2008-09
Land	\$ 7,500	7,500	0	0	7,500	7,500	0.00%
Construction in progress	2,442,144	0	0	0	2,442,144	0	100.00%
Buildings	9,688,119	10,094,845	0	0	9,688,119	10,094,845	-4.20%
Land improvements	628,189	681,536	0	0	628,189	681,536	-8.49%
Machinery and equipment	1,072,195	1,061,367	139,982	138,091	1,212,177	1,199,458	1.05%
Total	\$ 13,838,147	11,845,248	139,982	138,091	13,978,129	11,983,339	16.65%

Long-Term Debt

At June 30, 2009, the District had \$11,343,474 in general obligation bonds payable, revenue bonds payable, compensated absences and early retirement payable. This represents an increase of 68.96% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 6 to the financial statements.

The District had outstanding general obligation bonds of \$3,000,000 at June 30, 2009.

The District had outstanding revenue bonded indebtedness of \$7,930,000 at June 30, 2009.

The District had compensated absences payable from the General Fund of \$56,805 as of June 30, 2009.

The District had total outstanding Early Retirement payable from the Management Levy Fund of \$351,319 at June 30, 2009.

Figure A-7
Outstanding Long-Term Obligations

	Governmental		Business type		Total		Total
	Activities		Activities		School District		Change
	June 30,		June 30,		June 30,		June 30,
	2009	2008	2009	2008	2009	2008	2008-09
General obligation bonds	\$ 3,000,000	3,525,000	0	0	3,000,000	3,525,000	-17.50%
Revenue bonds	7,930,000	2,750,000	0	0	7,930,000	2,750,000	65.32%
Compensated absences	56,805	45,064	0	0	56,805	45,064	20.67%
Early retirement	351,319	393,605	0	0	351,319	393,605	-12.04%
Net OPEB liability	5,253	0	97	0	5,350	0	100.00%
Total	\$ 11,343,377	6,713,669	97	0	11,343,474	6,713,669	68.96%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- District enrollment declined from October 2007 to October 2008 by 80 students, or 6.4 percent. Therefore, the regular program cost for fiscal year 2010 will decline by approximately \$170,332, but with a 101 percent budget guarantee of \$245,324, the District will realize an increase in the regular program cost of \$74,992.

-
- District enrollment declined from October 2008 to October 2009 by 31 students, or 2.5 percent. Therefore, the regular program cost for fiscal year 2011 will decline by approximately \$285,388, but despite a 101 percent budget guarantee of \$113,352, the District will realize a decrease in the regular program of \$172,036.
 - During fiscal year 2010, the Governor announced an across-the-board cut to state aid and categorical funding. The impact of the 10 percent cut was a reduction in state aid of \$600,161. In addition, due to not fully funding state aid, the district incurred a reduction to anticipated state aid of \$80,153. Near the end of the 2009 legislative session, Phase I state revenues were eliminated, resulting in a shortage of funding to the General Fund in the amount of \$37,549 for fiscal year 2010.
 - The tax rate of the district remains one of the lowest in Polk County. This is due in large part to the commercial tax base within the district. In fiscal year 2010, commercial and industrial property amounted to nearly 65 percent of the total taxable valuation in the district. Residential and agricultural valuations account for most of the other 35 percent of taxable valuations. This is a very favorable tax base for the District because of the fact that commercial and industrial property is usually taxed at or very near 100 percent of its value. Residential and agricultural land, on the other hand, has a rollback in place so that neither class of property will grow faster than the other. The result is a residential rollback that taxes property at only 46 percent of its assessed value and agricultural land at 94 percent of its assessed value. Thus, a higher commercial and industrial tax base generates more revenue per dollar of assessed value than residential or agricultural land.
 - 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.
 - 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. The District continues to approve an Early Retirement Plan in an effort to achieve costs savings through higher paid teachers retiring early and hiring less experienced teachers as replacements that typically will be paid less, thus resulting in a cost savings to the General Fund. Other uncontrolled costs such as fuel also continue to be watched. 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 it has at its disposal.
 - In an effort to ensure the efficient use of all resources, the District maintains a conservative approach to budgeting. It may also be worth noting that no matter the funding source, whether the state or individual taxpayers, any funds budgeted may not be fully received, hence encouraging the conservative approach.

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 Jennifer Jamison, District 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, 2009

	Governmental Activities	Business type Activities	Total
ASSETS			
Cash and pooled investments	\$ 14,495,456	360,041	14,855,497
Receivables:			
Property tax:			
Delinquent	214,409	0	214,409
Succeeding year	8,386,689	0	8,386,689
Interfund	179	(179)	0
Accounts	186	20	206
Accrued interest	10,505	0	10,505
Due from other governments	425,299	0	425,299
Inventories	0	11,903	11,903
Capital assets, net of accumulated depreciation	13,838,147	139,982	13,978,129
TOTAL ASSETS	37,370,870	511,767	37,882,637
LIABILITIES			
Accounts payable	1,862,043	128	1,862,171
Salaries and benefits payable	1,182,226	11,728	1,193,954
Accrued interest payable	186,054	0	186,054
Deferred revenue:			
Succeeding year property tax	8,386,689	0	8,386,689
Other	167,261	0	167,261
Unearned revenue	0	5,451	5,451
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	545,000	0	545,000
Compensated absences	56,805	0	56,805
Early retirement payable	183,885	0	183,885
Portion due after one year:			
General obligation bonds payable	2,455,000	0	2,455,000
Revenue bonds payable	7,930,000	0	7,930,000
Early retirement payable	167,434	0	167,434
Net OPEB liability	5,253	97	5,350
TOTAL LIABILITIES	23,127,650	17,404	23,145,054
NET ASSETS			
Invested in capital assets, net of related debt	2,908,147	139,982	3,048,129
Restricted for:			
Debt service	922,826	0	922,826
Categorical funding	159,351	0	159,351
Management levy	610,691	0	610,691
Physical plant and equipment levy	1,542,929	0	1,542,929
Capital projects	6,217,899	0	6,217,899
Other special revenue purposes	28,797	0	28,797
Unrestricted	1,852,580	354,381	2,206,961
TOTAL NET ASSETS	\$ 14,243,220	494,363	14,737,583

SEE NOTES TO FINANCIAL STATEMENTS.

SAYDEL COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2009

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Operating Grants, Charges for Services		Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
		Services	Interest	Interest			
Functions/Programs:							
Governmental activities:							
Instruction:							
Regular	\$ 4,855,190	994,505	1,339,081	0	(2,521,604)	0	(2,521,604)
Special	2,059,327	212,467	187,953	0	(1,658,907)	0	(1,658,907)
Other	1,792,642	224,072	3,824	0	(1,564,746)	0	(1,564,746)
	<u>8,707,159</u>	<u>1,431,044</u>	<u>1,530,858</u>	<u>0</u>	<u>(5,745,257)</u>	<u>0</u>	<u>(5,745,257)</u>
Support services:							
Student	433,112	0	0	0	(433,112)	0	(433,112)
Instructional staff	203,868	0	0	0	(203,868)	0	(203,868)
Administration	1,887,083	0	0	0	(1,887,083)	0	(1,887,083)
Operation and maintenance of plant	1,594,695	0	0	0	(1,594,695)	0	(1,594,695)
Transportation	726,675	0	14,095	0	(712,580)	0	(712,580)
	<u>4,845,433</u>	<u>0</u>	<u>14,095</u>	<u>0</u>	<u>(4,831,338)</u>	<u>0</u>	<u>(4,831,338)</u>
Non-instructional programs:							
Food service operations	250	0	0	0	(250)	0	(250)
Other expenditures:							
Facilities and acquisitions	162,814	0	0	44	(162,770)	0	(162,770)
Long-term debt interest	460,692	0	0	0	(460,692)	0	(460,692)
AEA flowthrough	466,082	0	466,082	0	0	0	0
Depreciation(unallocated)*	606,053	0	0	0	(606,053)	0	(606,053)
	<u>1,695,641</u>	<u>0</u>	<u>466,082</u>	<u>44</u>	<u>(1,229,515)</u>	<u>0</u>	<u>(1,229,515)</u>
Total governmental activities	15,248,483	1,431,044	2,011,035	44	(11,806,360)	0	(11,806,360)
Business Type activities:							
Support services:							
Operation and maintenance of plant	10,220	0	0	0	0	(10,220)	(10,220)
Non-instructional programs:							
Nutrition services	691,007	357,313	364,913	0	0	31,219	31,219
Other business type activities	108,163	113,098	0	0	0	4,935	4,935
	<u>799,170</u>	<u>470,411</u>	<u>364,913</u>	<u>0</u>	<u>0</u>	<u>36,154</u>	<u>36,154</u>
Total business type activities	809,390	470,411	364,913	0	0	25,934	25,934
Total	\$ 16,057,873	1,901,455	2,375,948	44	(11,806,360)	25,934	(11,780,426)
General Revenues:							
Local tax for:							
General purposes				\$	6,186,767	0	6,186,767
Debt service					677,015	0	677,015
Capital outlay					955,281	0	955,281
Local option sales and services tax					1,327,359	0	1,327,359
Unrestricted state grants					4,226,172	0	4,226,172
Unrestricted investment earnings					121,318	3,261	124,579
Other					52,888	0	52,888
Total general revenues					<u>13,546,800</u>	<u>3,261</u>	<u>13,550,061</u>
Change in net assets					1,740,440	29,195	1,769,635
Net assets beginning of year					<u>12,502,780</u>	<u>465,168</u>	<u>12,967,948</u>
Net assets end of year				\$	<u>14,243,220</u>	<u>494,363</u>	<u>14,737,583</u>

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

SEE NOTES TO FINANCIAL STATEMENTS.

SAYDEL COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2009

	General	Capital Projects	Debt Service	Other Nonmajor Governmental Funds	Total
ASSETS					
Cash and pooled investments	\$ 3,487,440	7,583,213	904,261	2,520,542	14,495,456
Receivables:					
Property tax:					
Delinquent	158,105	0	18,565	37,739	214,409
Succeeding year	6,435,259	0	673,143	1,278,287	8,386,689
Interfund	448	0	0	0	448
Accounts	186	0	0	0	186
Accrued interest	0	10,505	0	0	10,505
Due from other governments	257,970	167,329	0	0	425,299
TOTAL ASSETS	\$ 10,339,408	7,761,047	1,595,969	3,836,568	23,532,992
LIABILITIES AND FUND BALANCES					
Liabilities:					
Interfund payable	\$ 0	0	0	269	269
Accounts payable	294,619	1,543,148	0	24,276	1,862,043
Salaries and benefits payable	1,182,226	0	0	0	1,182,226
Deferred revenue:					
Succeeding year property tax	6,435,259	0	673,143	1,278,287	8,386,689
Other	167,261	0	0	0	167,261
Total liabilities	8,079,365	1,543,148	673,143	1,302,832	11,598,488
Fund balances:					
Reserved for:					
Debt service	0	0	922,826	0	922,826
Categorical funding	159,351	0	0	0	159,351
Unreserved	2,100,692	6,217,899	0	2,533,736	10,852,327
Total fund balances	2,260,043	6,217,899	922,826	2,533,736	11,934,504
TOTAL LIABILITIES AND FUND BALANCES	\$ 10,339,408	7,761,047	1,595,969	3,836,568	23,532,992

SEE NOTES TO FINANCIAL STATEMENTS.

SAYDEL COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET ASSETS
 JUNE 30, 2009

Total fund balances of governmental funds (page 18)	\$ 11,934,504
 <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.	13,838,147
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.	(186,054)
Long-term liabilities, including general obligation bonds payable, revenues bonds payable, compensated absences and early retirement payable and other postemployment benefits, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(11,343,377)</u>
Net assets of governmental activities (page 16)	<u><u>\$ 14,243,220</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, 2009

	Special Revenue Funds			Total Other Nonmajor Governmental Funds	Total
	General	Capital Projects	Debt Service		
REVENUES:					
Local sources:					
Local tax	\$ 5,765,793	1,327,359	677,015	1,376,255	9,146,422
Tuition	1,202,420	0	0	0	1,202,420
Other	50,028	43,239	20,735	300,396	414,398
Intermediate sources	33,050	0	0	0	33,050
State sources	5,775,206	0	271	552	5,776,029
Federal sources	416,560	0	0	44	416,604
Total revenues	<u>13,243,057</u>	<u>1,370,598</u>	<u>698,021</u>	<u>1,677,247</u>	<u>16,988,923</u>
EXPENDITURES:					
Current:					
Instruction:					
Regular	4,774,639	0	0	166,474	4,941,113
Special	2,106,601	0	0	0	2,106,601
Other	1,543,522	0	0	265,573	1,809,095
	<u>8,424,762</u>	<u>0</u>	<u>0</u>	<u>432,047</u>	<u>8,856,809</u>
Support services:					
Student services	430,960	0	0	0	430,960
Instructional staff	198,153	0	0	2,332	200,485
Administration	1,858,527	0	0	12,545	1,871,072
Operation and maintenance of plant	1,237,093	0	0	282,291	1,519,384
Transportation	708,728	0	0	1,881	710,609
	<u>4,433,461</u>	<u>0</u>	<u>0</u>	<u>299,049</u>	<u>4,732,510</u>
Non-instructional programs:					
Food service operations	0	0	0	250	250
Other expenditures:					
Facilities acquisitions	0	2,578,420	0	172,518	2,750,938
Long-term debt:					
Principal	0	0	1,400,000	0	1,400,000
Interest and fiscal charges	0	0	261,247	0	261,247
AEA flowthrough	466,082	0	0	0	466,082
	<u>466,082</u>	<u>2,578,420</u>	<u>1,661,247</u>	<u>172,518</u>	<u>4,878,267</u>
Total expenditures	<u>13,324,305</u>	<u>2,578,420</u>	<u>1,661,247</u>	<u>903,864</u>	<u>18,467,836</u>
Excess(deficiency) of revenues over(under) expenditures	(81,248)	(1,207,822)	(963,226)	773,383	(1,478,913)
Other financing sources(uses):					
Transfers in	0	0	603,878	0	603,878
Transfers out	0	(603,878)	0	0	(603,878)
Sale of equipment	607	0	0	0	607
Revenue bond issuance	0	7,930,000	0	0	7,930,000
Premium on bond issuance	0	44,592	0	0	44,592
Discount on bond issuance	0	(110,398)	0	0	(110,398)
Cost of bond issuance	0	(43,584)	0	0	(43,584)
Accrued interest on bond issuance	0	0	22,492	0	22,492
Payment to escrow	0	0	(1,875,000)	0	(1,875,000)
Total other financing sources(uses)	<u>607</u>	<u>7,216,732</u>	<u>(1,248,630)</u>	<u>0</u>	<u>5,968,709</u>
Net change in fund balances	(80,641)	6,008,910	(2,211,856)	773,383	4,489,796
Fund balance beginning of year	2,340,684	208,989	3,134,682	1,760,353	7,444,708
Fund balance end of year	<u>\$ 2,260,043</u>	<u>6,217,899</u>	<u>922,826</u>	<u>2,533,736</u>	<u>11,934,504</u>

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, 2009

Net change in fund balances - total governmental funds (page 20) \$ 4,489,796

*Amounts reported for governmental activities in the
 statement of activities are different because:*

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are 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, depreciation expense and loss on disposal of assets in the year are as follows:

Capital outlays	\$ 2,858,959	
Depreciation expense	(853,199)	
Loss on disposal of capital assets	<u>(12,861)</u>	1,992,899

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year issuances and repayments are as follows:

Issued	(7,930,000)	
Repaid	<u>3,275,000</u>	(4,655,000)

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.

(112,547)

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.

Compensated absences	(11,741)	
Early retirement	42,286	25,292
Other postemployment benefits	<u>(5,253)</u>	

Changes in net assets of governmental activities (page 17) \$ 1,740,440

SEE NOTES TO FINANCIAL STATEMENTS.

SAYDEL COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2009

	School Nutrition	Eagles Nest	Cornell Elementary	Total
ASSETS				
Cash and cash equivalents	\$ 249,952	50,051	60,038	360,041
Accounts receivable	0	20	0	20
Inventories	11,903	0	0	11,903
Capital assets, net of accumulated depreciation	139,982	0	0	139,982
TOTAL ASSETS	401,837	50,071	60,038	511,946
LIABILITIES				
Interfund payable	179	0	0	179
Accounts payable	128	0	0	128
Salaries and benefits payable	0	11,728	0	11,728
Net OPEB liability	97	0	0	97
Unearned revenue	5,451	0	0	5,451
TOTAL LIABILITIES	5,855	11,728	0	17,583
NET ASSETS				
Invested in capital assets	139,982	0	0	139,982
Unrestricted	256,000	38,343	60,038	354,381
TOTAL NET ASSETS	\$ 395,982	38,343	60,038	494,363

SEE NOTES TO FINANCIAL STATEMENTS.

SAYDEL COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2009

	School Nutrition	Eagles Nest	Cornell Elementary	Total
OPERATING REVENUE:				
Local sources:				
Charges for services	\$ 357,313	93,334	19,764	470,411
Operation and maintenance of plant:				
Services	0	5,968	0	5,968
Supplies	4,252	0	0	4,252
Total support services	4,252	5,968	0	10,220
Non-instructional programs:				
Food service operations:				
Salaries	246,442	0	0	246,442
Benefits	67,611	0	0	67,611
Services	16,318	0	0	16,318
Supplies	339,837	0	0	339,837
Other	876	0	0	876
Depreciation	19,923	0	0	19,923
	691,007	0	0	691,007
Other enterprise operations:				
Salaries	0	78,261	0	78,261
Benefits	0	10,560	0	10,560
Services	0	6,638	0	6,638
Supplies	0	12,704	0	12,704
	0	108,163	0	108,163
Total non-instructional programs	691,007	108,163	0	799,170
TOTAL OPERATING EXPENSES	695,259	114,131	0	809,390
OPERATING INCOME (LOSS)	(337,946)	(20,797)	19,764	(338,979)
NON-OPERATING REVENUES:				
State sources	7,057	0	0	7,057
Federal sources	357,856	0	0	357,856
Interest income	2,018	733	510	3,261
TOTAL NON-OPERATING REVENUES	366,931	733	510	368,174
Changes in net assets	28,985	(20,064)	20,274	29,195
Net assets beginning of year	366,997	58,407	39,764	465,168
Net assets end of year	\$ 395,982	38,343	60,038	494,363

SEE NOTES TO FINANCIAL STATEMENTS.

SAYDEL COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2009

	School Nutrition	Eagles Nest	Cornell Elementary	Total
Cash flows from operating activities:				
Cash received from sale of lunches and breakfasts	\$ 335,703	0	0	335,703
Cash received from miscellaneous	21,374	93,334	19,764	134,472
Cash payments to employees for services	(313,956)	(88,557)	0	(402,513)
Cash payments to suppliers for goods or services	(321,192)	(25,310)	0	(346,502)
Net cash provided by(used in) operating activities	(278,071)	(20,533)	19,764	(278,840)
Cash flows from non-capital financing activities:				
Borrowings/Repayments from General Fund	5,045	0	0	5,045
State grants received	7,057	0	0	7,057
Federal grants received	319,545	0	0	319,545
Net cash provided by non-capital financing activities	331,647	0	0	331,647
Cash flows from capital and related financing activities:				
Purchase of capital assets	(21,814)	0	0	(21,814)
Cash flows from investing activities:				
Interest on investments	2,018	733	510	3,261
Net increase(decrease) in cash and cash equivalents	33,780	(19,800)	20,274	34,254
Cash and cash equivalents at beginning of year	216,172	69,851	39,764	325,787
Cash and cash equivalents at end of year	\$ 249,952	50,051	60,038	360,041
Reconciliation of operating income(loss) to net cash provided by(used in) operating activities:				
Operating income(loss)	\$ (337,946)	(20,797)	19,764	(338,979)
Adjustments to reconcile operating loss to net cash provided by(used in) operating activities:				
Commodities consumed	39,201	0	0	39,201
Depreciation	19,923	0	0	19,923
Decrease in inventories	3,156	0	0	3,156
Increase in accounts receivable	0	(20)	0	(20)
Decrease in accounts payable	(2,266)	0	0	(2,266)
Increase in salaries and benefits payable	0	284	0	284
Decrease in unearned revenue	(236)	0	0	(236)
Increase in other postemployment benefits	97	0	0	97
Net cash provided by(used in) operating activities	\$ (278,071)	(20,533)	19,764	(278,840)
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:				
Current assets:				
Cash and pooled investments	\$ 249,952	50,051	60,038	360,041
NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:				
During the year ended June 30, 2009, the District received Federal commodities valued at \$39,201.				
SEE NOTES TO FINANCIAL STATEMENTS.				

SAYDEL COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
JUNE 30, 2009

	<u>Private Purpose Trust Scholarship</u>
ASSETS	
Cash and pooled investments	<u>\$ 28,894</u>
LIABILITIES	
Scholarships payable	<u> 900</u>
NET ASSETS	
Reserved for scholarships	<u><u>\$ 27,994</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

SAYDEL COMMUNITY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUND
YEAR ENDED JUNE 30, 2009

	<u>Private Purpose</u> <u>Trust</u> <u>Scholarship</u>
Additions:	
Local sources:	
Interest on investments	\$ 316
Deductions:	
Regular instruction:	
Scholarships awarded	900
Change in net assets	(584)
Net assets beginning of year	<u>28,578</u>
Net assets end of year	<u>\$ 27,994</u>

SEE NOTES TO FINANCIAL STATEMENTS.

SAYDEL COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

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

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

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.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements which require income earned to be used to benefit individuals through scholarship awards.

C. Measurement Focus and Basis of Accounting

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

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

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

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and 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 Balances

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

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

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, 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, 2007 assessed property valuations; is for the tax accrual period July 1, 2008 through June 30, 2009 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2008.

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, machinery 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

Capital assets 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 are payable in July and August, have been accrued as liabilities.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax 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.

Unearned Revenue - Unearned revenues are monies collected for lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The lunch account balances are reflected on the Statement of Net Assets in the Proprietary, School Nutrition Fund.

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2009. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

Long-term Liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund 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, the District adopted one budget amendments increasing budgeted expenditures by \$7,177,100.

(2) Cash and Pooled Investments

The District's deposits at June 30, 2009 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, 2009, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	<u>Amortized Cost</u>
Diversified Portfolio	<u>\$ 7,377,791</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, 2009 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects	<u>\$ 603,878</u>

The transfer from the Capital Projects Fund to the Debt Service Fund was needed as part of the principal and interest payments on the District's revenue bond indebtedness.

(4) Interfund Receivables and Payables

The detail of interfund receivables and payables at June 30, 2009 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Nutrition	\$ 179
General	Student Activity	269
Total		<u>\$ 448</u>

The Nutrition Fund is repaying the General Fund for deposits in error that were not transferred before June 30, 2009. This interfund loan between the General Fund and the Nutrition Fund has subsequently been repaid.

The Student Activity Fund is repaying the General Fund for deposits in error that were not transferred before June 30, 2009. This interfund loan between the General Fund and the Nutrition Fund has subsequently been repaid.

(5) Capital Assets

Capital assets activity for the year ended June 30, 2009 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 7,500	0	0	7,500
Construction in progress	0	2,442,144	0	2,442,144
Total capital assets not being depreciated	7,500	2,442,144	0	2,449,644
Capital assets being depreciated:				
Buildings	25,266,565	122,950	0	25,389,515
Land improvements	1,512,449	23,030	0	1,535,479
Machinery and equipment	2,757,671	270,835	442,634	2,585,872
Total capital assets being depreciated	29,536,685	416,815	442,634	29,510,866
Less accumulated depreciation for:				
Buildings	15,171,720	529,676	0	15,701,396
Land improvements	830,913	76,377	0	907,290
Machinery and equipment	1,696,304	247,146	429,773	1,513,677
Total accumulated depreciation	17,698,937	853,199	429,773	18,122,363
Total capital assets being depreciated, net	11,837,748	(436,384)	12,861	11,388,503
Governmental activities capital assets, net	\$ 11,845,248	2,005,760	12,861	13,838,147
Business type activities:				
Machinery and equipment	\$ 264,163	21,814	0	285,977
Less accumulated depreciation	126,072	19,923	0	145,995
Business type activities capital assets, net	\$ 138,091	1,891	0	139,982

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 190,558
Support services:	
Student	1,930
Instructional staff	3,828
Administration	23,603
Operation and maintenance of plant	11,161
Transportation	16,066
	<u>247,146</u>
Unallocated depreciation	606,053
Total governmental activities depreciation expense	\$ 853,199
Business type activities:	
Food service operations	\$ 19,923

(6) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2009 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Governmental Activities:					
General obligation bonds	\$ 3,525,000	0	525,000	3,000,000	545,000
Revenue bonds	2,750,000	7,930,000	2,750,000	7,930,000	0
Compensated absences	45,064	56,805	45,064	56,805	56,805
Early retirement	393,605	126,519	168,805	351,319	183,885
Net OPEB liability	0	5,253	0	5,253	0
Total	\$ 6,713,669	8,118,577	3,488,869	11,343,377	785,690
Business Type Activities:					
Net OPEB liability	\$ 0	97	0	97	0

General Obligation Bonds Payable

Details of the District's June 30, 2009 general obligation bonds, which is paid with property taxes levied in the Debt Service Fund, are as follows:

Year Ending June 30,	Bond Issue of January 1, 1999			
	Interest Rates	Principal	Interest	Total
2010	4.25	% \$ 545,000	128,143	673,143
2011	4.25	570,000	104,980	674,980
2012	4.25	600,000	80,755	680,755
2013	4.30	635,000	55,255	690,255
2014	4.30	650,000	27,950	677,950
Total		\$ 3,000,000	397,083	3,397,083

Revenue Bonds Payable

On February 1, 2009, the District issued \$7,930,000 of revenue bonds for the purpose of financing construction costs for District projects. Details of the District's June 30, 2009 revenue bond indebtedness, which is paid with Local Option (Statewide) Sales and Services Tax from the Capital Projects Fund, is as follows:

Year Ending June 30,	Bond Issue of February 1, 2009			
	Interest Rates	Principal	Interest	Total
2010	3.75	% \$ 0	322,710	322,710
2011	3.75	230,000	347,735	577,735
2012	3.75	240,000	338,922	578,922
2013	3.75	250,000	329,735	579,735
2014	3.75	265,000	320,079	585,079
2015-2019	3.75-4.00	1,505,000	1,439,058	2,944,058
2020-2024	4.20-4.75	1,925,000	1,088,531	3,013,531
2025-2029	4.75-4.95	2,500,000	571,845	3,071,845
2030	4.95	1,015,000	35,764	1,050,764
Total		\$ 7,930,000	4,794,379	12,724,379

The District has pledged future local option (statewide sales and services tax revenues to repay the \$7,930,000 in bonds issued February 1, 2009. The bonds were issued for the purpose of defraying a portion of the cost of school infrastructure. The bonds are payable solely from the proceeds of the local option (statewide) sales and services tax revenues received by the District and are payable through 2030. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. The annual principal and interest payments on the bonds are expected to require 24.3% of the local option (statewide) sales and services tax revenues. The total principal and interest remaining to be paid on the bonds is \$12,724,379. For the current year, principal and interest of \$957,425 was paid on the bonds and \$1,875,000 was defeased. Total local option (statewide) sales and services tax revenues were \$1,329,933.

The resolution providing for the issuance of the local option (statewide) sales and services tax revenue bonds includes the following provisions:

- a) \$635,243 of the proceeds from the issuance of the revenue bonds shall be deposited to the Reserve Account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the Sinking Account. The balance of the proceeds shall be deposited to the Project Account.
- b) All proceeds from the local option (statewide) sales and services tax shall be placed in a Revenue Account.
- c) Monies in the Revenue Account shall be disbursed to make deposits into a Sinking Account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- d) Any monies remaining in the Revenue Account after the required transfer to the Sinking Account may be transferred to the Project Account to be used for any lawful purpose.

Early Retirement

The District offers a voluntary early retirement plan to its employees. Eligible employees must be over the age of fifty-five, 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.

(7) Bond Defeasement

On February 1, 2009, the District used the 10% (\$672,500) reserve account from the \$6,275,000 September 1, 2002 revenue bond issuance and the amount of the required monthly transfers to make subsequent principal and interest payments in the debt sinking

account from the same bonds to create a new account held by an escrow agent in order to call the remaining two years of payments of the September 1, 2002 revenue bond issuance. The remaining two years of payments are to be called July 1, 2009. As of June 30, 2009, \$1,875,000 of such bonds is outstanding. Defeasement of principal and interest for the year was \$0 and \$0.

(8) Pension and Retirement Benefits

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

Plan members are required to contribute 4.10% of their annual covered salary and the District is required to contribute 6.35% of annual covered salary. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2009, 2008 and 2007 were \$480,061, \$449,414, and \$419,887 respectively, equal to the required contributions for each year.

(9) Other Postemployment Benefits (OPEB)

The District implemented GASB Statement No.45, Accounting and Financial Reporting by Employers for Postemployment Benefits other Than Pensions during the year ended June 30, 2009.

Plan Description - The District operates a single-employer retiree benefit plan which provides medical/prescription drug and dental benefits for retirees and their spouses. There are 178 active and 25 retired members in the plan. Employees must be age 35 or older at retirement and have ten or more years of continuous service to the District.

The medical/prescription drug benefit, which is a self-funded medical plan, is administered by Wellmark Blue Cross Blue Shield of Iowa. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability. There is no subsidy or OPEB liability associated with the dental benefit which is administered by Delta Dental.

Funding Policy - the contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation - The District's annual OPEB cost is calculated based on the annual required contribution of the District (ARC), an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for June 30, 2009, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 155,810
Interest on net OPEB obligation	0
Adjustment to annual required contribution	0
Annual OPEB cost (expense)	<u>155,810</u>
Contributions made	<u>(150,460)</u>
Increase in net OPEB obligation	5,350
Net OPEB obligation - beginning of year	<u>0</u>
Net OPEB obligation - end of year	<u><u>\$ 5,350</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. The end of the year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the plans actual contributions for the year ended June 30, 2009.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of June 30, 2009 are summarized as follows:

Fiscal Year Ended	Annual OPEB cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
06/30/09	\$ 155,810	96.57%	\$ 5,350

Funded Status and Funding Progress - As of July 1, 2008, the most recent actuarial valuation date for the period July 1, 2008 through June 30, 2009, the actuarial accrued liability was \$1.376 million, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$1.376 million. The covered payroll (annual payroll of active employees covered by the plan) was \$6.048 million, and the ratio of the UAAL to the covered payroll was 22.8%. As of June 30, 2009, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress presented as required supplementary information in the section following the Notes to the Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that

are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of July 1, 2008 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions include a 4.75% discount rate based on the District's funding policy. The projected annual medical trend rate is 10%. The ultimate medical trend rate is 5%. The medical trend rate is reduced by a percentage each year until reaching the 5% ultimate trend rate.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement probabilities were developed from the retirement probabilities on scale T-9 of the Actuary's Pension Handbook and applying the termination factors on scale T-9 of the Actuary's Pension Handbook.

Projected claim costs of the medical plan are \$686 per month for retirees developed from a combination of age adjusted fully insured premiums and manual claims costs. The salary increase rate was assumed to be 4.25% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(10) 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.

(11) 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 \$466,082 for the year ended June 30, 2009 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(12) Construction Commitment

The District has entered into various contracts for improvements and upgrades to the HVAC systems of the District buildings. As of June 30, 2009, costs of \$2,442,144 had been incurred against the contracts. Upon completion of the project, construction costs will be added to the District's fixed asset listing.

(13) Categorical Funding

The District's ending reserved balances for categorical funding as of June 30, 2009 are broken out by the following projects:

<u>Project</u>	<u>Amount</u>
Limited english proficiency	\$ 17,627
Beginning teacher mentoring	3,442
Salary improvement program	29,559
Market factor	6,377
Early childhood programs	37,736
Model core curriculum	873
Professional development for model core curriculum	19,766
Professional development	34,234
Market factor incentives	9,737
Total	<u>\$ 159,351</u>

REQUIRED SUPPLEMENTARY INFORMATION

SAYDEL COMMUNITY SCHOOL DISTRICT
 BUDGETARY COMPARISON OF REVENUES, EXPENDITURES/EXPENSES AND
 CHANGES IN BALANCES -
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
 AND PROPRIETARY FUNDS

REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2009

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to Actual Variance
	Fund Types	Fund Type		Original	Final	
	Actual	Actual				
Revenues:						
Local sources	\$ 10,763,240	473,672	11,236,912	11,507,142	11,507,142	(270,230)
Intermediate sources	33,050	0	33,050	65,000	65,000	(31,950)
State sources	5,776,029	7,057	5,783,086	5,854,496	5,854,496	(71,410)
Federal sources	416,604	357,856	774,460	590,000	590,000	184,460
Total revenues	<u>16,988,923</u>	<u>838,585</u>	<u>17,827,508</u>	<u>18,016,638</u>	<u>18,016,638</u>	<u>(189,130)</u>
Expenditures/Expenses:						
Instruction	8,856,809	0	8,856,809	9,011,750	9,511,750	654,941
Support services	4,732,510	10,220	4,742,730	4,876,000	5,002,830	260,100
Non-instructional programs	250	799,170	799,420	775,500	800,200	780
Other expenditures	4,878,267	0	4,878,267	2,974,430	9,500,000	4,621,733
Total expenditures/expenses	<u>18,467,836</u>	<u>809,390</u>	<u>19,277,226</u>	<u>17,637,680</u>	<u>24,814,780</u>	<u>5,537,554</u>
Excess(deficiency) of revenues over(under) expenditures/expenses	(1,478,913)	29,195	(1,449,718)	378,958	(6,798,142)	(5,348,424)
Other financing sources, net	<u>5,968,709</u>	<u>0</u>	<u>5,968,709</u>	<u>0</u>	<u>0</u>	<u>(5,968,709)</u>
Excess(deficiency) of revenues over(under) expenditures/expenses and other financing uses	4,489,796	29,195	4,518,991	378,958	(6,798,142)	(11,317,133)
Balance beginning of year	<u>7,444,708</u>	<u>465,168</u>	<u>7,909,876</u>	<u>7,698,355</u>	<u>7,698,355</u>	<u>211,521</u>
Balance end of year	<u>\$ 11,934,504</u>	<u>494,363</u>	<u>12,428,867</u>	<u>8,077,313</u>	<u>900,213</u>	<u>11,528,654</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SAYDEL COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2009

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 a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing budgeted expenditures by \$7,177,100.

SAYDEL COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF FUNDING PROGRESS FOR THE
 RETIREE HEALTH PLAN
 (IN THOUSANDS)

REQUIRED SUPPLEMENTARY INFORMATION

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial		Funded Ratio (a/b)	Covered Payroll (c)	UAAAL as a Percentage of Covered Payroll ((b-a)/c)
		Accrued Liability (AAL) (b)	Unfunded AAL (UAAAL) (b-a)			
July 1, 2008	\$ -	\$ 1,376	\$ 1,376	0.0%	\$ 6,048	22.8%

See Note 9 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

OTHER SUPPLEMENTARY INFORMATION

SAYDEL COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2009

	Special Revenue Funds			Total
	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Other Nonmajor Governmental Funds
ASSETS				
Cash and pooled investments	\$ 950,466	39,325	1,530,751	2,520,542
Receivables:				
Property tax				
Current year delinquent	11,544	0	26,195	37,739
Succeeding year	275,000	0	1,003,287	1,278,287
TOTAL ASSETS	\$ 1,237,010	39,325	2,560,233	3,836,568
LIABILITIES AND FUND BALANCES				
Liabilities:				
Interfund payable	\$ 0	269	0	269
Accounts payable	0	10,259	14,017	24,276
Deferred revenue:				
Succeeding year property tax	275,000	0	1,003,287	1,278,287
Total liabilities	275,000	10,528	1,017,304	1,302,832
Unreserved fund balances	962,010	28,797	1,542,929	2,533,736
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,237,010	39,325	2,560,233	3,836,568

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, 2009

	Special Revenue Funds			Total
	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Other Nonmajor Governmental Funds
REVENUES:				
Local sources:				
Local tax	\$ 420,974	0	955,281	1,376,255
Other	33,675	251,663	15,058	300,396
State sources	169	0	383	552
Federal sources	0	0	44	44
TOTAL REVENUES	454,818	251,663	970,766	1,677,247
EXPENDITURES:				
Current:				
Instruction:				
Regular	166,474	0	0	166,474
Other	0	265,573	0	265,573
Support services:				
Instructional staff	0	2,332	0	2,332
Administration	0	1,848	10,697	12,545
Operation and maintenance of plant	258,329	0	23,962	282,291
Transportation	1,881	0	0	1,881
Non-instructional programs:				
Food service operations	250	0	0	250
Other expenditures:				
Facilities acquisition	0	0	172,518	172,518
TOTAL EXPENDITURES	426,934	269,753	207,177	903,864
Net change in fund balances	27,884	(18,090)	763,589	773,383
Fund balance beginning of year	934,126	46,887	779,340	1,760,353
Fund balance end of year	\$ 962,010	28,797	1,542,929	2,533,736

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SAYDEL COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2009

Account	Balance Beginning of Year	Revenues	Expendi- tures	Intra Fund Transfers	Balance End of Year
HS Drama	\$ 1,266	0	0	(1,266)	0
HS Band	655	0	0	(655)	0
HS Athletics	11,925	0	0	(11,925)	0
Class 2006	2,945	0	0	(2,945)	0
Class 2007	(433)	0	0	433	0
Class 2008	1,715	0	0	(1,715)	0
Class 2009	1,632	0	0	(1,632)	0
Other HS Accounts	21,378	210,658	210,658	(21,378)	0
All HS Accounts	0	0	12,722	41,083	28,361
Woodside Accounts	(2,452)	34,833	38,199	0	(5,818)
Cornell Accounts	270	873	(19)	0	1,162
Norwoodville Accounts	3,171	5,299	3,388	0	5,082
Interest	4,815	0	4,805	0	10
Total	\$ 46,887	251,663	269,753	0	28,797

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SAYDEL COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF FIDUCIARY NET ASSETS
 PRIVATE PURPOSE TRUST - SCHOLARSHIP FUNDS
 JUNE 30, 2009

	Gerry	Dean	Voss	Total
	Scholarship	Scholarship	Scholarship	
ASSETS				
Cash and pooled investments	\$ 24,767	1,334	2,793	28,894
LIABILITIES				
Scholarships payable	500	200	200	900
NET ASSETS				
Reserved for scholarships	\$ 24,267	1,134	2,593	27,994

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SAYDEL COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 PRIVATE PURPOSE TRUST - SCHOLARSHIP FUNDS
 YEAR ENDED JUNE 30, 2009

	Gerry Scholarship	Dean Scholarship	Voss Scholarship	Total
ADDITIONS:				
Local sources:				
Interest on investments	\$ 271	20	25	316
DEDUCTIONS:				
Regular instruction:				
Scholarships awarded	500	200	200	900
Changes in net assets	(229)	(180)	(175)	(584)
Net assets beginning of year	24,496	1,314	2,768	28,578
Net assets end of year	\$ 24,267	1,134	2,593	27,994

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 SIX YEARS

	Modified Accrual Basis					
	Years Ended June 30,					
	2009	2008	2007	2006	2005	2004
Revenues:						
Local sources:						
Local tax	\$ 9,146,422	8,331,660	8,032,494	7,317,531	8,014,844	7,321,833
Tuition	1,202,420	1,199,455	1,203,159	1,009,642	877,047	831,183
Other	414,398	565,340	665,059	686,507	428,360	340,121
Intermediate sources	33,050	27,498	0	60	2,121	5,402
State sources	5,776,029	5,687,232	5,576,309	5,503,088	5,555,709	5,634,457
Federal sources	416,604	496,500	277,770	299,414	296,225	229,517
Total	\$ 16,988,923	16,307,685	15,754,791	14,816,242	15,174,306	14,362,513
Expenditures:						
Current:						
Instruction:						
Regular	\$ 4,941,113	4,765,867	4,764,872	4,126,410	4,054,942	3,898,480
Special	2,106,601	2,226,733	2,269,487	2,197,819	2,462,914	2,330,861
Other	1,809,095	1,561,837	1,284,502	1,420,754	782,626	807,675
Support services:						
Student	430,960	452,550	413,741	458,322	347,629	382,996
Instructional staff	200,485	365,712	336,056	512,939	683,959	377,178
Administration	1,871,072	1,644,564	1,658,418	1,473,451	1,311,237	1,416,274
Operation and maintenance of plant	1,519,384	1,536,632	1,334,461	1,789,408	1,530,754	1,203,079
Transportation	710,609	765,142	535,274	613,666	558,842	470,960
Non-instructional programs	250	0	0	250	1,680	30,253
Other expenditures:						
Facilities acquisitions	2,750,938	654,525	567,573	427,769	959,360	3,805,648
Long-term debt:						
Principal	1,400,000	1,825,000	1,270,000	1,385,000	2,415,000	1,280,000
Interest	261,247	299,710	333,618	373,692	491,051	545,000
AEA flow-through	466,082	439,097	423,414	412,140	410,100	411,969
Total	\$ 18,467,836	16,537,369	15,191,416	15,191,620	16,010,094	16,960,373

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SAYDEL COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2009

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	EXPENDITURES
INDIRECT:			
DEPARTMENT OF AGRICULTURE:			
SCHOOL NUTRITION CLUSTER PROGRAMS:			
SCHOOL BREAKFAST PROGRAM	10.553	FY 09	\$ 74,700
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY 09	269,300
			<u>344,000</u>
FRESH FRUIT AND VEGATABLE PROGRAM	10.582	FY 09	<u>13,856</u>
DEPARTMENT OF DEFENSE:			
POLK COUNTY:			
FLOOD CONTROL PROJECTS	12.106	FY 09	<u>44</u>
DEPARTMENT OF EDUCATION:			
IOWA DEPARTMENT OF EDUCATION:			
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	5805-G	142,244
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	5805-GC	26,934
			<u>169,178</u>
SAFE AND DRUG-FREE SCHOOLS AND COMMUNITIES - STATE GRANTS	84.186	FY 08	500
SAFE AND DRUG-FREE SCHOOLS AND COMMUNITIES - STATE GRANTS	84.186	FY 09	3,222
			<u>3,722</u>
TITLE IIA - FEDERAL TEACHER QUALITY PROGRAM	84.367	FY 08	13,143
TITLE IIA - FEDERAL TEACHER QUALITY PROGRAM	84.367	FY 09	44,430
			<u>57,573</u>
GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES(TITLE VIA)	84.369	FY 09	<u>9,237</u>
FUND FOR THE IMPROVEMENT OF EDUCATION(CHARACTER EDUCATION)	84.215	FY 09	<u>1,950</u>
AREA EDUCATION AGENCY:			
VOCATIONAL EDUCATION - BASIC GRANTS TO STATES			
	84.048	FY 09	<u>12,709</u>
SPECIAL EDUCATION - GRANTS TO STATES(PART B)	84.027	FY 09	<u>75,929</u>
NATIONAL ENDOWMENT FOR THE ARTS:			
IOWA ARTS COUNCIL:			
PROMOTION OF THE ARTS - PARTNERSHIP AGREEMENTS (BIG YELLOW SCHOOL BUS)	45.025	FY 09	<u>200</u>
TOTAL			<u>\$ 688,398</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 basic financial statements.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

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Independent Auditor's Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements Performed in
Accordance with Government Auditing Standards

To the Board of Education of 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, 2009, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated February 24, 2010. 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 as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Saydel Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Saydel Community School District's internal control over financial reporting.

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

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

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe item II-A-09 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 such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2009 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.

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

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

February 24, 2010

NOLTE, CORNMAN & JOHNSON P.C.

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

To the Board of Education of
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, 2009. 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, 2009.

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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Saydel Community School District's internal control over compliance.

A control deficiency in the District's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a federal program such that there is more than a remote likelihood noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, which results in more than a remote likelihood material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the District's internal control.

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

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

February 24, 2010

SAYDEL COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2009

Part I: Summary of the Independent Auditor's Report

- (a) Unqualified opinions were issued on the financial statements.
- (b) Significant deficiencies 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) No significant deficiency 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 AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2009

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

SIGNIFICANT DEFICIENCIES:

II-A-09 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 - Cash receipts at the High School are currently being prepared by the Activities Secretary and deposited by the Activities Director. Due to the limited office staff in the other schools, the deposits are prepared and deposited by the same person. We will continue to investigate alternatives to achieve adequate separation of duties.

Conclusion - Response accepted.

II-B-09 Purchase Orders - We noted during our audit that the District currently uses purchase orders in the purchase process, however many of the purchase orders are actually completed after the product has been ordered and at times may be completed after receipt of the products.

Recommendation - The advantage of using a purchase order system is that the approvals of the items being purchased are noted prior to the ordering of the items. In addition, when the items are approved and the purchase order is properly generated, it also reflects on the financial records as an outstanding order, which represents the amount as an obligation against the budget. When monitoring the actual expenses, it can be helpful to know the outstanding orders which will be subsequently paid, therefore allowing the person who approves purchase orders the insight to know if there is still available funding to make the purchase.

Although Districts are not required to use a purchase order system, the benefits to financial management make the system desirable. The District's current purchase order system should be reviewed and necessary changes made so that all disbursements are approved by the appropriate administrator before the ordering of the supplies takes place.

Response - The District utilizes an automated purchase order system in which the originator submits a requisition for approval by the appropriate supervisor/administrator before a purchase order is printed. At times, purchase orders are entered in order to reimburse staff for purchases already made when the time to process a purchase order in advance was not adequate. In these instances, staff members are required to obtain approval from the supervisor/administrator before purchasing items and seeking reimbursement. The district office keeps a record of when a purchase order appears to be

entered after an item has been ordered or in some cases already received, and has been following up with the appropriate supervisor/administrator to remind them of the proper procedure in order for them to follow up with their staff.

Conclusion - Response accepted.

II-C-09 Receipting Procedures - We noted during the audit that the receipt books at all locations were not being brought over to the central office for review and retention. The numeric sequence of the receipts should be used in the internal control process to identify all receipts written are subsequently deposited and recorded. We also noted instances of deposits not being deposited into the bank until a week, sometimes a month later.

Recommendation - The District should establish compensating controls, which would include the central office personnel comparing the receipts that were turned in and deposited from the other locations to the receipts that were actually written. The District should also implement, and follow a record retention policy and keep the receipt books for at least five years. All receipts should be deposited when received. The district should review procedures to ensure that the deposits are made timely.

Response - Building office staff has begun submitting receipt numbers along with documentation of funds being deposited to the district office for entry into the accounting system on a monthly basis. This allows the district office to track receipt numbers and take appropriate action if there is any concern. The district office has also communicated to buildings that receipt books should be submitted to the district office at the end of a fiscal year for the appropriate retention period of five years. The district's policy is to deposit funds once a maximum threshold is on hand, or at least weekly. If a building appears to be depositing funds less frequently than the board policy, the building office staff and/or administrator is notified and asked to comply immediately.

Conclusion - Response accepted.

II-D-09 Board Policies - We noted during our audit that the District had not implemented a capital asset policy. The District should implement a policy that addresses the dollar capitalization threshold and the life of assets for depreciation purposes. The policy should also address that the District should keep track of assets over \$500 for insurance purposes.

We also noted that the District hasn't implemented a cell phone policy. This policy should address the issues and requirements for employees who utilize district owned cell phones or who receive a dollar allowance for personal cell phones.

Recommendation - The District should review the policies in place and update or implement the necessary policies.

Response - The district's procedure is to track assets over \$500 in value for insurance purposes annually through its fixed asset inventory process. However, a board policy addressing fixed assets does not currently exist. The district will add a board policy for fixed assets.

Although a cell phone policy is not a requirement, the district will review any recommended policies on cell phones for employees who utilize district owned cell phones or receive a stipend for personal cell phones, and determine if a cell phone policy should be added.

Conclusion - Response accepted.

II-E-09 Payroll Procedures - We noted during our audit that the District is not keeping track of hours worked for coaches who are non-certified staff.

Recommendation - In an effort to comply with the Department of Labor requirements on wage per hour contracts, the District should keep track of the hours worked for non-certified staff coaches. The District should also review its payroll procedures to ensure that supporting documentation is kept for all employees who receive checks.

Response - In the past, a calendar with each non-certified coaches hours was submitted to the district office. This fiscal year, the activities director was advised that timesheets should be collected each month for the non-certified coaches in order to comply with the Fair Labor Standards Act.

Conclusion - Response accepted.

SAYDEL COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2009

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

SIGNIFICANT DEFICIENCIES:

No matters were reported.

SAYDEL COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 YEAR ENDED JUNE 30, 2009

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-09 Certified Budget - District disbursements for the year ended June 30, 2009, did not exceed the amount budgeted.

IV-B-09 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-C-09 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.

The District has policy 401.10 in effect for employee travel compensation. The policy states that employees seeking reimbursement for actual and necessary expenses must submit to the District a detailed receipt in addition to a credit card receipt that shows the date, purpose and type of expense. If the employee does not provide the District with detailed receipts, the expenses would become personal expenses not reimbursed by the district. However, during our audit, we noted instances of employees being reimbursed by the district for meal expenses without providing detailed receipts.

Recommendation - The District should review policy 401.10 and require that all employees seeking reimbursement provide the district with detailed receipts. If a receipt is not available, the employee should provide the district with written documentation of the amount and nature of the expense before seeking reimbursement.

Response - The district office is aware of the policy; however, in this case an oversight was made. The business manager has begun reviewing each invoice and/or request for reimbursement through accounts payable. Having this compensating control in place to review all supporting documentation prior to printing checks will help alleviate these situations in the future.

Conclusion - Response accepted.

IV-D-09 Business Transactions - Business transactions between the District and District officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Melissa Sassman, Board Member Spouse owns Sassman Glass	Van/Repairs	\$2,472

In accordance with an Attorney General's opinion dated November 9, 1976, the transactions with the spouse of the Board Member do not appear to be a conflict of interest.

IV-E-09 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-F-09 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 - The Board Secretary has adopted a new procedure to track when minutes are sent to the newspaper for publication, and will keep all documentation regarding the dates of publication to demonstrate compliance with the Iowa Code.

Conclusion - Response accepted.

IV-G-09 Certified Enrollment - We noted a variance in the basic enrollment data certified to the Department of Education. The number of resident students reported on Line 1 was understated by one student. Line 12, supplementary weighting was understated by 4.15 students.

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

Response - The District's auditors will contact the Iowa Department of Education and Department of Management on our behalf to resolve this matter.

Conclusion - Response accepted.

IV-H-09 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-I-09 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-J-09 Categorical Funding - No instances were noted of categorical funding being used to supplant rather than supplement other funds.

IV-K-09 Statewide Sales and Services Tax - No instances of non-compliance with the use of the statewide sales and services tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales and services tax. For the year ended June 30, 2009, the District's financial activity and other required information for the statewide sales and services tax are as follows:

Beginning Balance		\$	0
Statewide sales and services tax revenue			1,327,359
Interest on investments			2,574
Total revenues			1,329,933
Expenditures/transfers out:			
School infrastructure:			
Buildings	\$	143,292	
Other improvements		5,000	
Debt service for school infrastructure:			
Revenue debt	603,878		752,170
Ending Balance		\$	577,763

IV-L-09 Financial Condition - The District has numerous negative student account balances within the Student Activity Fund, totaling \$44,926.62 as of June 30, 2009.

Recommendation - The District should review their procedures with regards to account balances in the Student Activity Fund. The District may want to require additional administrative approval of purchase orders for the accounts that are negative. The District should also distribute a detailed monthly financial report to the sponsor responsible for each club/organization. The sponsor should have a budget for the club/organization and should be accountable for the balance.

Response - The district office provides a summary of beginning balances, receipts, expenditures, and ending balances on a monthly basis to the Activities Director and each building principal for further distribution to appropriate coaches and/or sponsors. The Activities Director reviews this report and advises the district office to transfer funds as needed to alleviate any negative balances.

Conclusion - Response accepted.

IV-M-09 Checks Outstanding - We noted during our audit that the District had checks included in the bank reconciliations of the General, Activity and Nutrition Funds which have been outstanding for over a year.

Recommendation - Per Chapter 556.1(10) and 556.11 of the Code of Iowa, the District is required to report unclaimed property to the State Treasurer annually before November 1st. The District should research the outstanding checks to determine if they should be reissued, voided or submitted to the Treasurer of Iowa as unclaimed property.

Response - At the time of the audit, district office had completed its first ever unclaimed property report to the State Treasurer's office, and in the process cleared all outstanding checks greater than two years old prior to June 30, 2009. The district office will continue to monitor outstanding checks and will annually submit its unclaimed property report to the State Treasurer prior to the November 1 deadline.

Conclusion - Response accepted.

IV-N-09 Officiating Contracts - We noted during our audit that the Athletic Director was signing Activity Fund officiating contracts. According to 291.1 of the Code of Iowa, the Board President shall sign all contracts entered into by the District.

Recommendation - The District should have the Board President sign all contracts entered into by the District.

Response - The District will establish a procedure for having the Board President's signature on officiating contracts.

Conclusion - Response accepted.

IV-O-09 Payroll Authorization - We noted during our audit, the District does not have written authorization to mail employee's payroll checks. Chapter 91A.3 of the Code of Iowa requires that an employer have a written request from an employee before wages can be sent to an employee by mail.

Recommendation - The District should obtain written authorization from each employee who desires to receive a payroll check by mail.

Response - Although the District has had the same procedure in place for a number of years prior to this audit, the district office is in receipt of an acceptable form for employees to sign which will give authorization to mail employee paychecks, and will implement this procedure immediately.

Conclusion - Response accepted.