

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

JUNE 30, 2012

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Saydel Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
(Before September 2011 Election)		
Kirk Hartung	President	2011
Paul Breitbarth	Vice President	2011
Joel Godwin	Board Member	2011
Buddy Hicks	Board Member	2013
Ray Livingston	Board Member	2013
Melissa Sassman	Board Member	2013
Brian Bowman	Board Member	2011
(After September 2011 Election)		
Paul Breitbarth	President	2015
Brian Bowman	Vice President	2015
Henry Wood	Board Member	2015
Buddy Hicks	Board Member	2013
Ray Livingston	Board Member	2013
Melissa Sassman	Board Member	2013
Rob Stephenson	Board Member	2015
School Officials		
Dr. Brad Buck	Superintendent	2012
Ryan Eidahl	Business Manager/ Board Treasurer	2012
Jane Prange	Board Secretary	2012
Brian Gruhn	Attorney	2012
Ahlers & Cooney, P.C.	Attorney	2012

SAYDEL COMMUNITY SCHOOL DISTRICT

NOLTE, CORNMAN & JOHNSON P.C.
Certified Public Accountants
(a professional corporation)
117 West 3rd Street North, Newton, Iowa 50208-3040
Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

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, 2012, 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, 2012, 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 28, 2013 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.

U.S generally accepted accounting principles require Management's Discussion and Analysis and the Budgetary Comparison Information and Schedule of Funding Progress for the Retiree Health Plan on pages 7

through 19 and 50 through 52 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the required supplementary information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 eight years ended June 30, 2011 (which are not presented herein) and expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 9, 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 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



NOLTE, CORNMAN & JOHNSON, P.C.

February 28, 2013

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, 2012. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2012 FINANCIAL HIGHLIGHTS

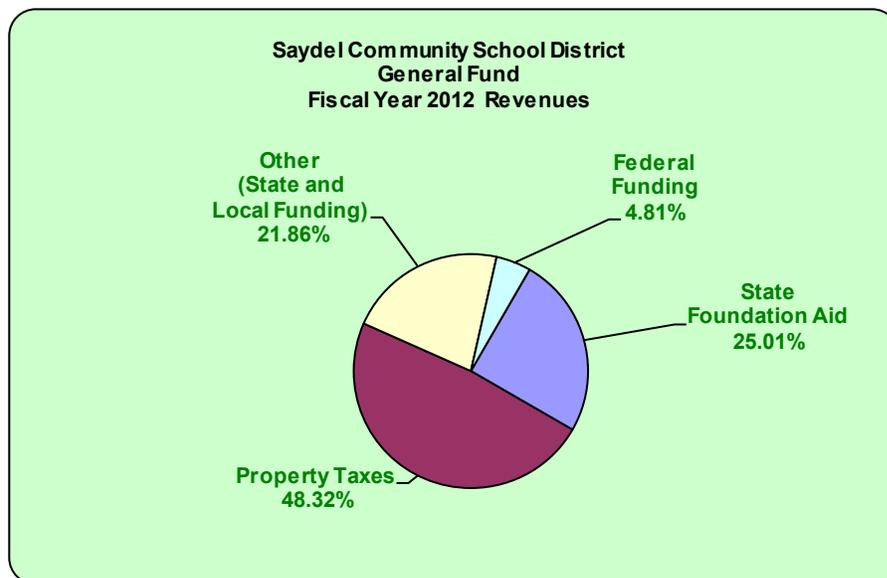
- **Budget:** The State of Iowa legislatively approved an allowable growth factor of 0 percent for fiscal year 2012. The district's enrollment decreased by 24.1 students from 1,224.8 in fiscal year 2011 to 1,200.7 in fiscal year 2012. The decrease in enrollment and allowable growth resulted in a 0.88 percent decrease, or \$64,684 in new regular program funding.

In April, 2011, the board approved a budget for fiscal year 2012 for all funds of \$20,867,572(including transfers).

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

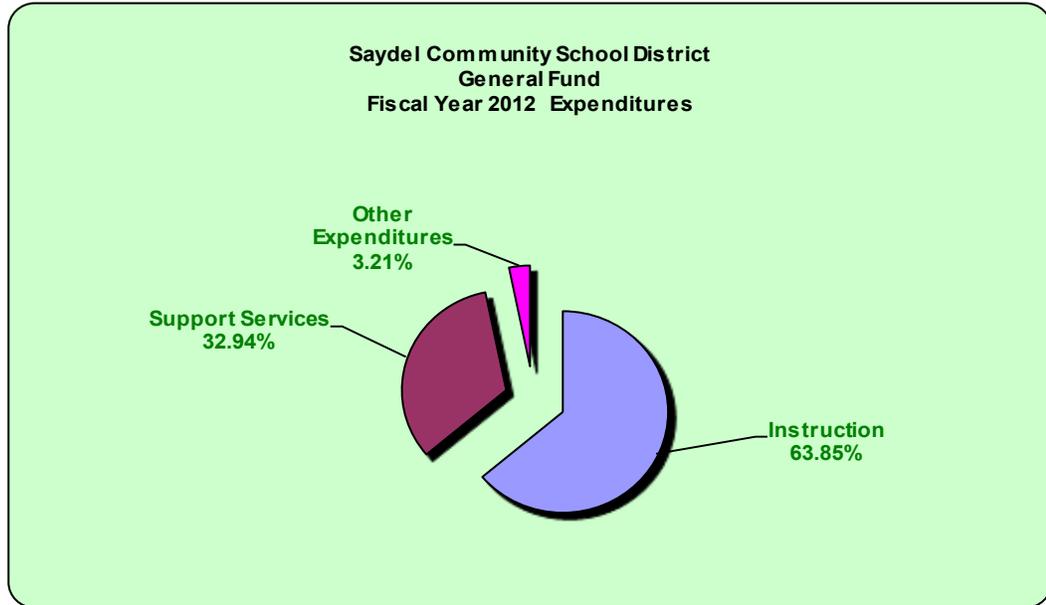
- **Revenue:** Government-wide revenues were \$18,487,652, which primarily consisted of state aid, property taxes, federal grants, and sales taxes. General revenues accounted for approximately 80.60 percent of the District-wide revenue. Program specific revenues in the form of charges for services and grants and contributions, accounted for 19.40 percent of total fiscal year 2012 revenues.

The General Fund had \$14,477,315 in revenues for fiscal year 2012, which primarily consisted of state aid and property taxes. General Fund revenues increased from \$13,701,028 in fiscal year 2011 to \$14,477,315 in fiscal year 2012, which is a 5.67% increase. This increase in revenues was primarily due to the District levying an additional \$500,000 in cash reserves to cover the costs of closing Norwoodville Elementary.



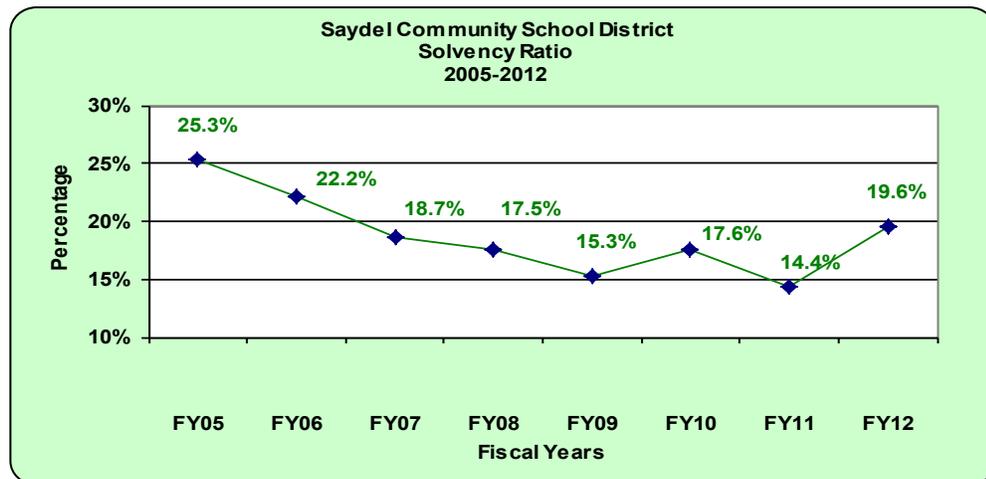
- Expenses:** The government-wide expenses were \$16,870,077, of which \$3,585,887 were offset by program specific charges for services or grants and contributions. General revenues of \$14,910,359 provided for the remaining cost of these programs.

The General Fund had \$13,747,613 in fiscal year 2012 expenses, which primarily consisted of instructional expenses. General Fund expenses increased from \$13,535,446 in fiscal 2011 to \$13,747,613 in fiscal year 2012.



- General Fund Balance and Solvency Ratio:** The District’s overall General Fund balance increased from \$2,579,494 as of June 30, 2011 to \$3,309,196 as of June 30, 2012. The General Fund unassigned fund balance increased from \$1,903,923 as of June 30, 2011 to \$2,709,014 as of June 30, 2012.

The District’s solvency ratio (unassigned fund balance plus assigned fund balance/General Fund revenues minus AEA flowthrough) increased from 13.9 percent in 2011 to 19.6 percent in 2012.



The Board guidelines set a target of 10 percent for the District’s solvency ratio.

-
- **Debt:** The Debt Service Fund balance increased from \$1,215,138 at the end of fiscal year 2011 to \$1,221,296 at the end of fiscal year 2012. 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 decreased from \$1,123,029 in fiscal year 2011 to \$1,011,433 in fiscal year 2012. The decrease in funding was due to the decrease in enrollment compared to the prior year. Expenses (including transfers out to debt service) increased from \$2,614,895 in fiscal year 2011 to \$4,560,177 in fiscal year 2012. In fiscal year 2012 the primary construction expenses included the start of a renovation project at Woodside Middle School and the continued construction at Cornell Elementary.

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.

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.

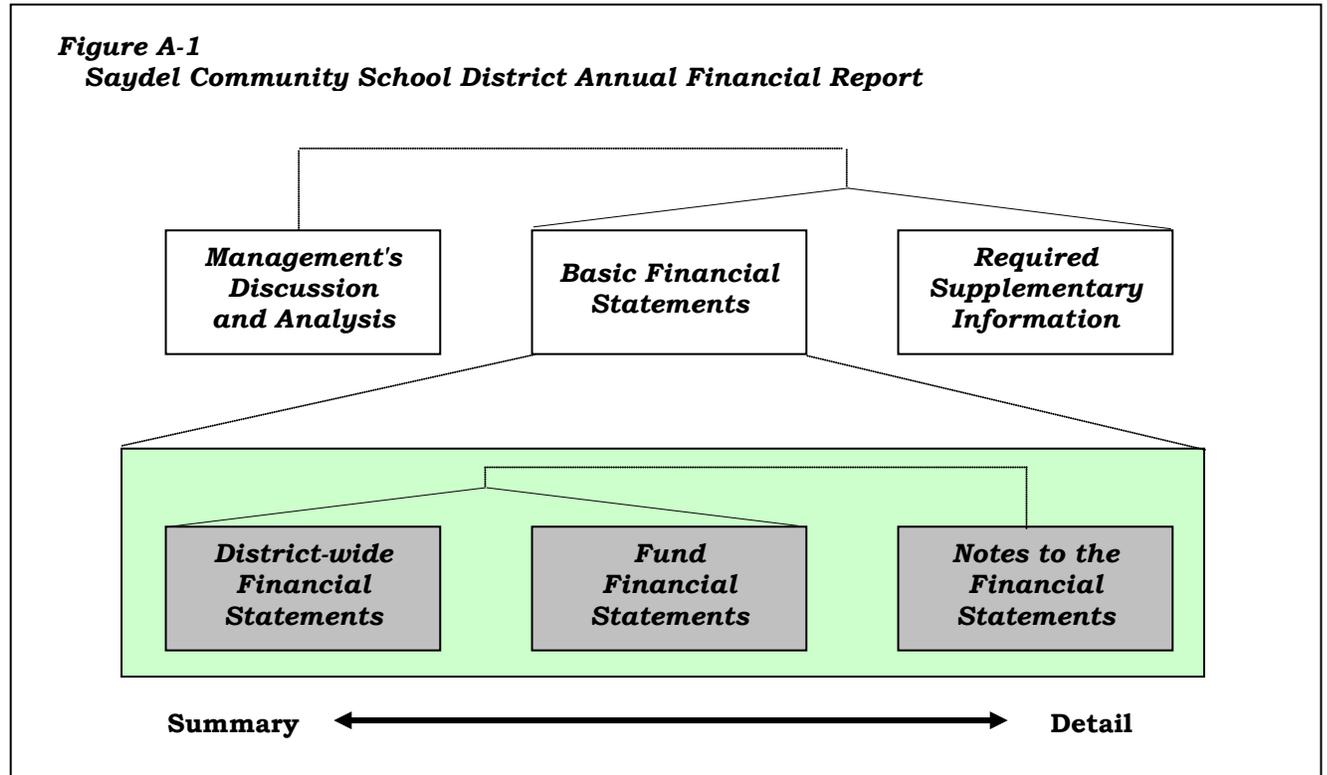


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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 net assets • Statement of revenues, expenses and changes in fund net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, 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, Eagles Nest and Cornell Elementary Preschool programs are 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 fund 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.
- Agency Fund - These are funds through which the District administers and accounts for certain outside groups.

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, 2012 compared to June 30, 2011.

Figure A-3 Condensed Statement of Net Assets							
	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2012	2011	2012	2011	2012	2011	2011-12
Current and other assets	\$ 17,929,081	19,879,930	369,760	351,178	18,298,841	20,231,108	-9.55%
Capital assets	19,801,263	17,988,930	139,065	164,886	19,940,328	18,153,816	9.84%
Total assets	37,730,344	37,868,860	508,825	516,064	38,239,169	38,384,924	-0.38%
Long-term obligations	9,206,239	9,881,394	2,806	1,498	9,209,045	9,882,892	-6.82%
Other liabilities	10,520,264	10,955,724	17,839	14,402	10,538,103	10,970,126	-3.94%
Total liabilities	19,726,503	20,837,118	20,645	15,900	19,747,148	20,853,018	-5.30%
Net assets:							
Invested in capital assets, net of related debt	11,086,263	8,433,930	139,065	164,886	11,225,328	8,598,816	30.55%
Restricted	4,387,699	6,623,446	-	-	4,387,699	6,623,446	-33.76%
Unrestricted	2,529,879	1,974,366	349,115	335,278	2,878,994	2,309,644	24.65%
Total net assets	\$ 18,003,841	17,031,742	488,180	500,164	18,492,021	17,531,906	5.48%

The District's combined net assets increased by 5.48%, or \$960,115, over the prior year. The largest portion of the District's net assets is the invested in capital assets, net of related debt.

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 decreased \$2,235,747, or 33.76% from the prior year. The decrease in restricted net assets can be attributable to the decrease in fund balance in the Capital Projects: Statewide Sales, Services and Use Tax Fund.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased \$569,350, or 24.65%. This increase was primarily due to an increase in the General Fund balance.

Figure A-4 shows the changes in net assets for the year ended June 30, 2012 compared to the year ended June 30, 2011.

	Figure A-4 Changes in Net Assets							
	Governmental Activities		Business Type Activities		Total District		Total Change	
	2012	2011	2012	2011	2012	2011	2011-12	
Revenues and transfers:								
Program revenues:								
Charges for services	\$ 1,626,862	1,458,656	413,432	405,298	2,040,294	1,863,954		9.46%
Operating grants and contributions and restricted interest	1,094,534	1,267,420	451,059	399,030	1,545,593	1,666,450		-7.25%
General revenues:								
Property tax	8,881,045	8,623,850	-	-	8,881,045	8,623,850		2.98%
Statewide sales, services and use tax	1,011,433	1,123,029	-	-	1,011,433	1,123,029		-9.94%
Unrestricted state grants	4,579,146	4,206,401	-	-	4,579,146	4,206,401		8.86%
Nonspecific program federal grants	252,382	123,548	-	-	252,382	123,548		104.28%
Unrestricted investment earnings	29,377	62,171	618	700	29,995	62,871		-52.29%
Other	156,358	283,365	-	2,805	156,358	286,170		-45.36%
Transfers	(8,594)	-	-	-	(8,594)	-		-100.00%
Total revenues and transfers	<u>17,622,543</u>	<u>17,148,440</u>	<u>865,109</u>	<u>807,833</u>	<u>18,487,652</u>	<u>17,956,273</u>		<u>2.96%</u>
Program expenses:								
Governmental activities:								
Instructional	9,130,241	9,127,891	-	123	9,130,241	9,128,014		0.02%
Support services	5,387,809	5,114,220	35,308	33,280	5,423,117	5,147,500		5.35%
Non-instructional programs	250	698	841,785	777,971	842,035	778,669		8.14%
Other expenses	1,474,685	1,263,089	-	-	1,474,685	1,263,089		16.75%
Total expenses	<u>15,992,985</u>	<u>15,505,898</u>	<u>877,093</u>	<u>811,374</u>	<u>16,870,078</u>	<u>16,317,272</u>		<u>3.39%</u>
Changes in net assets before special item	1,629,558	1,642,542	(11,984)	(3,541)	1,617,574	1,639,001		-1.31%
Special item:								
Loss on the sale of capital assets	(657,459)	-	-	-	(657,459)	-		-100.00%
Change in net assets	972,099	1,642,542	(11,984)	(3,541)	960,115	1,639,001		-41.42%
Net assets beginning of year	<u>17,031,742</u>	<u>15,389,200</u>	<u>500,164</u>	<u>503,705</u>	<u>17,531,906</u>	<u>15,892,905</u>		<u>10.31%</u>
Net assets end of year	<u>\$ 18,003,841</u>	<u>17,031,742</u>	<u>488,180</u>	<u>500,164</u>	<u>18,492,021</u>	<u>17,531,906</u>		<u>5.48%</u>

In fiscal 2012, property tax, statewide sales, services and use tax and unrestricted state grants account for 82.12% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 99.93% of the revenue from business type activities.

The District's total revenues were approximately \$18.49 million, of which approximately \$17.62 million was for governmental activities and approximately \$0.87 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 2.96% increase in revenues and a 3.39% increase in expenses. Property tax increased \$249,941 to fund increases in expenses. The increase in expenses is primarily related to the increase in the negotiated salary and benefits.

Governmental Activities

Revenues, net of transfers for governmental activities were \$17,622,543 and expenses were \$15,992,985.

The following table presents the total and net cost of the District's major governmental activities: instruction, non-instructional programs, support services and other expenses, for the year ended June 30, 2012 compared to the year ended June 30, 2011.

	Total Cost of Services			Net Cost of Services		
	2012	2011	Change 2011-12	2012	2011	Change 2011-12
Instruction	\$ 9,130,241	9,127,891	0.03%	6,889,075	6,935,149	-0.66%
Support services	5,387,809	5,114,220	5.35%	5,348,393	5,076,823	5.35%
Non-instructional programs	250	698	-64.18%	250	250	0.00%
Other expenses	1,474,685	1,263,089	16.75%	1,033,871	767,600	34.69%
Totals	\$ 15,992,985	15,505,898	3.14%	13,271,589	12,779,822	3.85%

- The cost financed by users of the District's programs was \$1,626,862.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,094,534.
- The net cost of governmental activities was financed with \$8,881,045 in property tax, \$1,011,433 in statewide sales, services and use tax, \$4,579,146 in unrestricted state grants, \$252,382 in nonspecific program federal revenues, \$29,377 in interest income and \$147,764 in other general revenues, net of transfers.

Business type Activities

Revenues of the District's business type activities were \$865,109 and expenses were \$877,093. The District's business type activities include the School Nutrition Fund, the Cornell Elementary Preschool, and the Eagles Nest Daycare. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

As previously noted, the Saydel Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$7,579,938, below last year's ending fund balances of \$9,101,527. The primary reason for the decrease in combined fund balances in fiscal 2012 is due to the decrease in Capital Projects Fund balance because of the various construction projects during the year.

Governmental Fund Highlights

- The District's improving General Fund financial position is the result of many factors. The General Fund balance increased from \$2,579,494 in fiscal 2011 to \$3,309,196 in fiscal 2012. Revenues for the General Fund during fiscal 2012 increased \$776,287, as compared to one year ago. General Fund expenses increased by \$212,167 when compared to the previous year.
- The Capital Projects Fund declined from a balance of \$4,461,410 at the beginning of fiscal year 2012 to \$2,312,559 at the end of fiscal year 2012. The Statewide Sales, Services and Use Tax Fund revenues decreased \$149,001 and expenses increased \$975,928 when compared to the previous year. Physical Plant and Equipment Levy Fund revenues increased \$282,960 and expenses increased \$969,354 when compared to the previous year.

Proprietary Fund Highlights

The Proprietary Fund net assets decreased from \$500,164 at June 30, 2011 to \$488,180 at June 30, 2012, representing a decrease of 2.40%.

BUDGETARY HIGHLIGHTS

Over the course of the year, Saydel Community School District amended its budget one time to reflect additional expenditures associated with technology purchases and construction renovations.

The District's revenues were \$159,134 more than budgeted revenues, a variance of 0.87%. The most significant variance resulted from the District receiving more in local 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.

During the year ended June 30, 2012 expenditures in the non-instructional programs functional area exceeded the budgeted amount.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2012, the District had invested \$19.94 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 9.84% from last year. More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$1,052,647.

The original cost of the District's capital assets was \$39.46 million. Governmental funds account for approximately \$39.14 million with the remainder of approximately \$0.32 million in the Proprietary, School Nutrition Fund and Eagles Nest 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 \$3,515,674 at June 30, 2012, compared to \$1,061,764 reported at June 30, 2011. This increase is attributable to the ongoing Cornell Elementary addition and renovation project.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2012	2011	2012	2011	2012	2011	2011-12
Land	\$ 4,000	7,500	-	-	4,000	7,500	-46.67%
Construction in progress	3,515,674	1,061,764	-	-	3,515,674	1,061,764	231.12%
Buildings	13,517,783	15,003,625	-	-	13,517,783	15,003,625	-9.90%
Land improvements	715,959	796,516	-	-	715,959	796,516	-10.11%
Machinery and equipment	2,047,847	1,119,525	139,065	164,886	2,186,912	1,284,411	70.27%
Total	\$ 19,801,263	17,988,930	139,065	164,886	19,940,328	18,153,816	9.84%

Long-Term Debt

At June 30, 2012, the District had \$9,209,045 in general obligation bonds payable, revenue bonds payable, compensated absences, early retirement payable and other postemployment benefits payable. This represents a decrease of 6.82% 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 \$1,255,000 at June 30, 2012.

The District had outstanding revenue bonded indebtedness of \$7,460,000 at June 30, 2012.

The District had compensated absences payable from the General Fund of \$107,694 as of June 30, 2012.

The District had total outstanding Early Retirement payable from the Management Levy Fund of \$60,098 at June 30, 2012.

The District had total net OPEB liability of \$326,253 at June 30, 2012.

Figure A-7
Outstanding Long-Term Obligations

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2012	2011	2012	2011	2012	2011	2011-12
General obligation bonds	\$ 1,255,000	1,855,000	-	-	1,255,000	1,855,000	-32.35%
Revenue bonds	7,460,000	7,700,000	-	-	7,460,000	7,700,000	-3.12%
Compensated absences	107,694	65,662	-	-	107,694	65,662	64.01%
Early retirement	60,098	88,037	-	-	60,098	88,037	-31.74%
Net OPEB liability	323,447	172,695	2,806	1,498	326,253	174,193	87.29%
Total	\$ 9,206,239	9,881,394	2,806	1,498	9,209,045	9,882,892	-6.82%

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 remained stable from October 2010 to October 2011, increasing .2 students. For fiscal year 2013, Legislation has set allowable growth at 2%. Despite steady enrollment and an increase in allowable growth, the regular program cost for fiscal year 2013 will decline by approximately \$73,411.

-
- At the November 2010 board meeting, the Board voted and approved to close the Norwoodville Elementary building effective with the 2012-13 school year. It is estimated that the District will save \$450,000 a year due to staff reduction and other cost saving. Due to this closing, the District is going to move fourth grade to Cornell Elementary and fifth grade to Woodside Middle School. The District is utilizing PPEL and Sales Tax Funds to add on to Cornell Elementary four more classrooms and a new gym.
 - 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. For fiscal year 2012, 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 50.75 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. The District would encourage the development of housing for our elderly citizens. This may include barrier free apartments, assisted living apartments and nursing home facilities.
 - 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.
 - On April 2, 2013, the voters of the District are going to be asked to vote on a \$7,980,000 general obligation bond. If approved, the District plans on renovating the High School and stadium, updating security and technology wiring in all buildings, various paving and roof projects and a new maintenance facility.
 - In FY 2012-13, the District was one of two schools in Iowa chosen to receive a Teacher Incentive Fund (TIF) grant through the National Institute for Excellence in Teaching (NIET). On March 14, 2013, the teachers in all buildings are going to vote on whether or not to implement the requirements of this grant. If approved, the District will receive \$200,000-\$300,000 per building for the next 4 years to improve the instructional practices of the District.

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 Ryan Eidahl, District Treasurer and Business Manager, Saydel Community School District, 5740 NE 14th St, Des Moines, Iowa, 50313.

SAYDEL COMMUNITY SCHOOL DISTRICT

BASIC FINANCIAL STATEMENTS

SAYDEL COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2012

	Governmental Activities	Business Type Activities	Total
Assets			
Cash and pooled investments	\$ 8,589,853	351,065	8,940,918
Receivables:			
Property tax:			
Delinquent	110,652	-	110,652
Succeeding year	8,405,896	-	8,405,896
Accounts	9,618	7,803	17,421
Due from other governments	813,062	-	813,062
Inventories	-	10,892	10,892
Capital assets, net of accumulated depreciation	19,801,263	139,065	19,940,328
Total assets	37,730,344	508,825	38,239,169
Liabilities			
Accounts payable	746,704	8,826	755,530
Salaries and benefits payable	1,193,191	2,126	1,195,317
Accrued interest payable	171,121	-	171,121
Deposit payable	682	425	1,107
Deferred revenue:			
Succeeding year property tax	8,405,896	-	8,405,896
Other	2,670	-	2,670
Unearned revenue	-	6,462	6,462
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	655,000	-	655,000
Revenue bonds payable	250,000	-	250,000
Compensated absences	107,694	-	107,694
Portion due after one year:			
General obligation bonds payable	600,000	-	600,000
Revenue bonds payable	7,210,000	-	7,210,000
Early retirement payable	60,098	-	60,098
Net OPEB liability	323,447	2,806	326,253
Total liabilities	19,726,503	20,645	19,747,148
Net Assets			
Invested in capital assets, net of related debt	11,086,263	139,065	11,225,328
Restricted for:			
Categorical funding	163,845	-	163,845
School infrastructure	500,717	-	500,717
Physical plant and equipment	1,811,842	-	1,811,842
Debt service	1,221,296	-	1,221,296
Management levy purposes	610,110	-	610,110
Student activities	79,889	-	79,889
Unrestricted	2,529,879	349,115	2,878,994
Total net assets	\$ 18,003,841	488,180	18,492,021

SEE NOTES TO FINANCIAL STATEMENTS.

SAYDEL COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2012

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		Total
	Charges for Services	Operating Grants, Contributions and Restricted Interest	Gov- ern- men- tal Activities	Busi- ness Type Activities		
Functions/Programs:						
Governmental activities:						
Instruction:						
Regular	\$ 5,138,396	1,298,148	96,437	(3,743,811)	-	(3,743,811)
Special	2,080,420	206,921	202,481	(1,671,018)	-	(1,671,018)
Other	1,911,425	121,793	315,386	(1,474,246)	-	(1,474,246)
	<u>9,130,241</u>	<u>1,626,862</u>	<u>614,304</u>	<u>(6,889,075)</u>	<u>-</u>	<u>(6,889,075)</u>
Support services:						
Student	429,509	-	5,462	(424,047)	-	(424,047)
Instructional staff	233,102	-	8,327	(224,775)	-	(224,775)
Administration	2,121,432	-	-	(2,121,432)	-	(2,121,432)
Operation and maintenance of plant	1,737,966	-	-	(1,737,966)	-	(1,737,966)
Transportation	865,800	-	25,627	(840,173)	-	(840,173)
	<u>5,387,809</u>	<u>-</u>	<u>39,416</u>	<u>(5,348,393)</u>	<u>-</u>	<u>(5,348,393)</u>
Non-instructional programs:						
Food service operations	250	-	-	(250)	-	(250)
Long-term debt interest	369,385	-	-	(369,385)	-	(369,385)
Other expenditures:						
AEA flowthrough	440,814	-	440,814	-	-	-
Depreciation (unallocated)*	664,486	-	-	(664,486)	-	(664,486)
	<u>1,105,300</u>	<u>-</u>	<u>440,814</u>	<u>(664,486)</u>	<u>-</u>	<u>(664,486)</u>
Total governmental activities	<u>15,992,985</u>	<u>1,626,862</u>	<u>1,094,534</u>	<u>(13,271,589)</u>	<u>-</u>	<u>(13,271,589)</u>
Business Type activities:						
Support services:						
Administration	1,815	-	-	-	(1,815)	(1,815)
Operation and maintenance of plant	32,980	-	-	-	(32,980)	(32,980)
Transportation	513	-	-	-	(513)	(513)
	<u>35,308</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(35,308)</u>	<u>(35,308)</u>
Non-instructional programs:						
Nutrition services	738,434	290,657	449,059	-	1,282	1,282
Other enterprise operations	103,351	122,775	2,000	-	21,424	21,424
	<u>841,785</u>	<u>413,432</u>	<u>451,059</u>	<u>-</u>	<u>22,706</u>	<u>22,706</u>
Total business type activities	<u>877,093</u>	<u>413,432</u>	<u>451,059</u>	<u>-</u>	<u>(12,602)</u>	<u>(12,602)</u>
Total	<u>\$ 16,870,078</u>	<u>2,040,294</u>	<u>1,545,593</u>	<u>(13,271,589)</u>	<u>(12,602)</u>	<u>(13,284,191)</u>
General Revenues and transfers:						
General revenues						
Property tax levied for:						
General purposes			\$ 7,180,030	-		7,180,030
Debt service			634,780	-		634,780
Capital outlay			1,066,235	-		1,066,235
Statewide sales, services and use tax			1,011,433	-		1,011,433
Unrestricted state grants			4,579,146	-		4,579,146
Nonspecific program federal grants			252,382	-		252,382
Unrestricted investment earnings			29,377	618		29,995
Other			156,358	-		156,358
Transfers			(8,594)	-		(8,594)
Total general revenues			<u>14,901,147</u>	<u>618</u>		<u>14,901,765</u>
Changes in net assets before special item			1,629,558	(11,984)		1,617,574
Special item (Note 14):						
Loss on the sale of capital assets			(657,459)	-		(657,459)
Change in net assets			972,099	(11,984)		960,115
Net assets beginning of year			17,031,742	500,164		17,531,906
Net assets end of year			<u>\$ 18,003,841</u>	<u>488,180</u>		<u>18,492,021</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, 2012

	General	Capital Projects	Debt Service	Nonmajor	Total
Assets					
Cash and pooled investments	\$ 4,193,927	2,442,707	1,213,422	739,797	8,589,853
Receivables:					
Property tax:					
Delinquent	87,257	13,226	7,874	2,295	110,652
Succeeding year	6,212,252	1,044,832	678,959	469,853	8,405,896
Accounts	1,523	-	-	8,095	9,618
Due from other funds	576	-	-	-	576
Due from other governments	652,907	160,155	-	-	813,062
Total assets	\$ 11,148,442	3,660,920	1,900,255	1,220,040	17,929,657
Liabilities and Fund Balances					
Liabilities:					
Due to other funds	\$ -	576	-	-	576
Accounts payable	432,041	302,953	-	11,710	746,704
Salaries and benefits payable	1,191,601	-	-	1,590	1,193,191
Deposits payable	682	-	-	-	682
Deferred revenue:					
Succeeding year property tax	6,212,252	1,044,832	678,959	469,853	8,405,896
Other	2,670	-	-	-	2,670
Total liabilities	7,839,246	1,348,361	678,959	483,153	10,349,719
Fund balances:					
Restricted for:					
Categorical funding	163,845	-	-	-	163,845
School infrastructure	-	500,717	-	-	500,717
Physical plant and equipment	-	1,811,842	-	-	1,811,842
Debt service	-	-	1,221,296	-	1,221,296
Management levy purposes	-	-	-	670,208	670,208
Student activities	-	-	-	79,889	79,889
Committed for Norwoodville Elementary closure	392,730	-	-	-	392,730
Assigned for special purposes	43,607	-	-	-	43,607
Unassigned:					
General	2,709,014	-	-	-	2,709,014
Student activities	-	-	-	(13,210)	(13,210)
Total fund balances	3,309,196	2,312,559	1,221,296	736,887	7,579,938
Total liabilities and fund balances	\$ 11,148,442	3,660,920	1,900,255	1,220,040	17,929,657

SEE NOTES TO FINANCIAL STATEMENTS.

SAYDEL COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET ASSETS
 JUNE 30, 2012

Total fund balances of governmental funds (page 24)	\$ 7,579,938
<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.	19,801,263
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.	(171,121)
Long-term liabilities, including general obligation bonds payable, revenues bonds payable, compensated absences payable, 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>(9,206,239)</u>
Net assets of governmental activities (page 22)	<u><u>\$ 18,003,841</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, 2012

	General	Capital Projects	Debt Service	Nonmajor	Total
Revenues:					
Local sources:					
Local tax	\$ 6,996,016	2,077,668	634,780	184,014	9,892,478
Tuition	1,503,531	-	-	-	1,503,531
Other	74,797	33,082	1,040	222,662	331,581
Intermediate sources	21,838	-	-	-	21,838
State sources	5,185,364	-	-	-	5,185,364
Federal sources	695,769	576	-	-	696,345
Total revenues	<u>14,477,315</u>	<u>2,111,326</u>	<u>635,820</u>	<u>406,676</u>	<u>17,631,137</u>
Expenditures:					
Current:					
Instruction:					
Regular	5,036,949	4,155	-	104,973	5,146,077
Special	2,048,609	-	-	-	2,048,609
Other	1,692,318	-	-	198,366	1,890,684
	<u>8,777,876</u>	<u>4,155</u>	<u>-</u>	<u>303,339</u>	<u>9,085,370</u>
Support services:					
Student services	424,993	-	-	-	424,993
Instructional staff	200,810	188,823	-	-	389,633
Administration	1,979,637	2,378	-	15,275	1,997,290
Operation and maintenance of plant	1,355,963	40,678	-	185,066	1,581,707
Transportation	567,520	295,530	-	2,750	865,800
	<u>4,528,923</u>	<u>527,409</u>	<u>-</u>	<u>203,091</u>	<u>5,259,423</u>
Non-instructional programs:					
Food service operations	-	-	-	250	250
Capital outlay	-	3,442,690	-	-	3,442,690
Long-term debt:					
Principal	-	-	840,000	-	840,000
Interest and fiscal charges	-	-	375,585	-	375,585
	<u>-</u>	<u>-</u>	<u>1,215,585</u>	<u>-</u>	<u>1,215,585</u>
Other expenditures:					
AEA flowthrough	440,814	-	-	-	440,814
Total expenditures	<u>13,747,613</u>	<u>3,974,254</u>	<u>1,215,585</u>	<u>506,680</u>	<u>19,444,132</u>
Excess(Deficiency) of revenues over(under) expenditures	729,702	(1,862,928)	(579,765)	(100,004)	(1,812,995)
Other financing sources(uses):					
Transfer in	-	-	585,923	-	585,923
Transfer out	-	(585,923)	-	(8,594)	(594,517)
Sale of capital assets	-	300,000	-	-	300,000
Total other financing sources(uses)	<u>-</u>	<u>(285,923)</u>	<u>585,923</u>	<u>(8,594)</u>	<u>291,406</u>
Net change in fund balances	729,702	(2,148,851)	6,158	(108,598)	(1,521,589)
Fund balances beginning of year	2,579,494	4,461,410	1,215,138	845,485	9,101,527
Fund balances end of year	<u>\$ 3,309,196</u>	<u>2,312,559</u>	<u>1,221,296</u>	<u>736,887</u>	<u>7,579,938</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
 YEAR ENDED JUNE 30, 2012

Net change in fund balances - total governmental funds (page 26) \$ (1,521,589)

**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 not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures exceeded depreciation expense in the current year as follows:

Capital outlays	\$ 3,797,492	
Depreciation expense	(1,027,700)	2,769,792

The proceeds from the sale of capital assets (\$300,000) are reported as revenue in the governmental funds. However, the cost of the capital assets as well as the corresponding depreciation (\$657,459) is removed from the capital assets account in the Statement of Net Assets and offset against the sale proceeds resulting in a "loss on sale of capital assets" which is reported within the government-type expenses. Thus, more revenue is reported in the governmental funds than the Statement of Activities. (957,459)

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. 840,000

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 governmental funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. 6,200

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	(42,032)	
Early retirement	27,939	
Other postemployment benefits	(150,752)	(164,845)

Changes in net assets of governmental activities (page 23) \$ 972,099

SEE NOTES TO FINANCIAL STATEMENTS.

SAYDEL COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2012

	School Nutrition	Eagles Nest	Cornell Elementary Preschool	Total
Assets				
Cash and cash equivalents	\$ 208,249	49,898	92,918	351,065
Accounts receivable	2,538	5,265	-	7,803
Inventories	10,892	-	-	10,892
Capital assets, net of accumulated depreciation	137,647	1,418	-	139,065
Total assets	359,326	56,581	92,918	508,825
Liabilities				
Accounts payable	-	8,826	-	8,826
Salaries and benefits payable	-	2,126	-	2,126
Deposits payable	425	-	-	425
Unearned revenue	6,462	-	-	6,462
Net OPEB liability	2,806	-	-	2,806
Total liabilities	9,693	10,952	-	20,645
Net Assets				
Invested in capital assets	137,647	1,418	-	139,065
Unrestricted	211,986	44,211	92,918	349,115
Total net assets	\$ 349,633	45,629	92,918	488,180

SEE NOTES TO FINANCIAL STATEMENTS.

SAYDEL COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2012

	School Nutrition	Eagles Nest	Cornell Elementary Preschool	Total
Operating revenues:				
Local sources:				
Charges for services	\$ 290,657	117,875	4,900	413,432
Contributions	-	2,000	-	2,000
Total operating revenues	<u>290,657</u>	<u>119,875</u>	<u>4,900</u>	<u>415,432</u>
Operating expenses:				
Support services:				
Administration:				
Salaries	1,568	-	-	1,568
Benefits	247	-	-	247
	<u>1,815</u>	<u>-</u>	<u>-</u>	<u>1,815</u>
Operation and maintenance of plant:				
Salaries	20,001	2,852	1,354	24,207
Benefits	3,144	448	213	3,805
Services	44	-	-	44
Supplies	4,924	-	-	4,924
	<u>28,113</u>	<u>3,300</u>	<u>1,567</u>	<u>32,980</u>
Transportation:				
Services	-	513	-	513
Total support services	<u>29,928</u>	<u>3,813</u>	<u>1,567</u>	<u>35,308</u>
Non-instructional programs:				
Food service operations:				
Salaries	270,337	-	-	270,337
Benefits	62,681	-	-	62,681
Services	15,344	-	-	15,344
Supplies	355,562	-	-	355,562
Other	319	-	-	319
Depreciation	24,237	-	-	24,237
	<u>728,480</u>	<u>-</u>	<u>-</u>	<u>728,480</u>
Other enterprise operations:				
Salaries	-	73,459	-	73,459
Benefits	-	11,172	-	11,172
Services	-	4,788	-	4,788
Supplies	-	13,005	217	13,222
Depreciation	-	710	-	710
	<u>-</u>	<u>103,134</u>	<u>217</u>	<u>103,351</u>
Total non-instructional programs	<u>728,480</u>	<u>103,134</u>	<u>217</u>	<u>831,831</u>
Total operating expenses	<u>758,408</u>	<u>106,947</u>	<u>1,784</u>	<u>867,139</u>
Operating income(loss)	<u>(467,751)</u>	<u>12,928</u>	<u>3,116</u>	<u>(451,707)</u>
Non-operating revenues(expenses):				
State sources	6,636	-	-	6,636
Federal sources	441,987	436	-	442,423
Loss on disposal	(9,954)	-	-	(9,954)
Interest income	309	97	212	618
Total non-operating revenues(expenses)	<u>438,978</u>	<u>533</u>	<u>212</u>	<u>439,723</u>
Change in net assets	(28,773)	13,461	3,328	(11,984)
Net assets beginning of year	<u>378,406</u>	<u>32,168</u>	<u>89,590</u>	<u>500,164</u>
Net assets end of year	<u>\$ 349,633</u>	<u>45,629</u>	<u>92,918</u>	<u>488,180</u>

SEE NOTES TO FINANCIAL STATEMENTS.

SAYDEL COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2012

	School Nutrition	Eagles Nest	Cornell Elementary Preschool	Total
Cash flows from operating activities:				
Cash received from sale of lunches and breakfasts	\$ 290,882	-	-	290,882
Cash received from parents for tuition	-	114,047	4,900	118,947
Cash received from miscellaneous	-	2,000	-	2,000
Cash payments to employees for services	(356,245)	(91,671)	(1,567)	(449,483)
Cash payments to suppliers for goods or services	(328,863)	(10,548)	(217)	(339,628)
Net cash provided by(used in) operating activities	(394,226)	13,828	3,116	(377,282)
Cash flows from non-capital financing activities:				
State grants received	6,636	-	-	6,636
Federal grants received	399,073	436	-	399,509
Net cash provided by non-capital financing activities	405,709	436	-	406,145
Cash flows from capital and related financing activities:				
Purchase of capital assets	(9,080)	-	-	(9,080)
Cash flows from investing activities:				
Interest on investments	309	97	212	618
Net increase in cash and cash equivalents	2,712	14,361	3,328	20,401
Cash and cash equivalents at beginning of year	205,537	35,537	89,590	330,664
Cash and cash equivalents at end of year	\$ 208,249	49,898	92,918	351,065
Reconciliation of operating income(loss) to net cash provided by(used in) operating activities:				
Operating income(loss)	\$ (467,751)	12,928	3,116	(451,707)
Adjustments to reconcile operating income(loss) to net cash provided by(used in) operating activities:				
Commodities consumed	42,914	-	-	42,914
Depreciation	24,237	710	-	24,947
Decrease in inventories	5,759	-	-	5,759
Increase in accounts receivable	(112)	(3,828)	-	(3,940)
Increase(Decrease) in accounts payable	(1,343)	7,758	-	6,415
Decrease in salaries and benefits payable	-	(3,740)	-	(3,740)
Increase in deposits payable	425	-	-	425
Increase in unearned revenue	337	-	-	337
Increase in other postemployment benefits payable	1,308	-	-	1,308
Net cash provided by(used in) operating activities	\$ (394,226)	13,828	3,116	(377,282)

Non-cash investing, capital and related financing activities:

During the year ended June 30, 2012, the District received \$42,914 in federal commodities.

SEE NOTES TO FINANCIAL STATEMENTS.

SAYDEL COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
JUNE 30, 2012

	Private Purpose Trust	
	Scholarship	Agency
Assets		
Cash and pooled investments	\$ 34,591	952
Liabilities		
Accounts payable	500	-
Due to other groups	-	952
Total liabilities	500	952
Net Assets		
Restricted for scholarships	\$ 34,091	-

SEE NOTES TO FINANCIAL STATEMENTS.

SAYDEL COMMUNITY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUND
YEAR ENDED JUNE 30, 2012

	Private Purpose Trust
	Scholarship
Additions:	
Local sources:	
Interest on investments	\$ 16
Contributions	425
Total additions	441
 Deductions:	
Regular instruction:	
Scholarships awarded	1,550
 Change in net assets before other financing sources	(1,109)
 Other financing sources:	
Transfer in	8,594
 Change in net assets	7,485
 Net assets beginning of year	26,606
 Net assets end of year	\$ 34,091

SEE NOTES TO FINANCIAL STATEMENTS.

SAYDEL COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

(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. Combining schedules are also included for the Capital Project Fund accounts.

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 and other capital assets.

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

The District reports the following nonmajor proprietary funds:

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.

The Agency Fund is used to account for assets held by the District as an agent for individuals, private organizations and other governments. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of results of operations.

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.

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

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

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

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

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the 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, 2010 assessed property valuations; is for the tax accrual period July 1, 2011 through June 30, 2012 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2011.

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 and intangibles, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and 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
Intangibles	100,000
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
Intangibles	2-10 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.

Deposits Payable - Deposits payable are monies collected for Health insurance that has not yet been paid out. The deposits will be paid to the insurance provider in July and August 2012.

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, 2012. 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 Equity - In the governmental fund financial statements, fund balances are classified as follows:

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

Committed - Amounts which can be used only for specific purposes determined pursuant to constraints formally imposed by the Board of Education through resolution approved prior to year end. Those committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same action it employed to commit those amounts.

Assigned - Amounts the Board intends to use for specific purposes.

Unassigned - All amounts not included in other spendable classifications.

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. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2012 expenditures in the non-instructional programs functional area exceeded the budgeted amount.

(2) **Cash and Pooled Investments**

The District's deposits at June 30, 2012 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, 2012, the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$825,956 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Iowa Schools Joint Investment Trust was rated Aaa by Standard & Poor's Financial Services.

(3) Transfers

The detail of transfers for the year ended June 30, 2012 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects: Statewide Sales, Services and Use Tax	\$ 585,923
Private Purpose Trust	Special Revenue: Student Activity	8,594
Total		<u>\$ 594,517</u>

The transfer from the Capital Projects: Statewide Sales, Services and Use Tax Fund to the Debt Service Fund was needed for principal and interest payments on the District's revenue bond indebtedness.

The transfer from the Special Revenue: Student Activity Fund to the Private Purpose Trust Fund was needed to close out a student activity account that will be used for scholarships.

(4) Due From and Due to Other Funds

The detail of interfund receivables and payables at June 30, 2012 is as follows:

Receivable Fund	Payable Fund	Amount
General	Capital Projects: Physical Plant and Equipment Levy	\$ 576

The Capital Projects Fund: Physical Plant and Equipment Levy is repaying the General Fund for flood control expenditures paid from the incorrect fund.

(5) Capital Assets

Capital assets activity for the year ended June 30, 2012 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business type activities:				
Machinery and equipment	\$ 346,513	9,080	40,167	315,426
Less accumulated depreciation	181,627	24,947	30,213	176,361
Business type activities capital assets, net	<u>\$ 164,886</u>	<u>(15,867)</u>	<u>9,954</u>	<u>139,065</u>

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 7,500	-	3,500	4,000
Construction in progress	1,061,764	3,317,164	863,254	3,515,674
Total capital assets not being depreciated	<u>1,069,264</u>	<u>3,317,164</u>	<u>866,754</u>	<u>3,519,674</u>
Capital assets being depreciated:				
Buildings	31,666,081	-	1,660,814	30,005,267
Land improvements	1,825,812	-	188,808	1,637,004
Machinery and equipment	2,899,321	1,343,582	261,200	3,981,703
Total capital assets being depreciated	<u>36,391,214</u>	<u>1,343,582</u>	<u>2,110,822</u>	<u>35,623,974</u>
Less accumulated depreciation for:				
Buildings	16,662,456	601,214	776,186	16,487,484
Land improvements	1,029,296	54,639	162,890	921,045
Machinery and equipment	1,779,796	371,847	217,787	1,933,856
Total accumulated depreciation	<u>19,471,548</u>	<u>1,027,700</u>	<u>1,156,863</u>	<u>19,342,385</u>
Total capital assets being depreciated, net	<u>16,919,666</u>	<u>315,882</u>	<u>953,959</u>	<u>16,281,589</u>
Governmental activities capital assets, net	<u>\$ 17,988,930</u>	<u>3,633,046</u>	<u>1,820,713</u>	<u>19,801,263</u>

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 254,054
Support services:	
Instructional staff	17,514
Administration	68,808
Operation and maintenance of plant	22,838
	<u>363,214</u>
Unallocated depreciation	664,486
Total governmental activities depreciation expense	<u>\$ 1,027,700</u>
Business type activities:	
Food service operations	\$ 24,237
Eagles Nest	710
Total business type activities:	<u>\$ 24,947</u>

(6) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2012 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Governmental Activities:					
General obligation bonds	\$ 1,855,000	-	600,000	1,255,000	655,000
Revenue bonds	7,700,000	-	240,000	7,460,000	250,000
Compensated absences	65,662	107,694	65,662	107,694	107,694
Early retirement	88,037	-	27,939	60,098	-
Net OPEB liability	172,695	150,752	-	323,447	-
Total	\$ 9,881,394	258,446	933,601	9,206,239	1,012,694
Business Type Activities:					
Net OPEB liability	\$ 1,498	1,308	-	2,806	-

General Obligation Bonds Payable

Details of the District's June 30, 2012 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 April 1, 2010			
	Interest Rates	Principal	Interest	Total
2013	1.75 %	\$ 655,000	23,462	678,462
2014	2.00	600,000	12,000	612,000
Total		\$ 1,255,000	35,462	1,290,462

Revenue Bonds Payable

Details of the District's June 30, 2012 revenue bond indebtedness, which is paid with statewide sales, services and use tax from the Capital Projects Fund, is as follows:

Year Ending June 30,	Bond Issue of February 1, 2009			
	Interest Rates	Principal	Interest	Total
2013	3.75 %	\$ 250,000	329,735	579,735
2014	3.75	265,000	320,079	585,079
2015	3.75	275,000	309,954	584,954
2016	3.75	285,000	299,454	584,454
2017	3.75	300,000	288,485	588,485
2018-2022	3.80-4.40	1,740,000	1,245,997	2,985,997
2023-2027	4.50-4.95	2,250,000	800,856	3,050,856
2028-2030	4.95	2,095,000	190,452	2,285,452
Total		\$ 7,460,000	3,785,012	11,245,012

The District has pledged future statewide sales, services and use 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 statewide sales, services and use 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 57.32% of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the bonds is \$11,245,012. For the current year, principal of \$240,000 and interest of \$338,922 were paid on the bonds. Total statewide sales, services and use tax revenues were \$1,011,433.

The resolution providing for the issuance of the statewide sales, services and use 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 statewide sales, services and use 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 certified staff and support staff. Eligible employees must be over the age of fifty-five, certified staff must have completed ten years of full-time service to the District while support staff employees must have completed fifteen years of 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 certified staff employee is calculated upon 75 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.

The early retirement incentive for each eligible support staff employee is a lump sum payment based on 80 percent of the average base annual salary for the past three years. In addition, eligible support staff will receive a lump sum payment for unused sick leave (up to the maximum) at the rate of six dollars per day. Upon retirement, support staff may choose to continue coverage on the District's insurance plan at the employees' cost.

A liability has been recorded in the Statement of Net Assets representing the District's commitment to fund non-current early retirement.

(7) Pension and Retirement Benefits

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

Plan members are required to contribute 5.38% of their annual covered salary and the District is required to contribute 8.07% of annual covered salary. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2012, 2011 and 2010 were \$639,745, \$540,549, and \$513,244 respectively, equal to the required contributions for each year.

(8) Other Postemployment Benefits (OPEB)

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 147 active and 16 retired members in the plan. Employees must be age 55 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, 2012, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 202,318
Interest on net OPEB obligation	4,355
Adjustment to annual required contribution	(19,702)
Annual OPEB cost (expense)	<u>186,971</u>
Contributions made	<u>(34,911)</u>
Increase in net OPEB obligation	152,060
Net OPEB obligation - beginning of year	<u>174,193</u>
Net OPEB obligation - end of year	<u>\$ 326,253</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2011. 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, 2012.

For the year ended June 30, 2012, the District contributed \$34,911 to the medical plan. Plan members eligible for benefits contributed \$0, or 0% of the premium costs.

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, 2012 are summarized as follows:

Year Ended June 30,	Annual OPEB cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2010	\$ 155,741	84.49%	\$ 29,505
2011	186,083	22.25%	174,193
2012	186,971	18.67%	326,253

Funded Status and Funding Progress - As of July 1, 2010, the most recent actuarial valuation date for the period July 1, 2011 through June 30, 2012, the actuarial accrued liability was \$1.229 million, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$1.229 million. The covered payroll (annual payroll of active employees covered by the plan) was \$5.495 million, and the ratio of the UAAL to the covered payroll was 22.4%. As of June 30, 2012, 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, 2010 actuarial valuation date, the frozen entry age actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the District's funding policy. The projected annual health cost trend rate is 6%.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis.

Projected claim costs of the medical plan are \$525 per month for retirees. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(9) Risk Management

The District is a member in the Iowa School Employees Benefits Association (ISEBA), an Iowa Code Chapter 28E organization. ISEBA is a local government risk-sharing pool whose members include various schools throughout the State of Iowa. The Association was formed in July 1999 for the purpose of managing and funding employee benefits. The Association provides coverage and protection in the following categories: medical, dental, vision, long-term disability and life.

The District's contributions, which include deficit recovery assessments, to the risk pool are recorded as expenditures from its General Fund at the time of payment to the risk pool. District contributions to ISEBA for the year ended June 30, 2012 were \$881,322.

Members agree to continue membership in the pool for a period of not less than one full year. After such period, a member who has given 30 days prior notice may withdraw.

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.

(10) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$440,814 for the year ended June 30, 2012 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(11) Deficit Fund Balance

The Student Activity Fund had a deficit unassigned fund balance of \$13,210.

(12) Construction Commitment

The District has entered into various contracts totaling \$3,120,131 for improvements and upgrades including the Cornell Renovation, Woodside Renovation and a High School weight room project. As of June 30, 2012, costs of \$2,840,461 had been incurred against the contracts. The balance of \$279,670 remaining at June 30, 2012 will be paid as work on the projects progresses.

(13) Budget Overexpenditure

Per the code of Iowa, expenditures may not legally exceed budget appropriations at the functional area level. During the year ended June 30, 2012, expenditures in the non-instructional programs functional area exceeded the certified budget.

(14) Special Item

During the year ended June 30, 2012, the District closed Norwoodville Elementary School. On May 21, 2012 the Board approved the sale of the building and land for \$300,000. With the disposition of the building and land the District recognized a loss on sale of capital assets of \$657,459 in the Statement of Activities.

(15) Categorical Funding

The District's restricted fund balances for categorical funding at June 30, 2012 is comprised of the following programs:

Program	Amount
Returning Dropouts and Dropout Prevention Programs	\$ 19,509
Teacher Salary Supplement	21,814
Market Factor	6,208
Statewide Voluntary Preschool Program	43,151
Professional Development for Model Core Curriculum	14,134
Professional Development	49,292
Market Factor Incentives	9,737
Total	<u>\$ 163,845</u>

(16) Assigned Fund Balances

The District's assigned fund balance for special purposes at June 30, 2012 is comprised of the following programs:

Program	Amount
Cornell Donations	\$ 2,137
Norwoodville Donations	1,204
Woodside Donations	686
Polk County Gaming Grant	21,838
High School Donations	15,355
Student Assistance Team	2,387
Total	<u>\$ 43,607</u>

SAYDEL COMMUNITY SCHOOL DISTRICT

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, 2012

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to Actual Variance
	Fund Types	Fund Type		Original	Final	
	Actual	Actual				
Revenues:						
Local sources	\$ 11,727,590	416,050	12,143,640	11,978,524	11,978,524	165,116
Intermediate sources	21,838	-	21,838	30,000	30,000	(8,162)
State sources	5,185,364	6,636	5,192,000	5,295,456	5,295,456	(103,456)
Federal sources	696,345	442,423	1,138,768	1,033,132	1,033,132	105,636
Total revenues	<u>17,631,137</u>	<u>865,109</u>	<u>18,496,246</u>	<u>18,337,112</u>	<u>18,337,112</u>	<u>159,134</u>
Expenditures/Expenses:						
Instruction	9,085,370	-	9,085,370	9,726,587	9,726,587	641,217
Support services	5,259,423	35,308	5,294,731	5,586,091	5,986,091	691,360
Non-instructional programs	250	841,785	842,035	836,476	836,476	(5,559)
Other expenditures	5,099,089	-	5,099,089	4,718,418	6,302,841	1,203,752
Total expenditures/expenses	<u>19,444,132</u>	<u>877,093</u>	<u>20,321,225</u>	<u>20,867,572</u>	<u>22,851,995</u>	<u>2,530,770</u>
Deficiency of revenues under expenditures/expenses	(1,812,995)	(11,984)	(1,824,979)	(2,530,460)	(4,514,883)	2,689,904
Other financing sources, net	291,406	-	291,406	-	-	291,406
Deficiency of revenues under expenditures/expenses and other financing uses	(1,521,589)	(11,984)	(1,533,573)	(2,530,460)	(4,514,883)	2,981,310
Balances beginning of year	9,101,527	500,164	9,601,691	9,161,335	9,161,335	440,356
Balances end of year	<u>\$ 7,579,938</u>	<u>488,180</u>	<u>8,068,118</u>	<u>6,630,875</u>	<u>4,646,452</u>	<u>3,421,666</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SAYDEL COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2012

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 \$1,984,423.

During the year ended June 30, 2012, expenditures in the non-instructional programs functional area exceeded the certified budget.

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

REQUIRED SUPPLEMENTARY INFORMATION

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial		Funded Ratio (a/b)	Covered Payroll (c)	UAAAL as a
			Accrued Liability (AAL) (b)	Unfunded AAL (UAAAL) (b-a)			Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2008	-	\$ 1,376	1,376	0.0%	\$ 5,745	22.8%
2011	July 1, 2010	-	1,229	1,229	0.0%	5,127	24.0%
2012	July 1, 2010	-	1,229	1,229	0.0%	5,495	22.4%

See Note 8 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.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SUPPLEMENTARY INFORMATION

SAYDEL COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2012

	Special Revenue		
	Manage- ment Levy	Student Activity	Total
Assets			
Cash and pooled investments	\$ 669,612	70,185	739,797
Receivables:			
Property tax:			
Delinquent	2,295	-	2,295
Succeeding year	469,853	-	469,853
Accounts	-	8,095	8,095
Total assets	\$ 1,141,760	78,280	1,220,040
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 109	11,601	11,710
Salaries and benefits payable	1,590	-	1,590
Deferred revenue:			
Succeeding year property tax	469,853	-	469,853
Total liabilities	471,552	11,601	483,153
Fund balances:			
Restricted for:			
Management levy purposes	670,208	-	670,208
Student activities	-	79,889	79,889
Unassigned	-	(13,210)	(13,210)
Total fund balances	670,208	66,679	736,887
Total liabilities and fund balances	\$ 1,141,760	78,280	1,220,040

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, 2012

	Special Revenue		
	Manage- ment Levy	Student Activity	Total
Revenues:			
Local sources:			
Local tax	\$ 184,014	-	184,014
Other	30,800	191,862	222,662
Total revenues	<u>214,814</u>	<u>191,862</u>	<u>406,676</u>
Expenditures:			
Current:			
Instruction:			
Regular	104,973	-	104,973
Other	-	198,366	198,366
Support services:			
Administration	15,043	232	15,275
Operation and maintenance of plant	185,066	-	185,066
Transportation	2,750	-	2,750
Non-instructional programs:			
Food service operations	250	-	250
Total expenditures	<u>308,082</u>	<u>198,598</u>	<u>506,680</u>
Excess (deficiency) of revenues over (under) expenditures	(93,268)	(6,736)	(100,004)
Other financing uses:			
Transfers out	-	(8,594)	(8,594)
Net change in fund balances	(93,268)	(15,330)	(108,598)
Fund balances beginning of year	<u>763,476</u>	<u>82,009</u>	<u>845,485</u>
Fund balances end of year	<u>\$ 670,208</u>	<u>66,679</u>	<u>736,887</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SAYDEL COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 CAPITAL PROJECT ACCOUNTS
 JUNE 30, 2012

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Assets			
Cash and pooled investments	\$ 346,081	2,096,626	2,442,707
Receivables:			
Property tax:			
Delinquent	-	13,226	13,226
Succeeding year	-	1,044,832	1,044,832
Due from other governments	160,155	-	160,155
Total assets	\$ 506,236	3,154,684	3,660,920
Liabilities and Fund Balances			
Liabilities:			
Due to other funds	\$ -	576	576
Accounts payable	5,519	297,434	302,953
Deferred revenue:			
Succeeding year property tax	-	1,044,832	1,044,832
Total liabilities	5,519	1,342,842	1,348,361
Fund balances:			
Restricted for:			
School infrastructure	500,717	-	500,717
Physical plant and equipment	-	1,811,842	1,811,842
Total fund balances	500,717	1,811,842	2,312,559
Total liabilities and fund balances	\$ 506,236	3,154,684	3,660,920

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SAYDEL COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 CAPITAL PROJECT ACCOUNTS
 YEAR ENDED JUNE 30, 2012

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ 1,011,433	1,066,235	2,077,668
Other	12,737	20,345	33,082
Federal sources	-	576	576
Total revenues	<u>1,024,170</u>	<u>1,087,156</u>	<u>2,111,326</u>
Expenditures:			
Current			
Instruction:			
Regular	-	4,155	4,155
Support services:			
Instructional staff	-	188,823	188,823
Administration	1,696	682	2,378
Operation and maintenance of plant	-	40,678	40,678
Transportation	-	295,530	295,530
Capital outlay	2,151,988	1,290,702	3,442,690
Total expenditures	<u>2,153,684</u>	<u>1,820,570</u>	<u>3,974,254</u>
Deficiency of revenues under expenditures	(1,129,514)	(733,414)	(1,862,928)
Other financing sources(uses):			
Transfer out	(585,923)	-	(585,923)
Sale of capital assets	-	300,000	300,000
Total other financing sources(uses)	<u>(585,923)</u>	<u>300,000</u>	<u>(285,923)</u>
Net change in fund balances	(1,715,437)	(433,414)	(2,148,851)
Fund balances beginning of year	<u>2,216,154</u>	<u>2,245,256</u>	<u>4,461,410</u>
Fund balances end of year	<u>\$ 500,717</u>	<u>1,811,842</u>	<u>2,312,559</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SAYDEL COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2012

Account	Balance Beginning of Year	Revenues	Expendi- tures	Intra Fund Transfers	Balance End of Year
HS Accounts	\$ 68,735	158,886	171,134	(11,593)	44,894
Woodside Accounts	9,175	30,898	23,196	2,729	19,606
Cornell Accounts	922	706	569	-	1,059
Norwoodville Accounts	3,177	1,372	3,429	-	1,120
Interest	-	-	270	270	-
Total	\$ 82,009	191,862	198,598	(8,594)	66,679

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SAYDEL COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF FIDUCIARY NET ASSETS
 PRIVATE PURPOSE TRUST - SCHOLARSHIP FUNDS
 JUNE 30, 2012

	Gerry Scholarship	Dean Scholarship	Voss Scholarship	Pezzetti Scholarship	Other Scholarship	Total
Assets						
Cash and pooled investments	\$ 23,159	631	2,007	8,594	200	34,591
Liabilities						
Accounts payable	500	-	-	-	-	500
Net Assets						
Restricted for scholarships	\$ 22,659	631	2,007	8,594	200	34,091

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, 2012

	Gerry Scholarship	Dean Scholarship	Voss Scholarship	Pezzetti Scholarship	Other Scholarship	Total
Additions:						
Local sources:						
Interest on investments	\$ 13	1	2	-	-	16
Contributions	125	100	-	-	200	425
Total additions	138	101	2	-	200	441
Deductions:						
Regular instruction:						
Scholarships awarded	750	400	400	-	-	1,550
Change in net assets before other financing sources	(612)	(299)	(398)	-	200	(1,109)
Other financing sources:						
Transfers in	-	-	-	8,594	-	8,594
Change in net assets	(612)	(299)	(398)	8,594	200	7,485
Net assets beginning of year	23,271	930	2,405	-	-	26,606
Net assets end of year	\$ 22,659	631	2,007	8,594	200	34,091

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 NINE YEARS

	Modified Accrual Basis								
	Years Ended June 30,								
	2012	2011	2010	2009	2008	2007	2006	2005	2004
Revenues:									
Local sources:									
Local tax	\$ 9,892,478	9,746,879	9,392,141	9,146,422	8,331,660	8,032,494	7,317,531	8,014,844	7,321,833
Tuition	1,503,531	1,283,754	1,288,562	1,202,420	1,199,455	1,203,159	1,009,642	877,047	831,183
Other	331,581	535,205	396,060	414,398	565,340	665,059	686,507	428,360	340,121
Intermediate sources	21,838	23,839	26,714	33,050	27,498	-	60	2,121	5,402
State sources	5,185,364	4,907,013	4,233,217	5,776,029	5,687,232	5,576,309	5,503,088	5,555,709	5,634,457
Federal sources	396,345	651,750	1,228,924	416,604	496,500	277,770	299,414	296,225	229,517
Total	\$ 17,331,137	17,148,440	16,565,618	16,988,923	16,307,685	15,754,791	14,816,242	15,174,306	14,362,513
Expenditures:									
Current:									
Instruction:									
Regular	\$ 5,146,077	4,974,838	4,757,539	4,941,113	4,765,867	4,764,872	4,126,410	4,054,942	3,898,480
Special	2,048,609	2,134,094	2,040,785	2,106,601	2,226,733	2,269,487	2,197,819	2,462,914	2,330,861
Other	1,890,684	1,892,326	1,921,943	1,809,095	1,561,837	1,284,502	1,420,754	782,626	807,675
Support services:									
Student	424,993	384,633	475,464	430,960	452,550	413,741	458,322	347,629	382,996
Instructional staff	389,633	597,601	295,420	200,485	365,712	336,056	512,939	683,959	377,178
Administration	1,997,290	1,922,656	1,878,528	1,871,072	1,644,564	1,658,418	1,473,451	1,311,237	1,416,274
Operation and maintenance of plant	1,581,707	1,582,407	1,501,665	1,519,384	1,536,632	1,334,461	1,789,408	1,530,754	1,203,079
Transportation	865,800	755,508	731,510	710,609	765,142	535,274	613,666	558,842	470,960
Non-instructional programs	250	698	1,635	250	-	-	250	1,680	30,253
Capital outlay	3,442,690	1,374,541	4,118,026	2,750,938	654,525	567,573	427,769	959,360	3,805,648
Long-term debt:									
Principal	840,000	836,508	546,603	1,400,000	1,825,000	1,270,000	1,385,000	2,415,000	1,280,000
Interest	375,585	394,007	452,735	261,247	299,710	333,618	373,692	491,051	545,000
Other expenditures:									
AEA flow-through	440,814	495,489	492,137	466,082	439,097	423,414	412,140	410,100	411,969
Total	\$ 19,444,132	17,345,306	19,213,990	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, 2012

Grantor/Program	CFDA Number	Grant Number	Expendi- tures
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Education:			
School Nutrition Cluster Programs:			
School Breakfast Program	10.553	FY 12	\$ 89,710
National School Lunch Program	10.555	FY 12	340,933 *
Special Milk Program for Children	10.556	FY 12	336
			<u>430,979</u>
Team Nutrition Grants	10.574	FY 12	436
Fresh Fruit and Vegetable Program	10.582	FY 12	<u>11,008</u>
U.S. Department of Defense:			
Polk County:			
Flood Control Projects	12.106	FY 12	<u>576</u>
U.S. Department of Education:			
Iowa Department of Education:			
Title I, Part A Cluster:			
Title I Grants to Local Educational Agencies	84.010	FY 12	144,442
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	FY 11	18,938
			<u>163,380</u>
Special Education - Grants to States (High Cost Claim)	84.027	FY 11	<u>6,858 **</u>
Career and Technical Education - Basic Grants to States	84.048	FY 12	<u>14,727</u>
Enhancing Education Through Technology	84.318	FY 12	<u>1,900</u>
Improving Teacher Quality State Grants(Title IIA)	84.367	FY 12	<u>38,494</u>
Grants for State Assessments and Related Activities	84.369	FY 12	<u>8,327</u>
Education Jobs Fund	84.410	FY 11	248,132
Education Jobs Fund	84.410	FY 12	3,673
			<u>251,805</u>
Area Education Agency:			
Special Education Cluster(IDEA):			
Special Education - Grants to States	84.027	FY 12	67,199
ARRA - Special Education Grants to States, Recovery Act	84.391	FY 11	3,585
			<u>70,784 **</u>
Total			<u>\$ 999,274</u>

* Includes \$42,914 of non-cash awards.

** The total for the Special Education Cluster is \$77,642

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)

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

Telephone (641) 792-1910

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

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

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Saydel Community School District as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated February 28, 2013. 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

The management of Saydel Community School District is responsible for establishing and maintaining effective 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatement on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-A-12 to be 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, 2012 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 28, 2013

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

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

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

Compliance

We have audited Saydel Community School District's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of Saydel Community School District's major federal programs for the year ended June 30, 2012. 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 could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

The management of Saydel Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grant agreements applicable to federal programs. In planning and performing our audit, we considered Saydel Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 deficiency in the District's internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. We did not identify any deficiencies in internal control over compliance we consider to be significant deficiencies or 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, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Nolte, Cornman & Johnson PC". The signature is written in a cursive, flowing style.

NOLTE, CORNMAN & JOHNSON, P.C.

February 28, 2013

SAYDEL COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2012

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

- (a) Unqualified opinions were issued on the financial statements.
- (b) A material weakness in internal control over financial reporting was disclosed by the audit of the financial statements.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) No significant deficiencies or material weaknesses in internal control over the major program was noted.
- (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 was as follows:
 - CFDA Number 84.410 - Education Jobs Fund
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Saydel Community School District did qualify as a low-risk auditee.

SAYDEL COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2012

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

II-A-12 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.

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

No material weaknesses in internal control over the major program were noted.

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-12 Certified Budget - District expenditures for the year ended June 30, 2012 exceeded the certified amounts in the non-instructional programs function.

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

Response - In the future, the District will amend the budget in a timely manner.

Conclusion - Response accepted.

IV-B-12 Questionable Disbursements - No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

IV-C-12 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

IV-D-12 Business Transactions - No business transactions between the District and District officials were noted.

IV-E-12 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-12 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

IV-G-12 Certified Enrollment - We noted a variance in the basic enrollment data certified to the Department of Education. The number of English Language Learner was overstated by 0.22 students.

Recommendation - The District should contact the Iowa Department of Education and the Department of Management 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-12 Supplementary Weighting - We noted a variance regarding the supplementary weighting certified to the Iowa Department of Education. Supplementary weighting was understated by 0.058 students.

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

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

IV-J-12 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.

IV-K-12 Categorical Funding - No instances were noted of categorical funding being used to supplant rather than supplement other funds.

IV-L-12 Statewide Sales, Services and Use Tax - No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2012, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning Balance		\$ 2,216,154
Revenues:		
Sales tax revenues	\$ 1,011,433	
Other local revenues	12,737	1,024,170
		<u>3,240,324</u>
Expenditures/transfers out:		
School infrastructure construction	1,921,658	
Equipment	15,787	
Other	216,239	
Transfers to other funds:		
Debt service fund	585,923	2,739,607
		<u>2,739,607</u>
Ending Balance		<u>\$ 500,717</u>

For the year ended June 30, 2012, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.

IV-M-12 Financial Condition - The District had three negative student account balances within the Student Activity Fund, totaling \$13,210 as of June 30, 2012.

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/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.