

SAYDEL COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2014

Table of Contents

| | <u>Page</u> |
|---|-----------------|
| Officials | 3 |
| Independent Auditor's Report | 5-6 |
| Management's Discussion and Analysis (MD&A) | 7-19 |
| Basic Financial Statements: | <u>Exhibit</u> |
| Government-wide Financial Statements: | |
| Statement of Net Position | A 22 |
| Statement of Activities | B 23 |
| Governmental Fund Financial Statements: | |
| Balance Sheet | C 24 |
| Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position | D 25 |
| Statement of Revenues, Expenditures and Changes in Fund Balances | E 26 |
| Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities | F 27 |
| Proprietary Fund Financial Statements: | |
| Statement of Net Position | G 28 |
| Statement of Revenues, Expenses and Changes in Fund Net Position | H 29 |
| Statement of Cash Flows | I 30 |
| Fiduciary Fund Financial Statements: | |
| Statement of Fiduciary Net Position | J 31 |
| Statement of Changes in Fiduciary Net Position | K 32 |
| Notes to Financial Statements | 33-44 |
| Required Supplementary Information: | |
| Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances - Budget and Actual - All Governmental Funds and Proprietary Fund | 46 |
| Notes to Required Supplementary Information | |
| Budgetary Reporting | 47 |
| Schedule of Funding Progress for the Retiree Health Plan | 48 |
| Supplementary Information: | <u>Schedule</u> |
| Nonmajor Governmental Funds: | |
| Combining Balance Sheet | 1 50 |
| Combining Statement of Revenues, Expenditures and Changes in Fund Balances | 2 51 |
| Capital Project Accounts: | |
| Combining Balance Sheet | 3 52 |
| Combining Statement of Revenues, Expenditures and Changes in Fund Balances | 4 53 |
| Schedule of Changes in Special Revenue Fund, Student Activity Accounts | 5 54 |
| Private Purpose Trust - Scholarship Funds: | |
| Combining Balance Sheet | 6 55 |
| Combining Statement of Changes in Fiduciary Net Position | 7 56 |
| Schedule of Revenues by Source and Expenditures by Function - All Governmental Fund Types | 8 57 |
| Schedule of Expenditures of Federal Awards | 9 58 |
| Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u> | 59-60 |
| Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control over Compliance Required by OMB Circular A-133 | 61-62 |
| Schedule of Findings and Questioned Costs | 63-67 |

Saydel Community School District

Officials

| <u>Name</u> | <u>Title</u> | <u>Term Expires</u> |
|---|---|---------------------|
| Board of Education | | |
| (Before September 2013 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 |
| (After September 2013 Election) | | |
| Paul Breitbarth | President | 2015 |
| Brian Bowman | Vice President | 2015 |
| Henry Wood | Board Member | 2015 |
| Chad Briles | Board Member (Resigned April 2014) | 2017 |
| Ray Livingston | Board Member (Appointed April 2014) | 2015 |
| Kyle Prendergast | Board Member | 2017 |
| Melissa Sassman | Board Member | 2017 |
| Rob Stephenson | Board Member | 2015 |
| School Officials | | |
| Dr. Brad Buck | Superintendent (Resigned August 2013) | 2013 |
| Tracy Hook | Interim Superintendent (Appointed August 2013) | 2014 |
| Ryan Eidahl | Business Manager/ Board Treasurer | 2014 |
| Jane Prange | Board Secretary | 2014 |
| Ahlers & Cooney, P.C. | Attorney | 2014 |

SAYDEL COMMUNITY SCHOOL DISTRICT

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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:

Report on the Financial Statements

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, Des Moines, Iowa, as of and for the year ended June 30, 2014, and the related Notes to the Financial Statements, which collectively comprise the District's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by managements, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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, 2014, and the respective changes in financial position and where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 19 and 46 through 48 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 information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

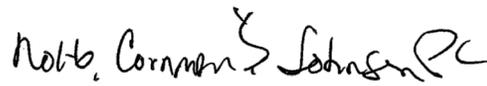
Supplementary Information

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 third paragraph of this report, the financial statements for the nine years ended June 30, 2013 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 9, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the 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 basic financial statements or to the basic 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.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated December 22, 2014 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 in considering Saydel Community School District's internal control over financial reporting and compliance.



NOLTE, CORNMAN & JOHNSON, P.C.

December 22, 2014
Newton, Iowa

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, 2014. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

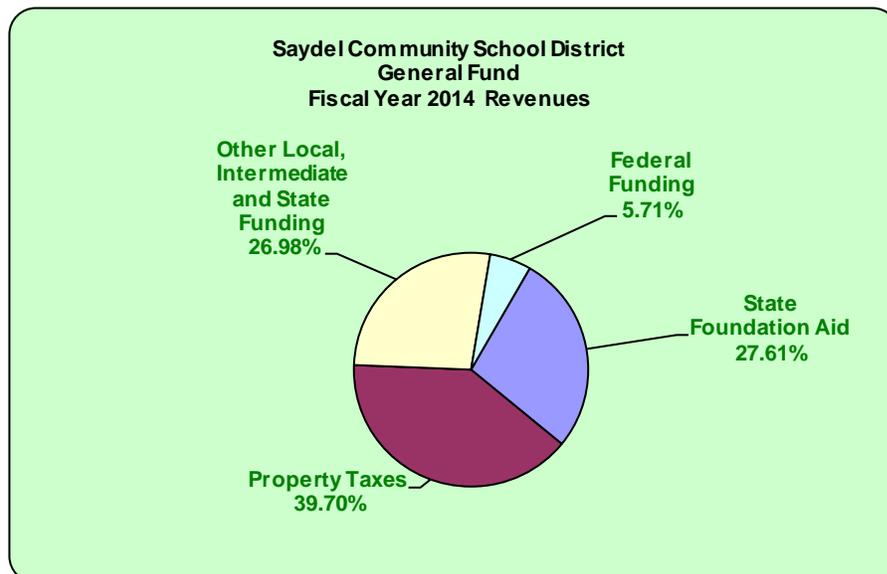
2014 FINANCIAL HIGHLIGHTS

- **Budget:** The State of Iowa legislatively approved an allowable growth factor of 2 percent for fiscal year 2014. The district's enrollment increased by 0.3 students from 1,200.9 in fiscal year 2013 to 1201.2 in fiscal year 2014. Due to the increase in enrollment and allowable growth, the District received \$144,630 more in new regular program funding.

In April, 2013, the board approved a budget for fiscal year 2014 for all funds of \$21,232,686(including transfers).

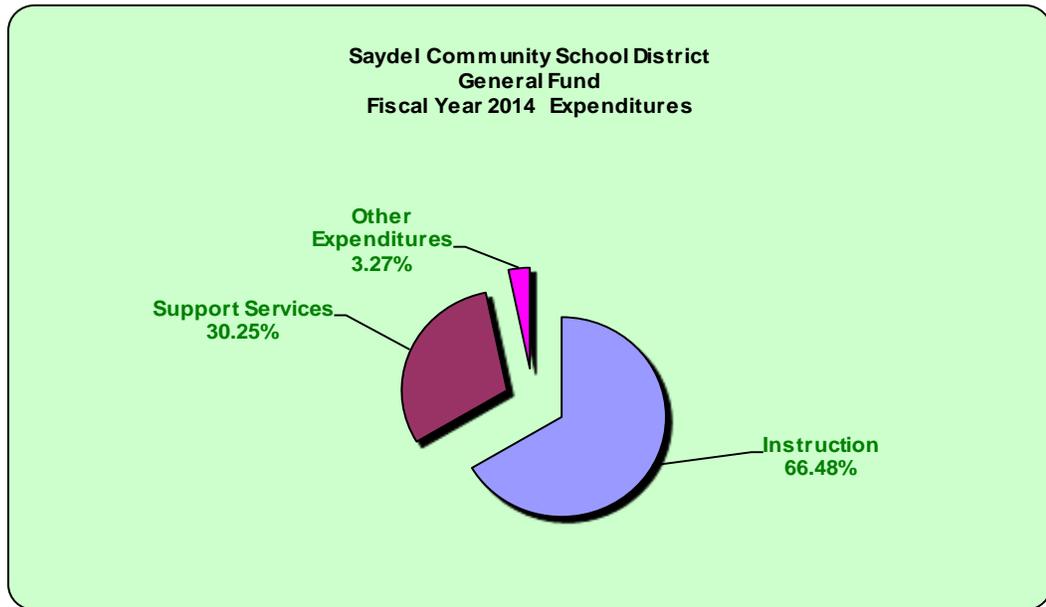
- **Revenue:** District-wide revenues were \$18,975,178, which primarily consisted of state aid, property taxes, federal grants, and sales tax. General revenues accounted for approximately 75.58 percent of the District-wide revenue. Program specific revenues in the form of charges for service and grants and contributions, accounted for 24.42 percent of total fiscal year 2014 revenues.

The General Fund had \$14,250,661 in revenues for fiscal year 2014, which primarily consisted of state aid and property taxes. General Fund revenues increased from \$14,017,702 in fiscal year 2013 to \$14,250,661 in fiscal year 2014, which is a 1.66% increase. This increase is due to an increase in tuition and state revenues.



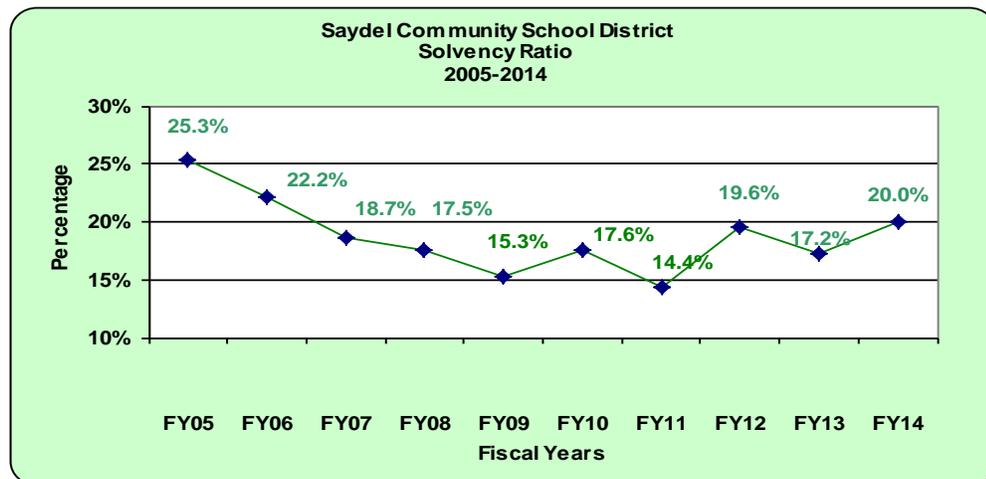
- Expenses:** The District-wide expenses were \$18,587,659, of which \$4,634,054 were offset by program specific charges for service or grants and contributions. General revenues of \$14,341,124 provided for the remaining cost of these programs.

The General Fund had \$14,131,258 in fiscal year 2014 expenses, which primarily consisted of instructional expenses. General Fund expenses increased from \$13,637,387 in fiscal 2013 to \$14,131,258 in fiscal year 2014.



- General Fund Balance and Solvency Ratio:** The District’s overall General Fund balance increased from \$3,689,511 as of June 30, 2013 to \$3,808,914 as of June 30, 2014. The General Fund unassigned fund balance increased from \$2,213,711 as of June 30, 2013 to \$2,613,346 as of June 30, 2014.

The District’s solvency ratio (unassigned fund balance plus assigned fund balance/General Fund revenues minus AEA flowthrough) increased from 17.2 percent in 2013 to 20.0 percent in 2014.



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

-
- **Capital Projects:** Revenues from sales taxes increased from \$1,043,027 in fiscal year 2013 to \$1,045,168 in fiscal year 2014. The increase in funding was due to the increase in enrollment compared to the prior year. Expenses (including transfers out to debt service) increased from \$2,881,699 in fiscal year 2013 to \$5,422,045 in fiscal year 2014. In fiscal year 2014 the primary construction expenses included the renovation project at the High School, a press box and bleacher project, track and turf project and the bus and maintenance facility project.

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 Position 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 federal programs benefiting the District.

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

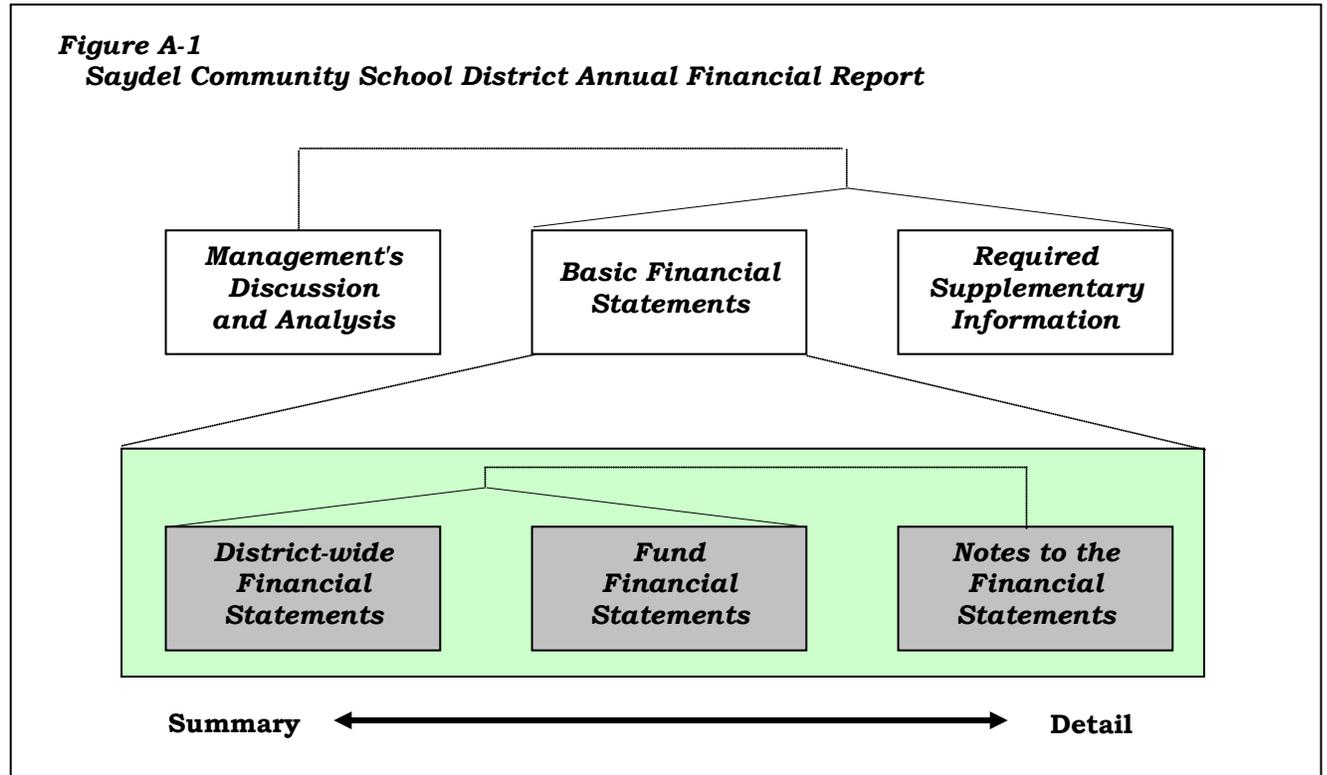


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

| 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 |
| Required financial statements | <ul style="list-style-type: none"> • Statement of Net Position • 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 Position • Statement of Revenues, Expenses and Changes in Fund Net Position • Statement of Cash Flows | <ul style="list-style-type: none"> • Statement of Fiduciary Net Position • Statement of Changes in Fiduciary Net Position |
| 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 Position includes all of the District’s assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. 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 position and how they have changed. Net position is one way to measure the District's financial health or position. Over time, increases or decreases in the District's net position 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 Net Position, Statement of Revenues, Expenses and Changes in Fund Net Position 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 Position and a Statement of Changes in Fiduciary Net Position.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net position for the year ended June 30, 2014 compared to June 30, 2013.

| | Governmental Activities | | Business Type Activities | | Total District | | Total Change |
|----------------------------------|-------------------------|-------------------|--------------------------|----------------|-------------------|-------------------|---------------|
| | June 30, | | June 30, | | June 30, | | June 30, |
| | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 | 2013-14 |
| Current and other assets | \$ 23,079,456 | 25,177,138 | 451,343 | 379,827 | 23,530,799 | 25,556,965 | -7.93% |
| Capital assets | 22,769,139 | 20,332,855 | 117,434 | 135,206 | 22,886,573 | 20,468,061 | 11.82% |
| Total assets | <u>45,848,595</u> | <u>45,509,993</u> | <u>568,777</u> | <u>515,033</u> | <u>46,417,372</u> | <u>46,025,026</u> | <u>0.85%</u> |
| Long-term obligations | 15,476,230 | 16,672,761 | 5,965 | 4,033 | 15,482,195 | 16,676,794 | -7.16% |
| Other liabilities | 2,902,317 | 1,767,660 | 25,158 | 24,509 | 2,927,475 | 1,792,169 | 63.35% |
| Total liabilities | <u>18,378,547</u> | <u>18,440,421</u> | <u>31,123</u> | <u>28,542</u> | <u>18,409,670</u> | <u>18,468,963</u> | <u>-0.32%</u> |
| Deferred inflows of resources | 8,216,546 | 8,152,426 | - | - | 8,216,546 | 8,152,426 | 0.79% |
| Net position: | | | | | | | |
| Net investment in capital assets | 12,175,058 | 12,465,462 | 117,434 | 135,206 | 12,292,492 | 12,600,668 | -2.45% |
| Restricted | 4,434,876 | 3,747,980 | - | - | 4,434,876 | 3,747,980 | 18.33% |
| Unrestricted | 2,643,568 | 2,703,704 | 420,220 | 351,285 | 3,063,788 | 3,054,989 | 0.29% |
| Total net position | <u>\$ 19,253,502</u> | <u>18,917,146</u> | <u>537,654</u> | <u>486,491</u> | <u>19,791,156</u> | <u>19,403,637</u> | <u>2.00%</u> |

The District's combined net position increased by 2.00%, or \$387,519 over the prior year. The largest portion of the District's net position is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to investment in capital assets is liquidated with sources other than capital assets.

Restricted net position represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position increased \$686,896, or 18.33% from the prior year. The increase in restricted net

position can be attributed to the increase in fund balances for the Capital Projects: Statewide Sales, Services and Use Tax account and the Capital Projects: Physical Plant and Equipment Levy account.

Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements - increased \$8,799, or 0.29%. The increase is primarily related to the increase in the General Fund balance.

Figure A-4 shows the changes in net position for the year ended June 30, 2014 compared to the year ended June 30, 2013.

| | Figure A-4 Changes in Net Position | | | | | | |
|---|---------------------------------------|-------------------|-----------------------------|----------------|-------------------|-------------------|-----------------|
| | Governmental Activities | | Business Type Activities | | Total District | | Total Change |
| | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 | 2013-14 |
| Revenues: | | | | | | | |
| Program revenues: | | | | | | | |
| Charges for service | \$ 2,203,119 | 1,768,498 | 415,207 | 425,996 | 2,618,326 | 2,194,494 | 19.31% |
| Operating grants, contributions and restricted interest | 1,484,570 | 1,357,561 | 531,158 | 493,969 | 2,015,728 | 1,851,530 | 8.87% |
| Capital grants, contributions and restricted interest | - | 1,392 | - | - | - | 1,392 | -100.00% |
| General revenues: | | | | | | | |
| Property tax | 8,146,698 | 8,417,354 | - | - | 8,146,698 | 8,417,354 | -3.22% |
| Statewide sales, services and use tax | 1,045,168 | 1,043,027 | - | - | 1,045,168 | 1,043,027 | 0.21% |
| Unrestricted state grants | 5,018,535 | 4,681,432 | - | - | 5,018,535 | 4,681,432 | 7.20% |
| Unrestricted investment earnings | 38,495 | 33,024 | 773 | 758 | 39,268 | 33,782 | 16.24% |
| Other | 86,434 | 179,966 | 5,021 | - | 91,455 | 179,966 | -49.18% |
| Total revenues | <u>18,023,019</u> | <u>17,482,254</u> | <u>952,159</u> | <u>920,723</u> | <u>18,975,178</u> | <u>18,402,977</u> | <u>3.11%</u> |
| Program expenses: | | | | | | | |
| Governmental activities: | | | | | | | |
| Instructional | 9,909,190 | 9,586,923 | - | - | 9,909,190 | 9,586,923 | 3.36% |
| Support services | 5,358,737 | 5,395,919 | 44,103 | 36,652 | 5,402,840 | 5,432,571 | -0.55% |
| Non-instructional programs | 39,494 | 500 | 858,738 | 885,760 | 898,232 | 886,260 | 1.35% |
| Other expenses | 2,377,397 | 1,585,607 | - | - | 2,377,397 | 1,585,607 | 49.94% |
| Total expenses | <u>17,684,818</u> | <u>16,568,949</u> | <u>902,841</u> | <u>922,412</u> | <u>18,587,659</u> | <u>17,491,361</u> | <u>6.27%</u> |
| Excess(deficiency) of revenues over(under) expenditures | 338,201 | 913,305 | 49,318 | (1,689) | 387,519 | 911,616 | -57.49% |
| Transfers | (1,845) | - | 1,845 | - | - | - | 0.00% |
| Change in net position | 336,356 | 913,305 | 51,163 | (1,689) | 387,519 | 911,616 | -57.49% |
| Net position beginning of year | <u>18,917,146</u> | <u>18,003,841</u> | <u>486,491</u> | <u>488,180</u> | <u>19,403,637</u> | <u>18,492,021</u> | <u>4.93%</u> |
| Net position end of year | <u>\$ 19,253,502</u> | <u>18,917,146</u> | <u>537,654</u> | <u>486,491</u> | <u>19,791,156</u> | <u>19,403,637</u> | <u>2.00%</u> |

In fiscal 2014, property tax, statewide sales, services and use tax and unrestricted state grants account for 78.85% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 99.39% of the revenue from business type activities.

The District's total revenues were approximately \$18.98 million, of which approximately \$18.03 million was for governmental activities and approximately \$0.95 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 3.11% increase in revenues and a 6.27% increase in expenses. The increase in expenses is primarily related to the increase in the negotiated salaries and benefits.

Governmental Activities

Revenues for governmental activities were \$18,023,019 and expenses were \$17,684,818.

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, 2014 compared to the year ended June 30, 2013.

| | Total Cost of Services | | | Net Cost of Services | | |
|----------------------------|------------------------|------------|-------------------|----------------------|------------|-------------------|
| | 2014 | 2013 | Change 2013-14 | 2014 | 2013 | Change 2013-14 |
| Instruction | \$ 9,909,190 | 9,586,923 | 3.36% | 6,707,132 | 6,915,422 | -3.01% |
| Support services | 5,358,737 | 5,395,919 | -0.69% | 5,334,766 | 5,383,689 | -0.91% |
| Non-instructional programs | 39,494 | 500 | 7798.80% | 39,494 | 500 | 7798.80% |
| Other expenses | 2,377,397 | 1,585,607 | 49.94% | 1,915,737 | 1,141,887 | 67.77% |
| Totals | \$ 17,684,818 | 16,568,949 | 6.73% | 13,997,129 | 13,441,498 | 4.13% |

- The cost financed by users of the District's programs was \$2,203,119.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,484,570.
- The net cost of governmental activities was financed with \$8,146,698 in property tax, \$1,045,168 in statewide sales, services and use tax, \$5,018,535 in unrestricted state grants, \$38,495 in interest income and \$86,434 in other general revenues.

Business type Activities

Revenues of the District's business type activities were \$952,159 and expenses were \$902,841. The District's business type activities include the School Nutrition Fund, Cornell Elementary Preschool and the Eagles Nest Daycare. Revenues of these activities were comprised of charges for service, federal and state reimbursements, investment income and other general revenues.

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 \$12,133,286, below last year's ending fund balances of \$15,436,670. The primary reason for the decrease in combined fund balances in fiscal 2014 is due to the decrease in the Capital Projects: Construction Fund balance, this is due to beginning various projects in the

District including a high school renovation, bus and maintenance facility, bleacher and press box project and a turf and track project.

Governmental Fund Highlights

- The District's improving General Fund financial position is the result of many factors. The General Fund balance increased \$119,403 from \$3,689,511 at June 30, 2013 to \$3,808,914 at June 30, 2014. Revenues for the General Fund during fiscal 2014 increased \$232,959, as compared to one year ago. General Fund expenses increased by \$493,871 when compared to the previous year.
- The Capital Projects Fund balance decreased due to the beginning of construction on various projects throughout the District in fiscal year 2014. The Capital Projects fund balance decreased from \$9,680,263 at June 30, 2013 to \$6,499,234 at June 30, 2014. A large portion of the fund balance consists of unexpended bond proceeds which will be expended as the various projects are completed.

Proprietary Fund Highlights

The total net position of the Enterprise Funds increased \$51,163 from \$486,491 at June 30, 2013 to \$537,654 at June 30, 2014, representing an increase of 10.52%. The Nutrition Fund made up \$399,296 of the total net position of all enterprise funds. The Nutrition Fund net position increased \$53,922 from \$345,374 at June 30, 2013 to \$399,296 at June 30, 2014, representing an increase of 15.61%. This increase was due in part to receiving more in federal sources in fiscal year 2014.

BUDGETARY HIGHLIGHTS

Over the course of the year, Saydel Community School District amended its budget one time to reflect additional expenditures associated with the various construction projects undertaken by the District in fiscal year 2014.

The District's revenues were \$335,387 more than budgeted revenues, a variance of 1.80%. The most significant variance resulted from the District receiving more in state 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.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2014, the District had invested approximately \$22.9 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 11.82% from last year. More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$1,854,825.

The original cost of the District's capital assets was approximately \$44.73 million. Governmental funds account for approximately \$44.40 million with the remainder of approximately \$0.33 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 \$3,073,323 at June 30, 2014, compared to \$112,384 reported at June 30, 2013. This increase is attributable to beginning construction on various District projects.

| | Governmental Activities | | Business Type Activities | | Total District | | Total Change |
|--------------------------|-------------------------|---------------|--------------------------|---------------|----------------|---------------|------------------|
| | June 30, 2014 | June 30, 2013 | June 30, 2014 | June 30, 2013 | June 30, 2014 | June 30, 2013 | June 30, 2013-14 |
| Land | \$ 3,500 | 4,000 | - | - | 3,500 | 4,000 | -12.50% |
| Construction in progress | 3,073,323 | 112,384 | - | - | 3,073,323 | 112,384 | 2634.66% |
| Buildings | 17,227,460 | 17,492,551 | - | - | 17,227,460 | 17,492,551 | -1.52% |
| Land improvements | 702,825 | 758,337 | - | - | 702,825 | 758,337 | -7.32% |
| Machinery and equipment | 1,762,031 | 1,965,583 | 117,434 | 135,206 | 1,879,465 | 2,100,789 | -10.54% |
| Total | \$ 22,769,139 | 20,332,855 | 117,434 | 135,206 | 22,886,573 | 20,468,061 | 11.82% |

Long-Term Debt

At June 30, 2014, the District had \$15,482,195 in general obligation bonds payable, revenue bonds payable, compensated absences payable and other postemployment benefits payable. This represents a decrease of 7.16% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 5 to the financial statements.

- The District had outstanding general obligation bonds of \$7,585,000 at June 30, 2014 payable from the Debt Service Fund.
- The District had outstanding revenue bonded indebtedness of \$6,945,000 at June 30, 2014, payable from the Capital Projects: Statewide Sales, Services and Use Tax Fund.
- The District had compensated absences payable from the General Fund of \$100,094 as of June 30, 2014.
- The District had total net OPEB liability of \$852,101 at June 30, 2014, \$846,136 of this liability is attributed to governmental activities and \$5,965 to business type activities.

| | Governmental Activities | | Business Type Activities | | Total District | | Total Change |
|--------------------------|-------------------------|---------------|--------------------------|---------------|----------------|---------------|------------------|
| | June 30, 2014 | June 30, 2013 | June 30, 2014 | June 30, 2013 | June 30, 2014 | June 30, 2013 | June 30, 2013-14 |
| General obligation bonds | \$ 7,585,000 | 8,580,000 | - | - | 7,585,000 | 8,580,000 | -11.60% |
| Revenue bonds | 6,945,000 | 7,210,000 | - | - | 6,945,000 | 7,210,000 | -3.68% |
| Compensated absences | 100,094 | 96,648 | - | - | 100,094 | 96,648 | 3.57% |
| Termination benefits | - | 214,027 | - | - | - | 214,027 | -100.00% |
| Net OPEB liability | 846,136 | 572,086 | 5,965 | 4,033 | 852,101 | 576,119 | 47.90% |
| Total | \$ 15,476,230 | 16,672,761 | 5,965 | 4,033 | 15,482,195 | 16,676,794 | -7.16% |

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- District enrollment declined from October 2012 to October 2013, decreasing 38.9 students. For fiscal year 2015, Legislation has set allowable growth at 4%. Due to the budget guarantee and an increase in allowable growth, the regular program cost for fiscal year 2015 will increase by approximately \$81,866.
- 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 2014, 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 54.40 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 approved a \$7,980,000 general obligation bond. The District is in the process of 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 approved to implement the requirements of this grant. 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 POSITION
JUNE 30, 2014

| | Governmental Activities | Business Type Activities | Total |
|---|----------------------------|-----------------------------|-------------------|
| Assets | | | |
| Cash and pooled investments | \$ 13,320,187 | 417,696 | 13,737,883 |
| Receivables: | | | |
| Property tax: | | | |
| Delinquent | 103,981 | - | 103,981 |
| Succeeding year | 8,216,546 | - | 8,216,546 |
| Accounts | 20,960 | 5,478 | 26,438 |
| Due from other governments | 1,417,782 | 11,693 | 1,429,475 |
| Inventories | - | 16,476 | 16,476 |
| Capital assets, net of accumulated depreciation | 22,769,139 | 117,434 | 22,886,573 |
| Total assets | 45,848,595 | 568,777 | 46,417,372 |
| Liabilities | | | |
| Accounts payable | 1,439,283 | 3,284 | 1,442,567 |
| Salaries and benefits payable | 1,289,017 | 13,566 | 1,302,583 |
| Accrued interest payable | 172,693 | - | 172,693 |
| Deposits payable | 1,324 | - | 1,324 |
| Unearned revenue | - | 8,308 | 8,308 |
| Long-term liabilities: | | | |
| Portion due within one year: | | | |
| General obligation bonds payable | 330,000 | - | 330,000 |
| Revenue bonds payable | 275,000 | - | 275,000 |
| Compensated absences | 100,094 | - | 100,094 |
| Portion due after one year: | | | |
| General obligation bonds payable | 7,255,000 | - | 7,255,000 |
| Revenue bonds payable | 6,670,000 | - | 6,670,000 |
| Net OPEB liability | 846,136 | 5,965 | 852,101 |
| Total liabilities | 18,378,547 | 31,123 | 18,409,670 |
| Deferred Inflows of Resources | | | |
| Unavailable property tax revenue | 8,216,546 | - | 8,216,546 |
| Net Position | | | |
| Net investment in capital assets | 12,175,058 | 117,434 | 12,292,492 |
| Restricted for: | | | |
| Categorical funding | 212,993 | - | 212,993 |
| School infrastructure | 1,010,718 | - | 1,010,718 |
| Physical plant and equipment | 1,552,597 | - | 1,552,597 |
| Debt service | 913,023 | - | 913,023 |
| Management levy purposes | 696,441 | - | 696,441 |
| Student activities | 49,104 | - | 49,104 |
| Unrestricted | 2,643,568 | 420,220 | 3,063,788 |
| Total net position | \$ 19,253,502 | 537,654 | 19,791,156 |

SEE NOTES TO FINANCIAL STATEMENTS.

SAYDEL COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2014

| | Program Revenues | | | Net (Expense) Revenue and Changes in Net Position | | Total |
|---------------------------------------|------------------|---------------------------|--|--|--------------------------------|--------------|
| | Expenses | Charges for Service | Operating Grants, Contributions and Restricted Interest | Govern- mental Activities | Business Type Activities | |
| Functions/Programs: | | | | | | |
| Governmental activities: | | | | | | |
| Instruction: | | | | | | |
| Regular | \$ 5,966,685 | 1,307,913 | 549,670 | (4,109,102) | - | (4,109,102) |
| Special | 2,037,382 | 710,165 | 205,779 | (1,121,438) | - | (1,121,438) |
| Other | 1,905,123 | 185,041 | 243,490 | (1,476,592) | - | (1,476,592) |
| | 9,909,190 | 2,203,119 | 998,939 | (6,707,132) | - | (6,707,132) |
| Support services: | | | | | | |
| Student | 424,055 | - | - | (424,055) | - | (424,055) |
| Instructional staff | 744,805 | - | 12,817 | (731,988) | - | (731,988) |
| Administration | 1,663,341 | - | - | (1,663,341) | - | (1,663,341) |
| Operation and maintenance of plant | 1,567,305 | - | - | (1,567,305) | - | (1,567,305) |
| Transportation | 959,231 | - | 11,154 | (948,077) | - | (948,077) |
| | 5,358,737 | - | 23,971 | (5,334,766) | - | (5,334,766) |
| Non-instructional programs: | | | | | | |
| Food service operations | 39,494 | - | - | (39,494) | - | (39,494) |
| Long-term debt interest | 509,780 | - | - | (509,780) | - | (509,780) |
| Other expenditures: | | | | | | |
| AEA flowthrough | 461,660 | - | 461,660 | - | - | - |
| Depreciation(unallocated)* | 1,405,957 | - | - | (1,405,957) | - | (1,405,957) |
| | 1,867,617 | - | 461,660 | (1,405,957) | - | (1,405,957) |
| Total governmental activities | 17,684,818 | 2,203,119 | 1,484,570 | (13,997,129) | - | (13,997,129) |
| Business type activities: | | | | | | |
| Support services: | | | | | | |
| Administration | 3,261 | - | - | - | (3,261) | (3,261) |
| Operation and maintenance of plant | 38,498 | - | - | - | (38,498) | (38,498) |
| Transportation | 2,344 | - | - | - | (2,344) | (2,344) |
| | 44,103 | - | - | - | (44,103) | (44,103) |
| Non-instructional programs: | | | | | | |
| Food service operations | 715,567 | 265,585 | 531,158 | - | 81,176 | 81,176 |
| Other enterprise operations | 143,171 | 149,622 | - | - | 6,451 | 6,451 |
| | 858,738 | 415,207 | 531,158 | - | 87,627 | 87,627 |
| Total business type activities | 902,841 | 415,207 | 531,158 | - | 43,524 | 43,524 |
| Total | \$ 18,587,659 | 2,618,326 | 2,015,728 | (13,997,129) | 43,524 | (13,953,605) |
| General Revenues: | | | | | | |
| Property tax levied for: | | | | | | |
| General purposes | | | | \$ 6,044,148 | - | 6,044,148 |
| Debt service | | | | 1,037,506 | - | 1,037,506 |
| Capital outlay | | | | 1,065,044 | - | 1,065,044 |
| Statewide sales, services and use tax | | | | 1,045,168 | - | 1,045,168 |
| Unrestricted state grants | | | | 5,018,535 | - | 5,018,535 |
| Unrestricted investment earnings | | | | 38,495 | 773 | 39,268 |
| Other | | | | 86,434 | 5,021 | 91,455 |
| Transfers | | | | (1,845) | 1,845 | - |
| Total general revenues | | | | 14,333,485 | 7,639 | 14,341,124 |
| Change in net position | | | | 336,356 | 51,163 | 387,519 |
| Net position beginning of year | | | | 18,917,146 | 486,491 | 19,403,637 |
| Net position end of year | | | | \$ 19,253,502 | 537,654 | 19,791,156 |

* 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, 2014

| | General | Capital Projects | Nonmajor | Total |
|---|----------------------|---------------------|------------------|-------------------|
| Assets | | | | |
| Cash and pooled investments | \$ 4,207,740 | 7,305,358 | 1,807,089 | 13,320,187 |
| Receivables: | | | | |
| Property tax: | | | | |
| Delinquent | 72,404 | 13,488 | 18,089 | 103,981 |
| Succeeding year | 5,998,797 | 1,079,236 | 1,138,513 | 8,216,546 |
| Accounts | 18,484 | - | 2,476 | 20,960 |
| Due from other governments | 1,164,949 | 252,833 | - | 1,417,782 |
| Total assets | \$ 11,462,374 | 8,650,915 | 2,966,167 | 23,079,456 |
| Liabilities, Deferred Inflows of Resources and Fund Balances | | | | |
| Liabilities: | | | | |
| Accounts payable | \$ 364,322 | 1,072,445 | 2,516 | 1,439,283 |
| Salaries and benefits payable | 1,289,017 | - | - | 1,289,017 |
| Deposits payable | 1,324 | - | - | 1,324 |
| Total liabilities | 1,654,663 | 1,072,445 | 2,516 | 2,729,624 |
| Deferred inflows of resources: | | | | |
| Unavailable revenues: | | | | |
| Succeeding year property tax | 5,998,797 | 1,079,236 | 1,138,513 | 8,216,546 |
| Fund balances: | | | | |
| Restricted for: | | | | |
| Categorical funding | 212,993 | - | - | 212,993 |
| School infrastructure | - | 4,946,637 | - | 4,946,637 |
| Physical plant and equipment | - | 1,552,597 | - | 1,552,597 |
| Debt service | - | - | 1,085,716 | 1,085,716 |
| Management levy purposes | - | - | 696,441 | 696,441 |
| Student activities | - | - | 49,104 | 49,104 |
| Committed by the Board for special purposes | 834,123 | - | - | 834,123 |
| Assigned for special purposes | 148,452 | - | - | 148,452 |
| Unassigned: | | | | |
| General | 2,613,346 | - | - | 2,613,346 |
| Student activities | - | - | (6,123) | (6,123) |
| Total fund balances | 3,808,914 | 6,499,234 | 1,825,138 | 12,133,286 |
| Total Liabilities, Deferred Inflows of Resources and Fund Balances | \$ 11,462,374 | 8,650,915 | 2,966,167 | 23,079,456 |

SEE NOTES TO FINANCIAL STATEMENTS.

SAYDEL COMMUNITY SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2014

| | |
|--|----------------------|
| Total fund balances of governmental funds(page 24) | \$ 12,133,286 |
| <i>Amounts reported for governmental activities in the Statement of Net Position 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. | 22,769,139 |
| 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. | (172,693) |
| Long-term liabilities, including general obligation bonds payable, revenue bonds payable, compensated absences 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>(15,476,230)</u> |
| Net position of governmental activities(page 22) | <u>\$ 19,253,502</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, 2014

| | General | Capital Projects | Nonmajor | Total |
|--|---------------------|---------------------|------------------|-------------------|
| Revenues: | | | | |
| Local sources: | | | | |
| Local tax | \$ 5,657,847 | 1,065,044 | 1,423,807 | 8,146,698 |
| Tuition | 2,002,261 | - | - | 2,002,261 |
| Other | 160,882 | 42,871 | 194,689 | 398,442 |
| Intermediate sources | 17,319 | - | - | 17,319 |
| State sources | 5,599,010 | 1,045,501 | 446 | 6,644,957 |
| Federal sources | 813,342 | - | - | 813,342 |
| Total revenues | <u>14,250,661</u> | <u>2,153,416</u> | <u>1,618,942</u> | <u>18,023,019</u> |
| Expenditures: | | | | |
| Current: | | | | |
| Instruction: | | | | |
| Regular | 5,736,431 | - | 96,195 | 5,832,626 |
| Special | 1,978,488 | - | - | 1,978,488 |
| Other | 1,679,622 | - | 183,772 | 1,863,394 |
| | <u>9,394,541</u> | <u>-</u> | <u>279,967</u> | <u>9,674,508</u> |
| Support services: | | | | |
| Student services | 415,334 | - | - | 415,334 |
| Instructional staff | 474,908 | 216,558 | - | 691,466 |
| Administration | 1,547,415 | 63,833 | 25,768 | 1,637,016 |
| Operation and maintenance of plant | 1,162,065 | 40,247 | 328,027 | 1,530,339 |
| Transportation | 675,335 | 281,547 | 2,349 | 959,231 |
| | <u>4,275,057</u> | <u>602,185</u> | <u>356,144</u> | <u>5,233,386</u> |
| Non-instructional programs: | | | | |
| Food service operations | - | - | 39,494 | 39,494 |
| Capital outlay | - | 4,228,250 | - | 4,228,250 |
| Long-term debt: | | | | |
| Principal | - | - | 1,260,000 | 1,260,000 |
| Interest and fiscal charges | - | - | 516,705 | 516,705 |
| | <u>-</u> | <u>-</u> | <u>1,776,705</u> | <u>1,776,705</u> |
| Other expenditures: | | | | |
| AEA flowthrough | 461,660 | - | - | 461,660 |
| Total expenditures | <u>14,131,258</u> | <u>4,830,435</u> | <u>2,452,310</u> | <u>21,414,003</u> |
| Excess(deficiency) of revenues over(under) expenditures | 119,403 | (2,677,019) | (833,368) | (3,390,984) |
| Other financing sources(uses): | | | | |
| Transfer in | - | - | 591,610 | 591,610 |
| Transfer out | - | (591,610) | - | (591,610) |
| Proceeds from sale of land | - | 87,600 | - | 87,600 |
| Total other financing sources(uses) | <u>-</u> | <u>(504,010)</u> | <u>591,610</u> | <u>87,600</u> |
| Change in fund balances | 119,403 | (3,181,029) | (241,758) | (3,303,384) |
| Fund balances beginning of year | <u>3,689,511</u> | <u>9,680,263</u> | <u>2,066,896</u> | <u>15,436,670</u> |
| Fund balances end of year | <u>\$ 3,808,914</u> | <u>6,499,234</u> | <u>1,825,138</u> | <u>12,133,286</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, 2014

Change in fund balances - total governmental funds(page 26) \$ (3,303,384)

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 and loss on disposal of capital assets in the current year as follows:

| | | |
|------------------------------------|-----------------|-----------|
| Capital outlays | \$ 4,323,910 | |
| Depreciation expense | (1,830,801) | |
| Loss on disposal of capital assets | <u>(56,825)</u> | 2,436,284 |

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. 1,260,000

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. 6,925

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 | (3,446) | |
| Termination benefits | 214,027 | |
| Other postemployment benefits | <u>(274,050)</u> | <u>(63,469)</u> |

Change in net position of governmental activities(page 23) \$ 336,356

SAYDEL COMMUNITY SCHOOL DISTRICT
 STATEMENT OF NET POSITION
 PROPRIETARY FUNDS
 JUNE 30, 2014

| | Nonmajor Enterprise Funds | | | |
|---|---------------------------|---------------|------------------------------|----------------|
| | School Nutrition | Eagles Nest | Cornell Elementary Preschool | Total |
| Assets | | | | |
| Cash and cash equivalents | \$ 276,384 | 43,620 | 97,692 | 417,696 |
| Accounts receivable | - | 5,478 | - | 5,478 |
| Due from other governments | 11,693 | - | - | 11,693 |
| Inventories | 16,476 | - | - | 16,476 |
| Capital assets, net of accumulated depreciation | 111,723 | 5,711 | - | 117,434 |
| Total assets | 416,276 | 54,809 | 97,692 | 568,777 |
| Liabilities | | | | |
| Accounts payable | 1,342 | 1,942 | - | 3,284 |
| Salaries and benefits payable | 2,425 | 11,141 | - | 13,566 |
| Unearned revenue | 7,248 | 1,060 | - | 8,308 |
| Net OPEB liability | 5,965 | - | - | 5,965 |
| Total liabilities | 16,980 | 14,143 | - | 31,123 |
| Net Position | | | | |
| Invested in capital assets | 111,723 | 5,711 | - | 117,434 |
| Unrestricted | 287,573 | 34,955 | 97,692 | 420,220 |
| Total net position | \$ 399,296 | 40,666 | 97,692 | 537,654 |

SEE NOTES TO FINANCIAL STATEMENTS.

SAYDEL COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2014

| | Nonmajor Enterprise Funds | | | Total |
|--|---------------------------|----------------|------------------------------------|------------------|
| | School Nutrition | Eagles Nest | Cornell Elementary Preschool | |
| Operating revenues: | | | | |
| Local sources: | | | | |
| Charges for service | \$ 265,585 | 144,662 | 4,960 | 415,207 |
| Miscellaneous | 5,021 | - | - | 5,021 |
| Total operating revenues | <u>270,606</u> | <u>144,662</u> | <u>4,960</u> | <u>420,228</u> |
| Operating expenses: | | | | |
| Support services: | | | | |
| Administration: | | | | |
| Salaries | 2,008 | 790 | - | 2,798 |
| Benefits | 333 | 130 | - | 463 |
| | <u>2,341</u> | <u>920</u> | <u>-</u> | <u>3,261</u> |
| Operation and maintenance of plant: | | | | |
| Salaries | 19,973 | 3,992 | 1,400 | 25,365 |
| Benefits | 3,310 | 662 | 232 | 4,204 |
| Services | 4,454 | - | - | 4,454 |
| Supplies | 4,475 | - | - | 4,475 |
| | <u>32,212</u> | <u>4,654</u> | <u>1,632</u> | <u>38,498</u> |
| Transportation: | | | | |
| Services | - | 2,194 | - | 2,194 |
| Supplies | - | 150 | - | 150 |
| | <u>-</u> | <u>2,344</u> | <u>-</u> | <u>2,344</u> |
| Total support services | <u>34,553</u> | <u>7,918</u> | <u>1,632</u> | <u>44,103</u> |
| Non-instructional programs: | | | | |
| Food service operations: | | | | |
| Salaries | 252,336 | - | - | 252,336 |
| Benefits | 59,943 | - | - | 59,943 |
| Services | 6,763 | - | - | 6,763 |
| Supplies | 374,739 | - | - | 374,739 |
| Other | 327 | - | - | 327 |
| Depreciation | 21,459 | - | - | 21,459 |
| | <u>715,567</u> | <u>-</u> | <u>-</u> | <u>715,567</u> |
| Other enterprise operations: | | | | |
| Salaries | - | 108,484 | - | 108,484 |
| Benefits | - | 16,778 | - | 16,778 |
| Services | - | 35 | - | 35 |
| Supplies | - | 14,535 | 774 | 15,309 |
| Depreciation | - | 2,565 | - | 2,565 |
| | <u>-</u> | <u>142,397</u> | <u>774</u> | <u>143,171</u> |
| Total non-instructional programs | <u>715,567</u> | <u>142,397</u> | <u>774</u> | <u>858,738</u> |
| Total operating expenses | <u>750,120</u> | <u>150,315</u> | <u>2,406</u> | <u>902,841</u> |
| Operating income(loss) | <u>(479,514)</u> | <u>(5,653)</u> | <u>2,554</u> | <u>(482,613)</u> |
| Non-operating revenues: | | | | |
| State sources | 6,656 | - | - | 6,656 |
| Federal sources | 524,502 | - | - | 524,502 |
| Interest income | 433 | 101 | 239 | 773 |
| Total non-operating revenues | <u>531,591</u> | <u>101</u> | <u>239</u> | <u>531,931</u> |
| Change in net position before other financing sources | 52,077 | (5,552) | 2,793 | 49,318 |
| Other financing sources: | | | | |
| Contributed capital | 1,845 | - | - | 1,845 |
| Change in net position | 53,922 | (5,552) | 2,793 | 51,163 |
| Net position beginning of year | 345,374 | 46,218 | 94,899 | 486,491 |
| Net position end of year | <u>\$ 399,296</u> | <u>40,666</u> | <u>97,692</u> | <u>537,654</u> |

SEE NOTES TO FINANCIAL STATEMENTS.

SAYDEL COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2014

| | Nonmajor Enterprise Funds | | | |
|--|---------------------------|----------------|------------------------------------|-----------|
| | School Nutrition | Eagles Nest | Cornell Elementary Preschool | Total |
| Cash flows from operating activities: | | | | |
| Cash received from sale of lunches and breakfasts | \$ 266,051 | - | - | 266,051 |
| Cash received from parents for tuition | - | 148,497 | 4,960 | 153,457 |
| Cash received from miscellaneous | 5,021 | - | - | 5,021 |
| Cash payments to employees for services | (336,326) | (129,581) | (1,632) | (467,539) |
| Cash payments to suppliers for goods or services | (346,743) | (15,877) | (774) | (363,394) |
| Net cash provided by(used in) operating activities | (411,997) | 3,039 | 2,554 | (406,404) |
| Cash flows from non-capital financing activities: | | | | |
| State grants received | 6,656 | - | - | 6,656 |
| Federal grants received | 466,465 | - | - | 466,465 |
| Net cash provided by non-capital financing activities | 473,121 | - | - | 473,121 |
| Cash flows from capital and related financing activities: | | | | |
| Purchase of capital assets | (3,691) | (716) | - | (4,407) |
| Cash flows from investing activities: | | | | |
| Interest on investments | 433 | 101 | 239 | 773 |
| Net increase in cash and cash equivalents | 57,866 | 2,424 | 2,793 | 63,083 |
| Cash and cash equivalents beginning of year | 218,518 | 41,196 | 94,899 | 354,613 |
| Cash and cash equivalents end of year | \$ 276,384 | 43,620 | 97,692 | 417,696 |
| <i>Reconciliation of operating income(loss) to net cash provided by(used in) operating activities:</i> | | | | |
| Operating income(loss) | \$ (479,514) | (5,653) | 2,554 | (482,613) |
| Adjustments to reconcile operating income(loss) to net cash provided by(used in) operating activities: | | | | |
| Commodities consumed | 53,139 | - | - | 53,139 |
| Depreciation | 21,459 | 2,565 | - | 24,024 |
| Increase in inventories | (6,539) | - | - | (6,539) |
| Decrease in accounts receivable | 229 | 2,775 | - | 3,004 |
| Increase(decrease) in accounts payable | (2,585) | 1,037 | - | (1,548) |
| Increase(decrease) in salaries and benefits payable | (355) | 1,255 | - | 900 |
| Increase in unearned revenue | 237 | 1,060 | - | 1,297 |
| Increase in other postemployment benefits payable | 1,932 | - | - | 1,932 |
| Net cash provided by(used in) operating activities | \$ (411,997) | 3,039 | 2,554 | (406,404) |

Non-cash investing, capital and related financing activities:

During the year ended June 30, 2014, the District received \$53,139 in federal commodities.

During the year ended June 30, 2014, the Nutrition Fund received capital contributions of \$1,845 from the General Fund.

SEE NOTES TO FINANCIAL STATEMENTS.

SAYDEL COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2014

| | <u>Private Purpose Trust</u> | <u>Agency</u> |
|-----------------------------|----------------------------------|---------------|
| | <u>Scholarship</u> | |
| Assets | | |
| Cash and pooled investments | \$ 32,596 | 405 |
| Liabilities | | |
| Due to other groups | - | 405 |
| Net Position | | |
| Restricted for scholarships | \$ 32,596 | - |

SEE NOTES TO FINANCIAL STATEMENTS.

SAYDEL COMMUNITY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
YEAR ENDED JUNE 30, 2014

| | <u>Private Purpose Trust Scholarship</u> |
|--------------------------------|--|
| Additions: | |
| Local sources: | |
| Interest on investments | \$ 81 |
| Deductions: | |
| Regular instruction: | |
| Scholarships awarded | <u>1,200</u> |
| Change in net position | (1,119) |
| Net position beginning of year | <u>33,715</u> |
| Net position end of year | <u>\$ 32,596</u> |

SEE NOTES TO FINANCIAL STATEMENTS.

SAYDEL COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

Note 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. 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 Position 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 Position presents the District's nonfiduciary assets, deferred outflows of resources, liabilities and deferred inflows of resources with the difference reported as net position. Net position is reported in three categories:

Net investment in capital assets 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 position results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

Unrestricted net position consists of net position not meeting definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those 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 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 position and changes in net position. 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 position 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 an 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.

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, Deferred Inflows of Resources and Fund Balances

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

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

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

Property Tax Receivable - Property tax in the governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2012 assessed property valuations; is for the tax accrual period July 1, 2013 through June 30, 2014 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2013.

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 Position. 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 Inflows of Resources - 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 inflows of resources 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 inflows of resources consists of property tax receivables and other receivables not collected within sixty days after year end.

Deferred inflows of resources in the Statement of Net Position 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 Position 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 2014.

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, 2014. 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 Position.

Fund Balances - 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 District intends to use for specific purposes.

Unassigned - All amounts not included in other spendable classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

Note 2. Cash and Pooled Investments

The District's deposits at June 30, 2014 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, 2014, the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$832,232 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.

Note 3. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2014 is as follows:

| <u>Transfer to</u> | <u>Transfer from</u> | <u>Amount</u> |
|--------------------|--|-------------------|
| Debt Service | Capital Projects: Statewide Sales, Services and Use Tax | <u>\$ 591,610</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.

Note 4. Capital Assets

Capital assets activity for the year ended June 30, 2014 is as follows:

| | <u>Balance Beginning of Year</u> | <u>Increases</u> | <u>Decreases</u> | <u>Balance End of Year</u> |
|--|--|------------------|------------------|------------------------------------|
| Governmental activities: | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 4,000 | - | 500 | 3,500 |
| Construction in progress | 112,384 | 4,046,293 | 1,085,354 | 3,073,323 |
| Total capital assets not being depreciated | <u>116,384</u> | <u>4,046,293</u> | <u>1,085,854</u> | <u>3,076,823</u> |
| Capital assets being depreciated: | | | | |
| Buildings | 34,702,205 | 1,085,354 | - | 35,787,559 |
| Land improvements | 1,737,404 | - | - | 1,737,404 |
| Machinery and equipment | 3,907,073 | 278,117 | 389,698 | 3,795,492 |
| Total capital assets being depreciated | <u>40,346,682</u> | <u>1,363,471</u> | <u>389,698</u> | <u>41,320,455</u> |
| Less accumulated depreciation for: | | | | |
| Buildings | 17,209,654 | 1,350,445 | - | 18,560,099 |
| Land improvements | 979,067 | 55,512 | - | 1,034,579 |
| Machinery and equipment | 1,941,490 | 424,844 | 332,873 | 2,033,461 |
| Total accumulated depreciation | <u>20,130,211</u> | <u>1,830,801</u> | <u>332,873</u> | <u>21,628,139</u> |
| Total capital assets being depreciated, net | <u>20,216,471</u> | <u>(467,330)</u> | <u>56,825</u> | <u>19,692,316</u> |
| Governmental activities capital assets, net | <u>\$ 20,332,855</u> | <u>3,578,963</u> | <u>1,142,679</u> | <u>22,769,139</u> |
| Business type activities: | | | | |
| Machinery and equipment | \$ 330,397 | 6,252 | - | 336,649 |
| Less accumulated depreciation | 195,191 | 24,024 | - | 219,215 |
| Business type activities capital assets, net | <u>\$ 135,206</u> | <u>(17,772)</u> | <u>-</u> | <u>117,434</u> |

Depreciation expense was charged by the District as follows:

| | |
|--|---------------------|
| Governmental activities: | |
| Instruction: | |
| Regular | \$ 282,235 |
| Support services: | |
| Instructional staff | 77,257 |
| Administration | 30,000 |
| Operation and maintenance of plant | 35,352 |
| | <u>424,844</u> |
| Unallocated depreciation | <u>1,405,957</u> |
| Total governmental activities depreciation expense | <u>\$ 1,830,801</u> |
| | |
| Business type activities: | |
| Food service operations | \$ 21,459 |
| Other enterprise operations | 2,565 |
| Total business type activities: | <u>\$ 24,024</u> |

Note 5. Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2014 is as follows:

| | Balance Beginning of Year | Additions | Deletions | Balance End of Year | Due Within One Year |
|----------------------------------|---------------------------------|----------------|------------------|---------------------------|---------------------------|
| Governmental Activities: | | | | | |
| General obligation bonds | \$ 8,580,000 | - | 995,000 | 7,585,000 | 330,000 |
| Revenue bonds | 7,210,000 | - | 265,000 | 6,945,000 | 275,000 |
| Compensated absences | 96,648 | 100,094 | 96,648 | 100,094 | 100,094 |
| Termination benefits * | 214,027 | - | 214,027 | - | - |
| Net OPEB liability | 572,086 | 274,050 | - | 846,136 | - |
| Total | <u>\$ 16,672,761</u> | <u>374,144</u> | <u>1,570,675</u> | <u>15,476,230</u> | <u>705,094</u> |
| Business Type Activities: | | | | | |
| Net OPEB liability | \$ 4,033 | 1,932 | - | 5,965 | - |

General Obligation Bonds Payable

Details of the District's June 30, 2014 general obligation bond indebtedness, which is paid with property taxes levied in the Debt Service Fund, are as follows:

| Year Ending June 30, | Bond Issue of June 17, 2013 | | | | |
|----------------------------|-----------------------------|---------------------|------------------|------------------|--|
| | Interest Rates | Principal | Interest | Total | |
| 2015 | 2.00 % | \$ 330,000 | 181,650 | 511,650 | |
| 2016 | 2.00 | 335,000 | 175,050 | 510,050 | |
| 2017 | 2.00 | 340,000 | 168,350 | 508,350 | |
| 2018 | 2.00 | 350,000 | 161,550 | 511,550 | |
| 2019 | 2.00 | 355,000 | 154,550 | 509,550 | |
| 2020-2024 | 2.00 | 1,885,000 | 663,150 | 2,548,150 | |
| 2025-2029 | 2.00-2.50 | 2,100,000 | 457,325 | 2,557,325 | |
| 2030-2033 | 2.75-3.50 | 1,890,000 | 153,900 | 2,043,900 | |
| Total | | <u>\$ 7,585,000</u> | <u>2,115,525</u> | <u>9,700,525</u> | |

Revenue Bonds Payable

Details of the District’s June 30, 2014 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 |
| 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 | 3.80 | | 315,000 | 276,875 | 591,875 |
| 2019 | 4.00 | | 330,000 | 264,290 | 594,290 |
| 2020-2024 | 4.20-4.75 | | 1,925,000 | 1,088,531 | 3,013,531 |
| 2025-2029 | 4.75-4.95 | | 2,500,000 | 571,845 | 3,071,845 |
| 2030 | 4.95 | | 1,015,000 | 35,764 | 1,050,764 |
| Total | | | <u>\$ 6,945,000</u> | <u>3,135,198</u> | <u>10,080,198</u> |

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 55.97% of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the bonds is \$10,080,198. For the current year, principal of \$265,000 and interest of \$320,079 were paid on the bonds. Total statewide sales, services and use tax revenues were \$1,045,168.

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.

Termination Benefits - (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 85 percent of the difference between the salary schedule base and the licensed employee’s current salary, less supplemental pay or extended contract pay, plus the cost to the school district for providing continuing

coverage under the school district's group insurance plan until the licensed employee uses up their reserve.

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 twenty dollars per day. Upon retirement, support staff may choose to continue coverage on the District's insurance plan at the employees' cost.

* Termination benefits are now accounted for in the Net OPEB liability as an explicit subsidy in accordance with GASB Statement No. 45 - Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions.

Note 6. 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 5.95% of their annual covered salary and the District is required to contribute 8.93% of annual covered salary. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2014, 2013 and 2012 were \$718,766, \$679,869 and \$639,745, respectively, equal to the required contributions for each year.

Note 7. Other Postemployment Benefits (OPEB)

Plan Description - The District operates a single-employer health benefit plan which provides medical/prescription drug and dental benefits for employees, retirees and their spouses. There are 116 active and 8 retired members in the plan. Retired participants 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. The District offers an Early Retirement incentive plan to District employees. This benefit results in an explicit subsidy and an OPEB liability.

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, 2014, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

| | |
|--|--------------------------|
| Annual required contribution | \$ 312,550 |
| Interest on net OPEB obligation | 14,403 |
| Adjustment to annual required contribution | (40,440) |
| Annual OPEB cost (expense) | <u>286,513</u> |
| Contributions made | <u>(10,531)</u> |
| Increase in net OPEB obligation | 275,982 |
| Net OPEB obligation - beginning of year | <u>576,119</u> |
| Net OPEB obligation - end of year | <u><u>\$ 852,101</u></u> |

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. The end of the year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the plans actual contributions for the year ended June 30, 2014.

For the year ended June 30, 2014, the District contributed \$10,531 to the medical plan.

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, 2014 are summarized as follows:

| Year Ended June 30, | Annual OPEB cost | Percentage of Annual OPEB Cost Contributed | Net OPEB Obligation |
|---------------------|------------------|--|---------------------|
| 2012 | \$ 186,971 | 18.67% | \$ 326,253 |
| 2013 | 259,685 | 3.78 | 576,119 |
| 2014 | 286,513 | 3.68 | 852,101 |

Funded Status and Funding Progress - As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2013 through June 30, 2014, the actuarial accrued liability was \$1.770 million, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$1.770 million. The covered payroll (annual payroll of active employees covered by the plan) was \$6.672 million, and the ratio of the UAAL to the covered payroll was 26.5%. As of June 30, 2014, 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, 2012 actuarial valuation date, the 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 \$570 per month for retirees. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

Note 8. 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.

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, 2014 were \$984,464.

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.

Note 9. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$461,660 for the year ended June 30, 2014 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Note 10. Construction Commitment

The District has entered into various contracts totaling \$5,583,785 for improvements and upgrades including high school renovations, press box and bleachers, bus maintenance facility and track and turf project. As of June 30, 2014, construction and architecture and design costs of \$2,622,382 have been incurred against the various contracts and the balance of \$2,961,403 will be paid as work on the projects progresses.

Note 11. Deficit Fund Balance

The Student Activity Fund had a deficit unassigned fund balance of \$6,123 at June 30, 2014.

Note 12. Committed Fund Balances

The District's General Fund committed fund balance for special purposes at June 30, 2014 was \$834,123. The District committed funds to cover the Districts financial obligation associated with the acceptance of the Teacher Incentive Fund Grant and the needed funds to cash flow this reimbursement based grant.

Note 13. Assigned Fund Balances

The District's assigned fund balance for special purposes at June 30, 2014 is comprised of the following programs:

| <u>Program</u> | <u>Amount</u> |
|--------------------------|-------------------|
| Cornell Donations | \$ 37,349 |
| Woodside Donations | 7,821 |
| Polk County Gaming Grant | 58,488 |
| High School Donations | 29,483 |
| Technology | 12,025 |
| Student Assistance Team | 3,286 |
| Total | <u>\$ 148,452</u> |

Note 14. Categorical Funding

The District's restricted fund balances for categorical funding at June 30, 2014 is comprised of the following programs:

| <u>Program</u> | <u>Amount</u> |
|--|-------------------|
| Gifted and Talented | \$ 9,379 |
| Returning Dropouts and Dropout Prevention | 8,451 |
| Teacher Salary Supplement | 52,853 |
| Market Factor | 508 |
| Beginning Teacher Mentoring and Induction | 1,008 |
| Health Care Trust Fund | 854 |
| Four-year old preschool | 67,351 |
| Professional Development for Model Core Curriculum | 22,151 |
| Professional Development | 31,245 |
| Teacher Leadership | 9,456 |
| Market Factor Incentives | 9,737 |
| Total | <u>\$ 212,993</u> |

Note 15. Prospective Accounting Change

The Governmental Accounting Standards Board has issued Statement No. 68, Accounting and Financial Reporting for Pensions - an Amendment of GASB No. 27. This statement will be implemented for the fiscal year ending June 30, 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, the Statement of Net Position is expected to include a significant liability for the government's proportionate share of the employee pension plan.

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, 2014

| | Governmental Funds Actual | Proprietary Funds Actual | Total Actual | | | Final to Actual Variance |
|--|---------------------------------|--------------------------------|-----------------|-------------|-------------|--------------------------------|
| | | | | Original | Final | |
| Revenues: | | | | | | |
| Local sources | \$ 10,547,401 | 421,001 | 10,968,402 | 11,075,659 | 11,075,659 | (107,257) |
| Intermediate sources | 17,319 | - | 17,319 | 7,500 | 7,500 | 9,819 |
| State sources | 6,644,957 | 6,656 | 6,651,613 | 5,677,390 | 5,677,390 | 974,223 |
| Federal sources | 813,342 | 524,502 | 1,337,844 | 1,879,242 | 1,879,242 | (541,398) |
| Total revenues | 18,023,019 | 952,159 | 18,975,178 | 18,639,791 | 18,639,791 | 335,387 |
| Expenditures/Expenses: | | | | | | |
| Instruction | 9,674,508 | - | 9,674,508 | 10,690,500 | 10,690,500 | 1,015,992 |
| Support services | 5,233,386 | 44,103 | 5,277,489 | 5,808,770 | 5,808,770 | 531,281 |
| Non-instructional programs | 39,494 | 858,738 | 898,232 | 926,000 | 926,000 | 27,768 |
| Other expenditures | 6,466,615 | - | 6,466,615 | 3,216,416 | 10,000,000 | 3,533,385 |
| Total expenditures/expenses | 21,414,003 | 902,841 | 22,316,844 | 20,641,686 | 27,425,270 | 5,108,426 |
| Excess(deficiency) of revenues over(under) expenditures/expenses | (3,390,984) | 49,318 | (3,341,666) | (2,001,895) | (8,785,479) | 5,443,813 |
| Other financing sources, net | 87,600 | 1,845 | 89,445 | - | - | 89,445 |
| Excess(deficiency) of revenues and other financing sources over(under) expenditures and other financing uses | (3,303,384) | 51,163 | (3,252,221) | (2,001,895) | (8,785,479) | 5,533,258 |
| Balances beginning of year | 15,436,670 | 486,491 | 15,923,161 | 6,950,599 | 6,950,599 | 8,972,562 |
| Balances end of year | \$ 12,133,286 | 537,654 | 12,670,940 | 4,948,704 | (1,834,880) | 14,505,820 |

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SAYDEL COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2014

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 \$6,783,584.

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 Accrued Liability (AAL) (b) | Unfunded AAL (UAAL) (b-a) | Funded Ratio (a/b) | Covered Payroll (c) | UAAL as a Percentage of Covered Payroll ((b-a)/c) |
|---------------------------|--------------------------------|--|---|------------------------------------|--------------------------|---------------------------|---|
| 2009 | July 1, 2008 | - | \$ 1,376 | 1,376 | 0.0% | \$ 6,048 | 22.8% |
| 2010 | July 1, 2008 | - | 1,376 | 1,376 | 0.0% | 5,745 | 24.0% |
| 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% |
| 2013 | July 1, 2012 | - | 1,492 | 1,492 | 0.0% | 6,358 | 23.5% |
| 2014 | July 1, 2012 | - | 1,770 | 1,770 | 0.0% | 6,672 | 26.5% |

See Note 7 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, 2014

| | Special Revenue | | | Debt Service | Total Nonmajor |
|---|---------------------|---------------------|------------------|------------------|-------------------|
| | Management Levy | Student Activity | Total | | |
| Assets | | | | | |
| Cash and pooled investments | \$ 692,067 | 42,445 | 734,512 | 1,072,577 | 1,807,089 |
| Receivables: | | | | | |
| Property tax: | | | | | |
| Delinquent | 4,950 | - | 4,950 | 13,139 | 18,089 |
| Succeeding year | 625,863 | - | 625,863 | 512,650 | 1,138,513 |
| Accounts | - | 2,476 | 2,476 | - | 2,476 |
| Total assets | \$ 1,322,880 | 44,921 | 1,367,801 | 1,598,366 | 2,966,167 |
| Liabilities, Deferred Inflows of Resources and Fund Balances | | | | | |
| Liabilities: | | | | | |
| Accounts payable | \$ 576 | 1,940 | 2,516 | - | 2,516 |
| Deferred inflows of resources: | | | | | |
| Unavailable revenues: | | | | | |
| Succeeding year property tax | 625,863 | - | 625,863 | 512,650 | 1,138,513 |
| Fund balances: | | | | | |
| Restricted for: | | | | | |
| Debt service | - | - | - | 1,085,716 | 1,085,716 |
| Management levy purposes | 696,441 | - | 696,441 | - | 696,441 |
| Student activities | - | 49,104 | 49,104 | - | 49,104 |
| Unassigned | - | (6,123) | (6,123) | - | (6,123) |
| Total fund balances | 696,441 | 42,981 | 739,422 | 1,085,716 | 1,825,138 |
| Total liabilities, deferred inflows of resources and fund balances | \$ 1,322,880 | 44,921 | 1,367,801 | 1,598,366 | 2,966,167 |

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, 2014

| | Special Revenue | | | Debt Service | Total Nonmajor |
|--|--------------------|---------------------|----------|-----------------|-------------------|
| | Management Levy | Student Activity | Total | | |
| Revenues: | | | | | |
| Local sources: | | | | | |
| Local tax | \$ 386,301 | - | 386,301 | 1,037,506 | 1,423,807 |
| Other | 8,318 | 185,103 | 193,421 | 1,268 | 194,689 |
| State sources | 122 | - | 122 | 324 | 446 |
| Total revenues | 394,741 | 185,103 | 579,844 | 1,039,098 | 1,618,942 |
| Expenditures: | | | | | |
| Current: | | | | | |
| Instruction: | | | | | |
| Regular | 96,195 | - | 96,195 | - | 96,195 |
| Other | - | 183,772 | 183,772 | - | 183,772 |
| Support services: | | | | | |
| Administration | 25,470 | 298 | 25,768 | - | 25,768 |
| Operation and maintenance of plant | 328,008 | 19 | 328,027 | - | 328,027 |
| Transportation | 2,349 | - | 2,349 | - | 2,349 |
| Non-instructional programs: | | | | | |
| Food service operations | 39,494 | - | 39,494 | - | 39,494 |
| Long-term debt: | | | | | |
| Principal | - | - | - | 1,260,000 | 1,260,000 |
| Interest and fiscal charges | - | - | - | 516,705 | 516,705 |
| Total expenditures | 491,516 | 184,089 | 675,605 | 1,776,705 | 2,452,310 |
| Excess(deficiency) of revenues over(under) expenditures | (96,775) | 1,014 | (95,761) | (737,607) | (833,368) |
| Other financing sources: | | | | | |
| Transfer in | - | - | - | 591,610 | 591,610 |
| Change in fund balances | (96,775) | 1,014 | (95,761) | (145,997) | (241,758) |
| Fund balances beginning of year | 793,216 | 41,967 | 835,183 | 1,231,713 | 2,066,896 |
| Fund balances end of year | \$ 696,441 | 42,981 | 739,422 | 1,085,716 | 1,825,138 |

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SAYDEL COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 CAPITAL PROJECT ACCOUNTS
 JUNE 30, 2014

| | Capital Projects | | | |
|---|--|---|--|------------------|
| | Statewide Sales, Services and Use Tax | General Obligation Bond Construction | Physical Plant and Equipment Levy | Total |
| Assets | | | | |
| Cash and pooled investments | \$ 845,485 | 4,991,153 | 1,468,720 | 7,305,358 |
| Receivables: | | | | |
| Property tax: | | | | |
| Delinquent | - | - | 13,488 | 13,488 |
| Succeeding year | - | - | 1,079,236 | 1,079,236 |
| Due from other governments | 165,233 | - | 87,600 | 252,833 |
| Total assets | \$ 1,010,718 | 4,991,153 | 2,649,044 | 8,650,915 |
| Liabilities, Deferred Inflows of Resources and Fund Balances | | | | |
| Liabilities: | | | | |
| Accounts payable | \$ - | 1,055,234 | 17,211 | 1,072,445 |
| Deferred revenue: | | | | |
| Unavailable revenues: | | | | |
| Succeeding year property tax | - | - | 1,079,236 | 1,079,236 |
| Fund balances: | | | | |
| Restricted for: | | | | |
| School infrastructure | 1,010,718 | 3,935,919 | - | 4,946,637 |
| Physical plant and equipment | - | - | 1,552,597 | 1,552,597 |
| Total fund balances | 1,010,718 | 3,935,919 | 1,552,597 | 6,499,234 |
| Total liabilities, deferred inflows of resources and fund balances | \$ 1,010,718 | 4,991,153 | 2,649,044 | 8,650,915 |

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, 2014

| | Capital Projects | | | Total |
|--|--|---|--|------------------|
| | Statewide Sales, Services and Use Tax | General Obligation Bond Construction | Physical Plant and Equipment Levy | |
| Revenues: | | | | |
| Local sources: | | | | |
| Local tax | \$ - | - | 1,065,044 | 1,065,044 |
| Other | 1,421 | 21,149 | 20,301 | 42,871 |
| State sources | 1,045,168 | - | 333 | 1,045,501 |
| Total revenues | <u>1,046,589</u> | <u>21,149</u> | <u>1,085,678</u> | <u>2,153,416</u> |
| Expenditures: | | | | |
| Current: | | | | |
| Support services: | | | | |
| Instructional staff | - | - | 216,558 | 216,558 |
| Administration | - | - | 63,833 | 63,833 |
| Operation and maintenance of plant | - | - | 40,247 | 40,247 |
| Transportation | - | - | 281,547 | 281,547 |
| Capital outlay | - | 4,007,837 | 220,413 | 4,228,250 |
| Total expenditures | <u>-</u> | <u>4,007,837</u> | <u>822,598</u> | <u>4,830,435</u> |
| Excess(deficiency) of revenues over(under) expenditures | 1,046,589 | (3,986,688) | 263,080 | (2,677,019) |
| Other financing sources(uses): | | | | |
| Transfer out | (591,610) | - | - | (591,610) |
| Proceeds from sale of land | - | - | 87,600 | 87,600 |
| Total other financing sources(uses) | <u>(591,610)</u> | <u>-</u> | <u>87,600</u> | <u>(504,010)</u> |
| Excess(deficiency) of revenues and other financing sources over(under) expenditures and other financing uses | 454,979 | (3,986,688) | 350,680 | (3,181,029) |
| Fund balances beginning of year | <u>555,739</u> | <u>7,922,607</u> | <u>1,201,917</u> | <u>9,680,263</u> |
| Fund balances end of year | <u>\$ 1,010,718</u> | <u>3,935,919</u> | <u>1,552,597</u> | <u>6,499,234</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, 2014

| Account | Balance Beginning of Year | Revenues | Expenditures | Intra- Fund Transfers | Balance End of Year |
|-------------------|---------------------------------|----------------|----------------|-----------------------------|---------------------------|
| HS Accounts | \$ 24,951 | 178,484 | 170,695 | (5,177) | 27,563 |
| Woodside Accounts | 16,430 | 6,617 | 13,095 | 4,880 | 14,832 |
| Cornell Accounts | 586 | - | - | - | 586 |
| Interest | - | 2 | 299 | 297 | - |
| Total | <u>\$ 41,967</u> | <u>185,103</u> | <u>184,089</u> | <u>-</u> | <u>42,981</u> |

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SAYDEL COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF FIDUCIARY NET POSITION
 PRIVATE PURPOSE TRUST - SCHOLARSHIP FUNDS
 JUNE 30, 2014

| | Geery Scholarship | Dean Scholarship | Voss Scholarship | Pezzetti Scholarship | Total |
|-----------------------------|----------------------|---------------------|---------------------|-------------------------|--------|
| Assets | | | | | |
| Cash and pooled investments | \$ 22,269 | 634 | 1,816 | 7,877 | 32,596 |
| Liabilities | | | | | |
| | - | - | - | - | - |
| Net Position | | | | | |
| Restricted for scholarships | \$ 22,269 | 634 | 1,816 | 7,877 | 32,596 |

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SAYDEL COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 PRIVATE PURPOSE TRUST - SCHOLARSHIP FUNDS
 YEAR ENDED JUNE 30, 2014

| | Geery Scholarship | Dean Scholarship | Voss Scholarship | Pezzetti Scholarship | Total |
|--------------------------------|----------------------|---------------------|---------------------|-------------------------|---------|
| Additions: | | | | | |
| Local sources: | | | | | |
| Interest on investments | \$ 55 | 2 | 4 | 20 | 81 |
| Deductions: | | | | | |
| Regular instruction: | | | | | |
| Scholarships awarded | 500 | - | 200 | 500 | 1,200 |
| Change in position | (445) | 2 | (196) | (480) | (1,119) |
| Net position beginning of year | 22,714 | 632 | 2,012 | 8,357 | 33,715 |
| Net position end of year | \$ 22,269 | 634 | 1,816 | 7,877 | 32,596 |

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SAYDEL COMMUNITY SCHOOL DISTRICT
SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
ALL GOVERNMENTAL FUNDS
FOR THE LAST TEN YEARS

| | Modified Accrual Basis | | | | | | | | | |
|------------------------------------|------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| | Years Ended June 30, | | | | | | | | | |
| | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 |
| Revenues: | | | | | | | | | | |
| Local sources: | | | | | | | | | | |
| Local tax | \$ 8,146,698 | 9,460,381 | 9,892,478 | 9,746,879 | 9,392,141 | 9,146,422 | 8,331,660 | 8,032,494 | 7,317,531 | 8,014,844 |
| Tuition | 2,002,261 | 1,681,188 | 1,503,531 | 1,283,754 | 1,288,562 | 1,202,420 | 1,199,455 | 1,203,159 | 1,009,642 | 877,047 |
| Other | 398,442 | 374,354 | 331,581 | 535,205 | 396,060 | 414,398 | 565,340 | 665,059 | 686,507 | 428,360 |
| Intermediate sources | 17,319 | 19,331 | 21,838 | 23,839 | 26,714 | 33,050 | 27,498 | - | 60 | 2,121 |
| State sources | 6,644,957 | 5,350,520 | 5,185,364 | 4,907,013 | 4,233,217 | 5,776,029 | 5,687,232 | 5,576,309 | 5,503,088 | 5,555,709 |
| Federal sources | 813,342 | 596,480 | 396,345 | 651,750 | 1,228,924 | 416,604 | 496,500 | 277,770 | 299,414 | 296,225 |
| Total | \$ 18,023,019 | 17,482,254 | 17,331,137 | 17,148,440 | 16,565,618 | 16,988,923 | 16,307,685 | 15,754,791 | 14,816,242 | 15,174,306 |
| Expenditures: | | | | | | | | | | |
| Current: | | | | | | | | | | |
| Instruction: | | | | | | | | | | |
| Regular | \$ 5,832,626 | 5,201,986 | 5,146,077 | 4,974,838 | 4,757,539 | 4,941,113 | 4,765,867 | 4,764,872 | 4,126,410 | 4,054,942 |
| Special | 1,978,488 | 2,051,798 | 2,048,609 | 2,134,094 | 2,040,785 | 2,106,601 | 2,226,733 | 2,269,487 | 2,197,819 | 2,462,914 |
| Other | 1,863,394 | 1,926,649 | 1,890,684 | 1,892,326 | 1,921,943 | 1,809,095 | 1,561,837 | 1,284,502 | 1,420,754 | 782,626 |
| Support services: | | | | | | | | | | |
| Student | 415,334 | 422,570 | 424,993 | 384,633 | 475,464 | 430,960 | 452,550 | 413,741 | 458,322 | 347,629 |
| Instructional staff | 691,466 | 925,267 | 389,633 | 597,601 | 295,420 | 200,485 | 365,712 | 336,056 | 512,939 | 683,959 |
| Administration | 1,637,016 | 1,651,169 | 1,997,290 | 1,922,656 | 1,878,528 | 1,871,072 | 1,644,564 | 1,658,418 | 1,473,451 | 1,311,237 |
| Operation and maintenance of plant | 1,530,339 | 1,542,317 | 1,581,707 | 1,582,407 | 1,501,665 | 1,519,384 | 1,536,632 | 1,334,461 | 1,789,408 | 1,530,754 |
| Transportation | 959,231 | 841,657 | 865,800 | 755,508 | 731,510 | 710,609 | 765,142 | 535,274 | 613,666 | 558,842 |
| Non-instructional programs | 39,494 | 500 | 250 | 698 | 1,635 | 250 | - | - | 250 | 1,680 |
| Capital outlay | 4,228,250 | 1,492,353 | 3,442,690 | 1,374,541 | 4,118,026 | 2,750,938 | 654,525 | 567,573 | 427,769 | 959,360 |
| Long-term debt: | | | | | | | | | | |
| Principal | 1,260,000 | 905,000 | 840,000 | 836,508 | 546,603 | 1,400,000 | 1,825,000 | 1,270,000 | 1,385,000 | 2,415,000 |
| Interest | 516,705 | 353,198 | 375,585 | 394,007 | 452,735 | 261,247 | 299,710 | 333,618 | 373,692 | 491,051 |
| Other expenditures: | | | | | | | | | | |
| AEA flow-through | 461,660 | 443,720 | 440,814 | 495,489 | 492,137 | 466,082 | 439,097 | 423,414 | 412,140 | 410,100 |
| Total | \$ 21,414,003 | 17,758,184 | 19,444,132 | 17,345,306 | 19,213,990 | 18,467,836 | 16,537,369 | 15,191,416 | 15,191,620 | 16,010,094 |

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SAYDEL COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2014

| Grantor/Program | CFDA Number | Grant Number | Expendi- tures |
|---|----------------|-----------------|-------------------------|
| Indirect: | | | |
| U.S. Department of Agriculture: | | | |
| Iowa Department of Education: | | | |
| Child Nutrition Cluster: | | | |
| School Breakfast Program | 10.553 | FY 14 | \$ 109,282 |
| National School Lunch Program | 10.555 | FY 14 | 392,711 * |
| Summer Food Service Program for Children | 10.559 | FY 14 | 19,527 |
| | | | <u>521,520</u> |
| Child and Adult Care Food Program | 10.558 | FY14 | <u>2,982</u> |
| U.S. Department of Education: | | | |
| Iowa Department of Education: | | | |
| Title I Cluster: | | | |
| Title I Grants to Local Educational Agencies | 84.010 | FY 14 | 131,614 |
| Title I - Schools in Need of Assistance | 84.010 | FY 14 | 14,404 |
| | | | <u>146,018</u> |
| Special Education - Grants to States (High Cost Claim) | 84.027 | FY 14 | <u>7,144 **</u> |
| Career and Technical Education - Basic Grants to States | 84.048 | FY 14 | <u>14,778</u> |
| Improving Teacher Quality State Grants(Title IIA) | 84.367 | FY 14 | <u>36,315</u> |
| Grants for State Assessments and Related Activities | 84.369 | FY 14 | <u>7,276</u> |
| Area Education Agency: | | | |
| Special Education Cluster(IDEA): | | | |
| Special Education - Grants to States (Part B) | 84.027 | FY 14 | 61,641 ** |
| National Institute for Excellence in Teaching: | | | |
| Teacher Incentive Fund | 84.374 | FY 14 | 400,537 |
| Department of Health and Human Services: | | | |
| Iowa Department of Health and Human Services: | | | |
| Assistance Programs for Chronic Disease Prevention and Control | 93.945 | FY14 | 11,985 |
| Cooperative Agreements to Support Comprehensive School Health Programs to Prevent the Spread of HIV and Other Important Health Problems(AIDS Education) | | | |
| | 93.938 | FY14 | <u>85</u> |
| Total | | | <u>\$ 1,210,281</u> |

* Includes \$53,139 of non-cash awards.

** The total for the Special Education Cluster is \$68,785

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 in accordance with U.S. generally accepted auditing standard and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the 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, 2014, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 22, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Saydel Community School District's internal control over financial reporting to determine the audit procedures for appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Saydel Community School district's internal control. Accordingly, we do not express an opinion on the effectiveness of Saydel Community School District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified deficiencies in internal control over financial reporting we consider to be a material weakness.

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 deficiency in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-A-14 to be material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-B-14 to be a significant deficiency.

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, 2014 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

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.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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.

December 22, 2014
Newton, Iowa

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 Compliance
for Each Major Federal Program and on Internal Control over Compliance
Required by OMB Circular A-133

To the Board of Education of Saydel Community School District:

Report on Compliance for Each Major Federal Program

We have audited the compliance of Saydel Community School District with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of Saydel Community School District's major federal programs for the year ended June 30, 2014. Saydel Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Saydel Community School District's major federal programs based on our audit of the types of compliance requirements referred to above. 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 on compliance for each of the major federal programs. However, our audit does not provide a legal determination on Saydel Community School District's compliance with those requirements.

Opinion on Each Major Federal Program

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 to each of its major federal programs for the year ended June 30, 2014.

Report on Internal Control Over Compliance

The management of Saydel Community School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred

to above. In planning and performing our audit on compliance, we considered Saydel Community School District's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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.

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 material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified a deficiency in internal control over compliance we consider to be a material weakness.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-A-14 to be a material weakness.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance which is less severe than a material weakness, yet important enough to merit attention by those charge with governance.

Saydel Community School District's responses to the 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.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



NOLTE, CORNMAN & JOHNSON, P.C.

December 22, 2014
Newton, Iowa

SAYDEL COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2014

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

- (a) Unmodified opinions were issued on the financial statements.
- (b) A material weakness and a significant deficiency in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) A material weakness in internal control over the major program was noted.
- (e) An unmodified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed 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:
 - ***Child Nutrition Cluster***
 - CFDA Number 10.553 - School Breakfast Program
 - CFDA Number 10.555 - National School Lunch Program
 - CFDA Number 10.559 - Summer Food Service Program for Children
 - CFDA Number 84.374 - Teacher Incentive Fund
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Saydel Community School District did not qualify as a low-risk auditee.

SAYDEL COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2014

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

II-A-14 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. One individual has control over each of the following areas for the District:

- 1) Investments - authorizing, investing and reconciling earnings
- 2) Nutrition Fund Inventories - purchasing, handling inventory, and maintaining inventory records
- 3) Receipts - collecting, recording, depositing
- 4) Wire transfers - processing and approving
- 5) Payroll - entering contracts into the system and approval
- 6) Financial reporting - preparing and reconciling
- 7) Journal entries - writing, posting and approving

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

Response - We will continue to investigate alternatives to achieve adequate separation of duties.

Conclusion - Response accepted.

II-B-14 Purchase Orders - We noted during our audit that the District currently uses a purchase order system in the purchasing process, however, we noted several instances of purchase orders being dated after the invoice date and purchases without an approved purchase order in the District's Student Activity Fund. We also noted instances of purchases from the District's credit card that did not have approved purchase orders.

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

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

Response - We will review our internal controls and review the processes with administration.

Conclusion - Response accepted.

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

CFDA Number 10.553 - School Breakfast Program
CFDA Number 10.555 - National School Lunch Program
CFDA Number 10.559 - Summer Food Service Program for Children
Federal Award Year: 2014
U.S. Department of Agriculture
Passed through the Iowa Department of Agriculture

CFDA Number 84.374 - Teacher Incentive Fund
Federal Award Year: 2014
U.S. Department of Education
Passed through the National Institute for Excellence in Teaching

III-A-14 Segregation of Duties - One important aspect of the internal control structure is the (2014-001) segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. One individual has control over each of the following areas for the District:

- 1) Nutrition Fund Inventories - purchasing, handling inventory, and maintaining inventory records
- 2) Receipts - collecting, posting and reconciling
- 3) Payroll - entering contracts into the system and approval
- 4) Financial reporting - preparing, reconciling and approving
- 5) Journal entries - writing, posting and approving

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

Response - We will continue to investigate alternatives to achieve adequate separation of duties.

Conclusion - Response accepted.

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-14 Certified Budget - District expenditures for the year ended June 30, 2014 did not exceed the certified amounts certified to the Department of Education.

IV-B-14 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-14 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. However, we noted instances of purchases being made on the District credit card for meals while on District business that were not accompanied by a detailed receipt. According to board policy number 401.10, a detailed receipt must be turned in for every purchase made with the District credit card and failure to do so will make the employee responsible for expenses incurred.

Recommendation - The District should review procedures in place with personnel using the District credit cards to ensure the proper detailed documentation will be available with paid credit card statements.

Response - We will review our internal controls and review the processes with administration.

Conclusion - Response accepted.

IV-D-14 Business Transactions - No business transactions between the District and District officials were noted.

IV-E-14 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-14 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

IV-G-14 Certified Enrollment - We noted a variance in the basic enrollment data certified to the Department of Education. The number of students certified to the state was overstated by 1.0 student.

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-14 Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

IV-I-14 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-14 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-14 Categorical Funding - No instances were noted of categorical funding being used to supplant rather than supplement other funds.

IV-L-14 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, 2014, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

| | | | |
|-----------------------------|----|-----------|------------------|
| Beginning Balance | | \$ | 555,739 |
| Revenues: | | | |
| Sales tax revenues | \$ | 1,045,168 | |
| Other local revenues | | 1,421 | 1,046,589 |
| | | | <u>1,602,328</u> |
| Expenditures/transfers out: | | | |
| Transfers to other funds: | | | |
| Debt service fund | | 591,610 | 591,610 |
| | | | <u>591,610</u> |
| Ending Balance | | \$ | <u>1,010,718</u> |

For the year ended June 30, 2014, 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-14 Financial Condition - The District had two negative account balances within the Student Activity Fund, totaling \$6,123 as of June 30, 2014.

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.