

OLIN CONSOLIDATED INDEPENDENT SCHOOL DISTRICT

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

JUNE 30, 2004

OLIN CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
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OLIN CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
 Officials
 June 30, 2004

Name	Title	Term Expires
Board of Education		
(Before September 2003 Election)		
Margo Ahrendsen	Board President	2005
Randy Cress	Board Member	2003
Mike Hansen	Board Member	2004
Ned Rohwedder	Board Member	2004
Brian Bean	Board Member	2005
(After September 2003 Election)		
Margo Ahrendsen	Board President	2005
Mike Hansen	Board Member	2004
Ned Rohwedder	Board Member	2004
Brian Bean	Board Member	2005
Randy Cress	Board Member	2006
School Officials		
Juanita Suhr	Superintendent	2004
Carrie Fortin	District Secretary/Treasurer & Assistant Business Manager	2004
Ahlers & Cooney, P.C.	Attorney	2004

KAY L. CHAPMAN, CPA PC

119 Sycamore Street, Suite 100

Muscatine, Iowa 52761

563-264-1385

INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Olin Consolidated Independent School District
Olin, Iowa

I have audited the accompanying financial statements of the governmental activities, business type activities, each major fund, and the aggregate remaining fund information of Olin Consolidated Independent School District, Olin, Iowa, as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe my audit provides a reasonable basis for my opinions.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business type activities, each major fund, and the aggregate remaining fund information of Olin Consolidated Independent School District as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

As described in Note 11 to the financial statements, during the year ended June 30, 2004, Olin Consolidated Independent School District adopted Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosure; Statement No. 41, Budgetary Comparison Schedule – Perspective Differences; and Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements.

In accordance with Government Auditing Standards, I have also issued my reports dated November 5, 2004 on my consideration of Olin Consolidated Independent School District's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grants. Those reports are an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of my audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 13 and 42 through 43 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Olin Consolidated Independent School District's basic financial statements. The financial statements for the three years ended June 30, 2003 (none of which are presented herein) were audited by other auditors who expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 6, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in my audit of the basic financial statements and, in my opinion, is fairly stated, in all material respects in relation to the basic financial statements taken as a whole.



Kay L. Chapman, CPA PC
November 5, 2004

MANAGEMENT'S DISCUSSION AND ANALYSIS

Olin Consolidated Independent 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, 2004. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

Because the District is implementing new reporting standards for this fiscal year with significant changes in content and structure, much of the information is not easily comparable to prior years. However, in future years, comparisons will be more meaningful and will go further in explaining the District's financial position and results of operations.

2004 FINANCIAL HIGHLIGHTS

- General Fund revenues decreased from \$2,348,391 in fiscal 2003 to \$2,256,163 in fiscal 2004, while General Fund expenditures increased from \$2,343,233 in fiscal 2003 to \$2,423,194 in fiscal 2004. The District's General Fund balance decreased from \$291,808 in fiscal 2003 to \$124,777 in fiscal 2004, a 57% decrease.
- The decrease in General Fund revenues was attributable to an increase in property tax and state and federal grant revenue in fiscal 2004. The increase in expenditures was due primarily to an increase in the negotiated salary and benefits and restricted grant expenditures. Another expenditure increase was open enrollment tuition out, which was \$204,154 in 2004 and \$172,358 in 2003, an increase of \$31,796. One reason the General Fund balance decreased is because the negotiated salary and benefits settlement was greater than the District's increase in General Fund revenue for fiscal 2004. As a result, the District funded a portion of the current year General Fund salaries and benefits from the carryover fund balance.
- A decline in interest rates during the past three fiscal years, combined with less cash available to be invested, resulted in interest earnings in the General Fund alone decreasing from \$3,918 in fiscal 2003 to \$2,436 in fiscal 2004.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Olin Consolidated Independent 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 Olin Consolidated Independent 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 Olin Consolidated Independent School District acts solely as an agent or custodian for the benefit of those outside of County government.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

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

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

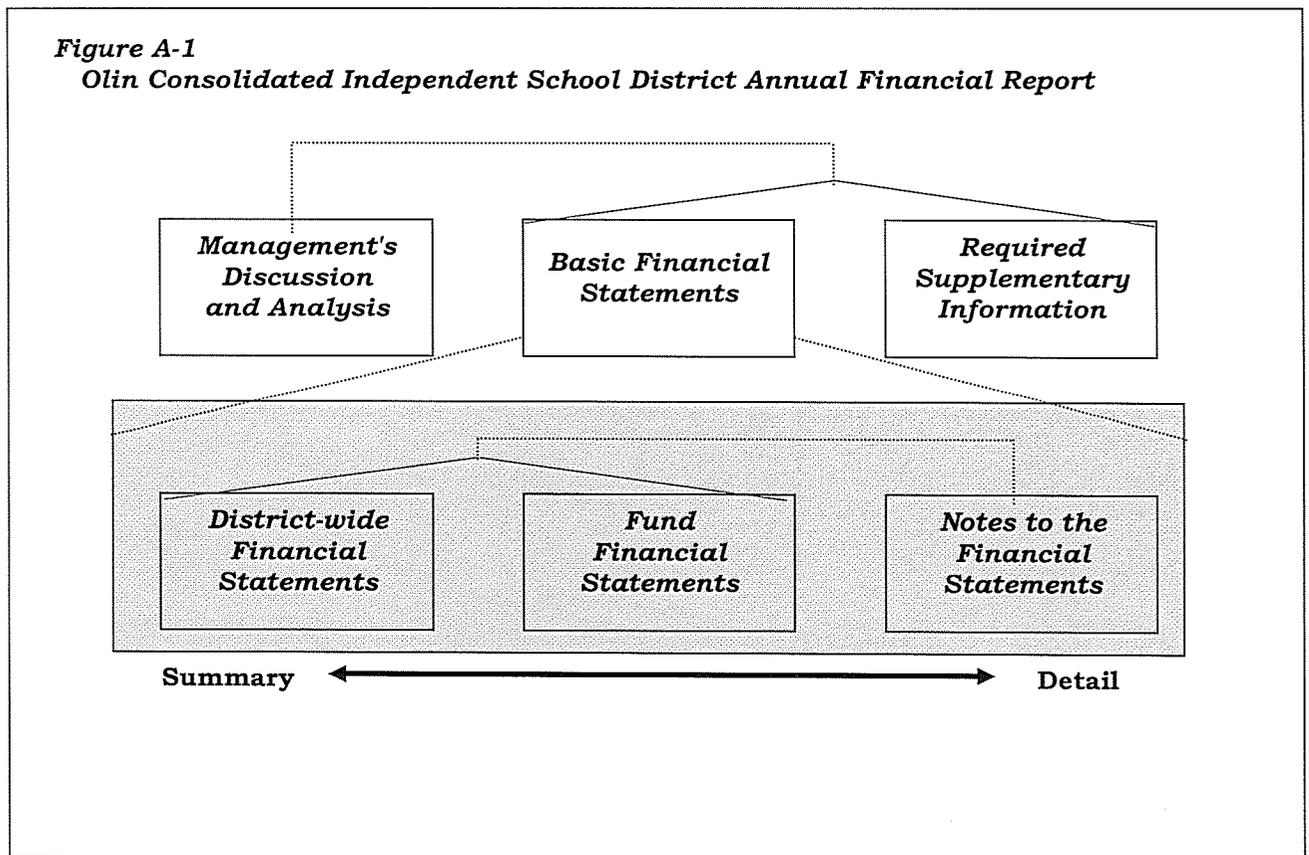


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2 Major Features of the Government-wide and Fund Financial Statements				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services and adult education	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 assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of revenues, expenses and changes in fund net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Fund.

The required financial statements for 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 one Enterprise Fund, the School Nutrition Fund.

The required financial statements for proprietary funds include a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

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

- Private-purpose Trust Fund - The District accounts for outside donations for scholarships for individuals in this fund.
- Agency Funds - These are funds through which the District administers and accounts for certain federal and/or state grants on behalf of other Districts and certain revenue collected for District employee purchases of pop and related expenditures.

The District is responsible for ensuring 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 government-wide financial statements because it cannot use these assets to finance its operations.

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2004 compared to June 30, 2003.

Figure A-3
Condensed Statement of Net Assets

	Governmental Activities		Business Type Activities		Total School District		Total Change
	2004	2003	2004	2003	2004	2003	2003-2004
Current and other assets	\$ 1,934,409	\$ 2,319,860	\$ 2,072	\$ 2,277	\$ 1,936,481	\$ 2,322,137	-16.61%
Capital assets	<u>1,676,814</u>	<u>536,866</u>	<u>9,849</u>	<u>11,405</u>	<u>1,686,663</u>	<u>548,271</u>	207.63%
Total assets	<u>3,611,223</u>	<u>2,856,726</u>	<u>11,921</u>	<u>13,682</u>	<u>3,623,144</u>	<u>2,870,408</u>	26.22%
Long-term obligations	625,844	629,514	-	-	625,844	629,514	0.00%
Other liabilities	<u>1,417,971</u>	<u>1,196,171</u>	<u>8,127</u>	<u>20,505</u>	<u>1,426,098</u>	<u>1,216,676</u>	17.21%
Total liabilities	<u>2,043,815</u>	<u>1,825,685</u>	<u>8,127</u>	<u>20,505</u>	<u>2,051,942</u>	<u>1,846,190</u>	11.14%
Net assets							
Invested in capital assets, net of related debt	1,066,814	491,784	9,849	11,405	1,076,663	503,189	113.97%
Restricted	377,100	835,710	-	-	377,100	835,710	-54.88%
Unrestricted	<u>123,494</u>	<u>(296,453)</u>	<u>(6,055)</u>	<u>(18,228)</u>	<u>117,439</u>	<u>(314,681)</u>	137.32%
Total net assets	<u>\$ 1,567,408</u>	<u>\$ 1,031,041</u>	<u>\$ 3,794</u>	<u>\$ (6,823)</u>	<u>\$ 1,571,202</u>	<u>\$ 1,024,218</u>	53.41%

The District's combined net assets increased by 53.4%, or \$546,984, over the prior year. The largest portion of the District's net assets is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets decreased \$458,610, or 55% from the prior year. The decrease was primarily a result of the completion of a construction project during fiscal 2004.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased \$432,120, or 137%. This increase in unrestricted net assets was a result of the District using carryover fund balance to meet its financial obligations during the year.

Figure A-4 shows the change in net assets for the year ended June 30, 2004.

Figure A-4

	Change in Net Assets		
	Governmental Activities	Business Type Activities	Total School District
Revenues			
Program revenues			
Charges for service and sales	\$ 239,144	\$ 64,550	\$ 303,694
Operating grants, contributions and restricted interest	302,187	66,134	368,321
Capital grants, contributions and restricted interest	575,000	-	575,000
General revenues			
Property tax	986,569	-	986,569
Unrestricted state grants	1,049,852	-	1,049,852
Unrestricted investment earnings	7,500	-	7,500
Other	<u>68,992</u>	<u>-</u>	<u>68,992</u>
Total revenues	<u>3,229,244</u>	<u>130,684</u>	<u>3,359,928</u>
Program expenses			
Governmental activities			
Instruction	1,755,102	-	1,755,102
Support services	709,166	-	709,166
Non-instructional programs	44,829	120,067	164,896
Other expenses	<u>183,780</u>	<u>-</u>	<u>183,780</u>
Total expenses	<u>2,692,877</u>	<u>120,067</u>	<u>2,812,944</u>
Change in net assets	<u>\$ 536,367</u>	<u>\$ 10,617</u>	<u>\$ 546,984</u>

Property tax and unrestricted state grants account for 60% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 87% of the total expenses.

Governmental Activities

Revenues for governmental activities were \$3,229,244 and expenses were \$2,692,877. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues.

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

Figure A-5
Total and Net Cost of Governmental Activities

	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
Instruction	\$ 1,755,102	\$ 1,302,614
Support services	709,166	708,804
Non-instructional programs	44,829	44,829
Other expenses	<u>183,780</u>	<u>(479,701)</u>
Total expenses	<u>\$ 2,692,877</u>	<u>\$ 1,576,546</u>

- The cost financed by users of the District's programs was \$239,144.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$877,187.
- The net cost of governmental activities was financed with \$986,569 in property and other taxes and \$1,049,852 in unrestricted state grants.

Business Type Activities

Revenues for business type activities were \$130,684 and expenses were \$120,067. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

During the year ended June 30, 2004, the District did not increase meal prices. The District started an ala carte line during fiscal 2004 which resulted in increased revenue to the School Nutrition Fund which the District has obligated towards the negative balance.

INDIVIDUAL FUND ANALYSIS

As previously noted, Olin Consolidated Independent 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 a combined fund balance of \$517,721, well below last year's ending fund balances of \$1,127,518. However, the primary reason for the decrease in combined

fund balances in fiscal 2004 is due to a construction project, where the revenue was generated in fiscal 2003 and expenditures were made in fiscal 2004.

Governmental Fund Highlights

- The District's deteriorating General Fund financial position is the result of many factors. Growth during the year in tax and grants resulted in an increase in revenues. However, the increase in revenues was more than offset by the District's increase in General Fund expenditures requiring the District to use carryover fund balance to meet its financial obligations during the year.
- The General Fund balance decreased from \$291,808 in 2003 to \$124,777 in 2004, due in part to the negotiated salary and benefits settlement, the prior year reduction in state aid and existing expenditure commitments of the District.
- The Physical Plant and Equipment Levy (PEEL) Fund balance increased from \$78,748 in fiscal 2003 to \$108,911 in fiscal 2004. While revenues remained approximately the same, the District substantially reduced spending from the PEEL Fund.
- The Capital Projects Fund balance decreased due to expenditures associated with a construction project which was financed in fiscal 2003. The District ended fiscal 2003 with a balance of \$575,198 as a result of the sale of revenue bonds in 2003. Fiscal 2004 ended with a balance of \$149,593.

Proprietary Fund Highlights

Enterprise Fund net assets increased from \$(6,823) at June 30, 2003 to \$3,794 at June 30, 2004, representing an increase of approximately 155%. For fiscal 2004, the District initiated an ala carte line, resulting in the increase in net assets. This change resulted in an increase in meals served and a related increase in revenue and net assets.

BUDGETARY HIGHLIGHTS

Over the course of the year, Olin Consolidated Independent School District did not amend its annual budget.

The District's receipts were \$150,431 more than budgeted receipts, a variance of 4%. The most significant variance resulted from the District receiving less in state aid than originally anticipated.

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

In spite of the District's budgetary practice, the certified budget was exceeded in the instruction and support services functional areas due to the timing of disbursements paid at year-end without sufficient time to amend the certified budget.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2004, the District had invested \$1,686,663, 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 represents a net increase of 207% from last year. More detailed information about the District's capital assets is presented in Note 6 to the financial statements. Depreciation expense for the year was \$73,891.

The original cost of the District's capital assets was \$3,124,029. Governmental funds account for \$3,075,747, with the remainder of \$48,282 accounted for in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress totaled \$172,250 at June 30, 2003. The construction project was completed in fiscal 2004 and the construction in progress amount was transferred to buildings and improvements.

Figure A-6

Capital Assets, Net of Depreciation

	Governmental		Business Type		Total		Total
	Activities		Activities		School District		
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2003-2004</u>
Land	\$ 159,196	\$ 159,196	\$ -	\$ -	\$ 159,196	\$ 159,196	0.00%
Construction in progress	-	172,250	-	-	-	172,250	-100.00%
Buildings and improvements	1,486,197	200,189	-	-	1,486,197	200,189	642.40%
Furniture and equipment	<u>31,421</u>	<u>5,231</u>	<u>9,849</u>	<u>11,405</u>	<u>41,270</u>	<u>16,636</u>	148.08%
Totals	<u>\$1,676,814</u>	<u>\$ 536,866</u>	<u>\$ 9,849</u>	<u>\$11,405</u>	<u>\$1,686,663</u>	<u>\$ 548,271</u>	207.63%

Long-Term Debt

At June 30, 2004, the District had \$625,844 in general obligation and other long-term debt outstanding. This represents a decrease of approximately .5% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 7 to the financial statements.

Figure A-7

Outstanding Long-term Obligations

	Total		Total
	School District		
	<u>2004</u>	<u>2003</u>	<u>2003-2004</u>
Revenue bonds	\$ 610,000	\$ 610,000	0.00%
Early retirement	<u>15,844</u>	<u>19,514</u>	-18.81%
Total	<u>\$ 625,844</u>	<u>\$ 629,514</u>	-0.58%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- Although the District has experienced increased enrollment for two of the past three years, the District expects a slight decrease in enrollment due to a large graduating class in comparison to the projected kindergarten class.
- Fiscal 2004 negotiations with the Olin Education Teacher Association (OETA) resulted in a 5 percent salary increase with no new money. This was approximately a \$58,000 salary increase. The District will negotiate a new agreement during fiscal 2005. Settlements in excess of "new money" or allowable growth in state funding will have an adverse effect on the District's General Fund budget and related fund balance.

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 Carrie Fortin District Secretary/Treasurer and Assistant Business Manager, Olin Consolidated Independent School District, 212 Trilby Street, PO Box 320, Olin, IA 52320.

Basic Financial Statements

OLIN CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
Statement of Net Assets
June 30, 2004

Exhibit A

ASSETS	<u>Governmental</u> Activities	<u>Business Type</u> Activities	<u>Total</u>
Cash and cash equivalents			
ISCAP	\$ 256,382	\$ -	\$ 256,382
Other	544,132	-	544,132
Receivables			
Property tax			
Delinquent	23,055	-	23,055
Succeeding year	881,783	-	881,783
Interest receivable	239	-	239
Accounts receivable	4,363	-	4,363
Due from other governments	221,973	-	221,973
Due from other funds	2,482	-	2,482
Inventories	-	2,072	2,072
Capital assets, net of accumulated depreciation	<u>1,676,814</u>	<u>9,849</u>	<u>1,686,663</u>
Total assets	<u>3,611,223</u>	<u>11,921</u>	<u>3,623,144</u>
 LIABILITIES			
Accounts payable	74,361	83	74,444
Salaries and benefits payable	202,007	4,529	206,536
Due to other funds	-	2,482	2,482
Accrued interest payable	1,283	-	1,283
Deferred revenue			
Succeeding year property tax	881,783	-	881,783
Other	-	1,033	1,033
ISCAP warrants payable	255,000	-	255,000
ISCAP unamortized premium	3,537	-	3,537
Long-term liabilities			
Portion due within one year			
Revenue bonds payable	65,000	-	65,000
Early retirement	15,844	-	15,844
Portion due after one year			
Revenue bonds payable	<u>545,000</u>	<u>-</u>	<u>545,000</u>
Total liabilities	<u>2,043,815</u>	<u>8,127</u>	<u>2,051,942</u>

See notes to financial statements and Independent Auditor's Report.

OLIN CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
Statement of Net Assets
June 30, 2004

Exhibit A

	Governmental Activities	Business Type Activities	Total
NET ASSETS			
Invested in capital assets, net of related debt	\$ 1,066,814	\$ 9,849	\$ 1,076,663
Contributed capital	-	5,220	5,220
Restricted for			
Other special revenue purposes	40,125	-	40,125
Capital projects	262,591	-	262,591
Management levy	74,384	-	74,384
Unrestricted	123,494	(11,275)	112,219
Total net assets	\$ 1,567,408	\$ 3,794	\$ 1,571,202

See notes to financial statements and Independent Auditor's Report.

OLIN CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
Statement of Activities
For the Year Ended June 30, 2004

Exhibit B

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Assets</u>		
		<u>Charges for Services</u>	<u>Operating Grants, Contributions and Restricted Interest</u>	<u>Capital Grants, Contributions and Restricted Interest</u>	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
Governmental activities							
Instruction							
Regular instruction	\$ 1,098,252	\$ 86,079	\$ 131,536	\$ -	\$ (880,637)	\$ -	\$ (880,637)
Special instruction	370,646	59,228	68,400	-	(243,018)	-	(243,018)
Other instruction	286,204	93,475	13,770	-	(178,959)	-	(178,959)
	<u>1,755,102</u>	<u>238,782</u>	<u>213,706</u>	<u>-</u>	<u>(1,302,614)</u>	<u>-</u>	<u>(1,302,614)</u>
Support services							
Student services	67,945	-	-	-	(67,945)	-	(67,945)
Instructional staff services	50,089	-	-	-	(50,089)	-	(50,089)
Administration services	306,367	-	-	-	(306,367)	-	(306,367)
Operation and maintenance of plant services	193,401	-	-	-	(193,401)	-	(193,401)
Transportation services	91,364	270	-	-	(91,094)	-	(91,094)
Central support services	-	92	-	-	92	-	92
	<u>709,166</u>	<u>362</u>	<u>-</u>	<u>-</u>	<u>(708,804)</u>	<u>-</u>	<u>(708,804)</u>
Non-instructional programs	<u>44,829</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(44,829)</u>	<u>-</u>	<u>(44,829)</u>
Other expenditures							
Facilities acquisition	34,531	-	-	575,000	540,469	-	540,469
Long-term debt interest	15,721	-	-	-	(15,721)	-	(15,721)
AEA flowthrough	88,481	-	88,481	-	-	-	-
Depreciation (unallocated) *	45,047	-	-	-	(45,047)	-	(45,047)
	<u>183,780</u>	<u>-</u>	<u>88,481</u>	<u>575,000</u>	<u>479,701</u>	<u>-</u>	<u>479,701</u>
Total governmental activities	<u>2,692,877</u>	<u>239,144</u>	<u>302,187</u>	<u>575,000</u>	<u>(1,576,546)</u>	<u>-</u>	<u>(1,576,546)</u>

See notes to financial statements and Independent Auditor's Report.

OLIN CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
Statement of Activities
For the Year Ended June 30, 2004

Exhibit B

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
Business type activities							
Non-instructional programs							
Nutrition services	\$ 120,067	\$ 64,550	\$ 66,134	\$ -	\$ -	\$ 10,617	\$ 10,617
Total business type activities	<u>120,067</u>	<u>64,550</u>	<u>66,134</u>	<u>-</u>	<u>-</u>	<u>10,617</u>	<u>10,617</u>
Total	<u>\$ 2,812,944</u>	<u>\$ 303,694</u>	<u>\$ 368,321</u>	<u>\$575,000</u>	<u>(1,576,546)</u>	<u>10,617</u>	<u>(1,565,929)</u>
 <u>General Revenues</u>							
Property tax levied for							
General purposes					786,279	-	786,279
Capital projects					81,292	-	81,292
Local option sales and services tax					118,998	-	118,998
Unrestricted state grants					1,049,852	-	1,049,852
Unrestricted investment earnings					7,500	-	7,500
Other					68,992	-	68,992
Total general revenues					<u>2,112,913</u>	<u>-</u>	<u>2,112,913</u>
Change in net assets					536,367	10,617	546,984
Net assets, beginning of year, as restated					<u>1,031,041</u>	<u>(6,823)</u>	<u>1,024,218</u>
Net assets, end of year					<u>\$ 1,567,408</u>	<u>\$ 3,794</u>	<u>\$ 1,571,202</u>

* This amount excludes the depreciation included in the direct expenses of the various programs.

See notes to financial statements and Independent Auditor's Report.

OLIN CONSOLIDATED INDEPENDENT SCHOOL DISTRICT

Exhibit C

Balance Sheet
Governmental Funds
June 30, 2004

ASSETS	<u>General</u>	Physical Plant and Equipment <u>Levy</u>	Capital <u>Projects</u>	Nonmajor <u>Governmental</u>	<u>Total</u>
Cash and pooled investments					
ISCAP	\$ 256,382	\$ -	\$ -	\$ -	\$ 256,382
Other	262,337	113,195	31,085	137,515	544,132
Receivables					
Property tax					
Delinquent	20,084	1,899	-	1,072	23,055
Succeeding year	751,100	66,544	-	64,139	881,783
Accounts receivable	4,363	-	-	-	4,363
Interest receivable	-	72	81	86	239
Due from other funds	2,482	-	-	-	2,482
Due from other governments	95,819	2,294	123,860	-	221,973
Total assets and other debits	<u>\$ 1,392,567</u>	<u>\$ 184,004</u>	<u>\$ 155,026</u>	<u>\$ 202,812</u>	<u>\$ 1,934,409</u>
 LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	\$ 57,624	\$ 8,549	\$ 5,433	\$ 2,755	\$ 74,361
Salaries and benefits payable	200,529	-	-	1,478	202,007
ISCAP warrants payable	255,000	-	-	-	255,000
ISCAP unamortized premium	3,537	-	-	-	3,537
Deferred revenue					
Succeeding year property tax	751,100	66,544	-	64,139	881,783
Total liabilities	<u>1,267,790</u>	<u>75,093</u>	<u>5,433</u>	<u>68,372</u>	<u>1,416,688</u>
Fund balances					
Reserved for					
State technology funding	1,198	-	-	-	1,198
Iowa Early Intervention Grant	40	-	-	-	40
Unreserved, undesignated					
Special revenue funds	-	108,911	-	134,440	243,351
Other governmental funds	123,539	-	149,593	-	273,132
Total fund balances	<u>124,777</u>	<u>108,911</u>	<u>149,593</u>	<u>134,440</u>	<u>517,721</u>
Total liabilities and fund balances	<u>\$ 1,392,567</u>	<u>\$ 184,004</u>	<u>\$ 155,026</u>	<u>\$ 202,812</u>	<u>\$ 1,934,409</u>

See notes to financial statements and Independent Auditor's Report.

OLIN CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Assets
June 30, 2004

Exhibit D

Total fund balances of governmental funds	\$ 517,721
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	1,676,814
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.	(1,283)
Long-term liabilities, including bonds payable are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(625,844)</u>
Net assets of governmental activities	<u><u>\$ 1,567,408</u></u>

See notes to financial statements and Independent Auditor's Report.

OLIN CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2004

Exhibit E

	<u>General</u>	Physical Plant and Equipment <u>Levy</u>	Capital Projects	Nonmajor Governmental	<u>Total</u>
Revenues					
Local sources					
Local tax	\$ 755,406	\$ 71,565	\$ 118,998	\$ 39,896	\$ 985,865
Tuition	138,923	-	-	-	138,923
Other	9,182	585	59,130	107,816	176,713
State sources	1,252,497	58	-	33	1,252,588
Federal sources	100,155	-	575,000	-	675,155
Total revenues	<u>2,256,163</u>	<u>72,208</u>	<u>753,128</u>	<u>147,745</u>	<u>3,229,244</u>
Expenditures					
Current					
Instruction					
Regular instruction	1,086,237	15,230	-	23,909	1,125,376
Special instruction	370,646	-	-	-	370,646
Other instruction	209,831	-	-	87,281	297,112
	<u>1,666,714</u>	<u>15,230</u>	<u>-</u>	<u>111,190</u>	<u>1,793,134</u>
Support services					
Student services	67,945	-	-	-	67,945
Instructional staff services	50,089	-	-	-	50,089
Administration services	307,557	-	-	11,245	318,802
Operation and maintenance of plant services	158,099	-	-	21,870	179,969
Transportation services	84,309	-	-	5,935	90,244
	<u>667,999</u>	<u>-</u>	<u>-</u>	<u>39,050</u>	<u>707,049</u>
Non-instructional programs	-	-	-	44,829	44,829
Other expenditures					
Facilities acquisition	-	26,815	1,160,466	-	1,187,281
Long-term debt					
Interest and fiscal charges	-	-	-	18,267	18,267
AEA flowthrough	88,481	-	-	-	88,481
	<u>88,481</u>	<u>26,815</u>	<u>1,160,466</u>	<u>18,267</u>	<u>1,294,029</u>
Total expenditures	<u>2,423,194</u>	<u>42,045</u>	<u>1,160,466</u>	<u>213,336</u>	<u>3,839,041</u>

See notes to financial statements and Independent Auditor's Report.

OLIN CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2004

Exhibit E

	<u>General</u>	Physical Plant and Equipment <u>Levy</u>	Capital <u>Projects</u>	Nonmajor <u>Governmental</u>	<u>Total</u>
Excess (deficiency) of revenues over (under) expenditures	\$ (167,031)	\$ 30,163	\$ (407,338)	\$ (65,591)	\$ (609,797)
Other financing sources (uses) Interfund operating transfers	<u>-</u>	<u>-</u>	<u>(18,267)</u>	<u>18,267</u>	<u>-</u>
Net change in fund balances	(167,031)	30,163	(425,605)	(47,324)	(609,797)
Fund balance, beginning of year	<u>291,808</u>	<u>78,748</u>	<u>575,198</u>	<u>181,764</u>	<u>1,127,518</u>
Fund balance, end of year	<u>\$ 124,777</u>	<u>\$ 108,911</u>	<u>\$ 149,593</u>	<u>\$ 134,440</u>	<u>\$ 517,721</u>

See notes to financial statements and Independent Auditor's Report.

OLIN CONSOLIDATED INDEPENDENT SCHOOL DISTRICT Exhibit F
 Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances-
 Governmental Funds to the Statement of Activities
 For the Year Ended June 30, 2004

Net change in fund balances - total governmental funds \$ (609,797)

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

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	\$ 1,212,283	
Depreciation expense	<u>(72,335)</u>	1,139,948

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 governmental funds, as follows:

Early retirement	3,670
------------------	-------

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.

	<u>2,546</u>
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Change in net assets of governmental activities \$ 536,367

See notes to financial statements and Independent Auditor's Report.

OLIN CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
Statement of Net Assets
Proprietary Fund
June 30, 2004

Exhibit G

	<u>Nonmajor Enterprise</u>
ASSETS	
Inventories	\$ 2,072
Capital assets, net of accumulated depreciation	<u>9,849</u>
Total assets	<u>11,921</u>
 LIABILITIES	
Due to other fund	2,482
Accounts payable	83
Salaries and benefits payable	4,529
Deferred revenue	<u>1,033</u>
Total liabilities	<u>8,127</u>
 NET ASSETS	
Invested in capital assets, net of related debt	9,849
Contributed capital	5,220
Unreserved retained earnings	<u>(11,275)</u>
Total net assets	<u>\$ 3,794</u>

See notes to financial statements and Independent Auditor's Report.

OLIN CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
Statement of Revenues, Expenses and Changes in Net Assets
Proprietary Fund
For the Year Ended June 30, 2004

Exhibit H

	<u>Nonmajor Enterprise</u>
Operating revenue	
Local sources	
Charges for service	<u>\$ 64,550</u>
Operating expenses	
Non-instructional programs	
Salaries	43,223
Benefits	6,442
Purchased services	6,806
Supplies	60,958
Miscellaneous	1,082
Depreciation	<u>1,556</u>
Total operating expenses	<u>120,067</u>
Operating loss	<u>(55,517)</u>
Non-operating revenues	
State sources	1,929
Federal sources	<u>64,205</u>
Total non-operating revenues	<u>66,134</u>
Change in net assets	10,617
Net assets, beginning of year	<u>(6,823)</u>
Net assets, end of year	<u>\$ 3,794</u>

See notes to financial statements and Independent Auditor's Report.

OLIN CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2004

Exhibit I

	<u>Nonmajor Enterprise</u>
Cash flows from operating activities	
Cash received from sale of meals	\$ 65,583
Cash payments to employees for services	(56,707)
Cash payments to suppliers for goods and services	(67,461)
Net cash used in operating activities	<u>(58,585)</u>
Cash flows from non-capital financing activities	
State grants received	1,929
Federal grants received	56,656
Net cash provided by non-capital financing activities	<u>58,585</u>
Cash flows from capital and related financing activities	-
Cash flows from investing activities	-
Net increase in cash and cash equivalents	-
Cash and cash equivalents, beginning of year	-
Cash and cash equivalents, end of year	<u>\$ -</u>
Reconciliation of operating loss to net cash used in operating activities	
Operating loss	\$ (55,517)
Adjustments to reconcile operating loss to net cash used in operating activities	
Depreciation	1,556
Commodities used	7,549
Decrease in inventories	205
(Decrease) in due to other funds	(8,737)
(Decrease) in accounts payable	(1,014)
(Decrease) in salaries and benefits payable	(2,627)
Net cash used in operating activities	<u>\$ (58,585)</u>

Non-cash investing, capital and financing activities

During the year ended June 30, 2004, the District received \$7,549 of federal commodities.

See notes to financial statements and Independent Auditor's Report.

OLIN COMMUNITY SCHOOL DISTRICT
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2004

Exhibit J

	<u>Private Purpose Trust</u>	<u>Agency</u>
	<u>Scholarships</u>	<u>Agency</u>
ASSETS		
Cash and pooled investments	\$ 2,554	\$ 492
Accrued interest receivable	<u>2</u>	<u>-</u>
Total assets	<u>2,556</u>	<u>492</u>
LIABILITIES		
Due to others	<u>-</u>	<u>492</u>
NET ASSETS		
Reserved for scholarships	<u>\$ 2,556</u>	<u>\$ -</u>

See notes to financial statements and Independent Auditor's Report.

OLIN COMMUNITY SCHOOL DISTRICT
Statement of Changes in Fiduciary Net Assets
Fiduciary Fund
For the Year Ended June 30, 2004

Exhibit K

	Private Purpose Trust <u>Scholarships</u>
Additions	
Local sources	
Interest	\$ 23
Deductions	
Student support services	
Scholarships	<u>1,437</u>
Change in net assets	(1,414)
Net assets, beginning of year	<u>3,970</u>
Net assets, end of year	<u>\$ 2,556</u>

See notes to financial statements and Independent Auditor's Report.

OLIN CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2004

Note 1. Summary of Significant Accounting Policies

The Olin Consolidated Independent 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. The geographic area served includes the City of Olin, Iowa, and the agricultural territory in Jones 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, Olin Consolidated Independent 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 Olin Consolidated Independent 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 does 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 County Assessor's Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

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

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

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

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources 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 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 restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues 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 expenditures, including instructional, support and other costs.

The Physical Plant and Equipment Levy Fund is used to account for all resources and expenditures of the physical plant and equipment levy as outlined in Chapter 298.2 of the Code of Iowa.

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

The District reports no major proprietary funds.

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

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, compensated absences and early retirement 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 the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

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

Proprietary funds distinguish operating revenues and expenses from non-operating 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 non-operating revenues and expenses.

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

D. Assets, Liabilities and Fund Equity

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

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value, except for 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 governmental funds is 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 year 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 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, 2002 assessed property valuations; is for the tax accrual period July 1, 2003 through June 30, 2004 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2003.

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

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

Capital Assets - Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Land	\$1,500
Buildings	\$1,500
Improvements other than buildings	\$1,500
Furniture and equipment:	
School Nutrition Fund equipment	\$ 500
Other furniture and equipment	\$1,500

Capital assets are depreciated using the straight line method of depreciation over the following estimated useful lives:

<u>Asset Class</u>	<u>Useful Life</u>
Buildings and improvements	50 years
Improvements other than buildings	20-50 years
Furniture and equipment	5-15 years

Salaries and Benefits Payable - Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of property tax receivables and other receivables not collected within sixty days after year end.

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

Early Retirement - Certified District employees meeting certain requirements are eligible for early retirement benefits. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental fund financial statements only for employees that have resigned or retired. The early retirement liability has been computed based on rates of pay in effect at June 30, 2004. The early retirement liability attributable to the governmental activities will be paid primarily from the Management Fund.

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

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

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

E. Budgeting and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2004, expenditures exceeded the amounts budgeted in the Instruction and Support Services functions; however, the District did not exceed its General Fund unspent authorized budget.

Note 2. Cash and Pooled Investments

The District's deposits at June 30, 2004, 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; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The District had investments in the Iowa Schools Joint Investment Trust which are valued at an amortized cost of \$513,633 pursuant to Rule 2a-7 under the Investment Company Act of 1940. Governmental Accounting Standards Board Statement No. 3 requires investments to be categorized to give an indication of the level of risk assumed by the District at year end. The District's investment in the Iowa Schools Joint Investment Trust is not subject to risk categorization.

Note 3. Due From and Due To Other Funds

The detail of interfund receivables and payables at June 30, 2004 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	School Nutrition	\$ 2,482

The School Nutrition Fund owes General Fund for warrants issued in excess of the School Nutrition Fund's share of the bank balance.

Note 4. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2004 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects	\$18,267

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

Note 5. Iowa Schools Cash Anticipation Program (ISCAP)

The District participates in the Iowa Schools Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings, and amounts available for withdrawal for each outstanding series of warrants. Bankers Trust Co. NA is the trustee for the program. A summary of the District's participation in ISCAP as of June 30, 2004, is as follows:

<u>Series</u>	<u>Warrant Date</u>	<u>Final Warrant Maturity</u>	<u>Investments</u>	<u>Warrants Payable</u>	<u>Unamortized Premium</u>
2004-05A	6/30/04	6/30/05	\$ 256,382	\$ 255,000	\$3,537

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts. In additions, the District

must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. There was no ISCAP advance activity for the year ended June 30, 2004.

The warrants bear an interest rate and the proceeds of the warrants are invested at an interest rate as shown below:

<u>Series</u>	<u>Interest Rates on Warrants</u>	<u>Interest Rates on Investments</u>
2003-04A	2.000%	2.6030%
2003-04B	2.000%	1.3920%
2004-05A	3.000%	2.4600%

Note 6. Capital Assets

Capital assets activity for the year ended June 30, 2004 was as follows:

<u>Governmental activities</u>	<u>Balance, Beginning of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance, End of Year</u>
Capital assets not being depreciated:				
Land and improvements	\$ 159,196	\$ -	\$ -	\$ 159,196
Construction in progress	<u>172,250</u>	<u>1,152,750</u>	<u>(1,325,000)</u>	<u>-</u>
Total capital assets, not being depreciated	<u>331,446</u>	<u>1,152,750</u>	<u>(1,325,000)</u>	<u>159,196</u>
Capital assets being depreciated:				
Buildings and improvements	708,840	1,325,000	-	2,033,840
Furniture and equipment	<u>828,978</u>	<u>59,533</u>	<u>(5,800)</u>	<u>882,711</u>
Total capital assets being depreciated	<u>1,537,818</u>	<u>1,384,533</u>	<u>(5,800)</u>	<u>2,916,551</u>
Less accumulated depreciation for:				
Buildings and improvements	508,651	38,992	-	527,643
Furniture and equipment	<u>823,747</u>	<u>33,343</u>	<u>(5,800)</u>	<u>871,290</u>
Total accumulated depreciation	<u>1,332,398</u>	<u>72,335</u>	<u>(5,800)</u>	<u>1,398,933</u>
Total capital assets being depreciated, net	<u>205,420</u>	<u>1,312,198</u>	<u>-</u>	<u>1,517,618</u>
Governmental activities capital assets, net	<u>\$ 536,866</u>	<u>\$ 2,464,948</u>	<u>\$(1,325,000)</u>	<u>\$ 1,676,814</u>
<u>Business type activities</u>				
Furniture and equipment	\$ 48,282	\$ -	\$ -	\$ 48,282
Less accumulated depreciation	<u>36,877</u>	<u>1,556</u>	<u>-</u>	<u>38,433</u>
Business type activities capital assets, net	<u>\$ 11,405</u>	<u>\$ (1,556)</u>	<u>\$ -</u>	<u>\$ 9,849</u>

Depreciation expense was charged to the following functions:

Governmental activities

Instruction		
Regular		\$ 5,705
Other		387
Support services		
Administration		6,644
Operation and maintenance of plant		13,432
Transportation		1,120
Unallocated depreciation		<u>45,047</u>

Total governmental activities depreciation expense \$ 72,335

Business-type activities

Food services		<u>\$ 1,556</u>
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Note 7. Long-term Liabilities

Changes in long-term liabilities for the year ended June 30, 2004 are summarized as follows:

	Balance, Beginning of Year	Additions	Reductions	Balance, End of Year	Due Within One Year
Revenue bonds	\$ 610,000	\$ -	\$ -	\$ 610,000	\$ 65,000
Early retirement	<u>19,514</u>	<u>15,844</u>	<u>(19,514)</u>	<u>15,844</u>	<u>15,844</u>
Totals	<u>\$ 629,514</u>	<u>\$ 15,844</u>	<u>\$(19,514)</u>	<u>\$ 625,844</u>	<u>\$ 80,844</u>

Early retirement

District employees who have 20 years of continuous service and are at least 55 years of age, are eligible for early retirement pay. Employees who participate in the early retirement program shall receive a benefit equal to 80 days of the employee's base salary calculated by using the current year regular salary schedule, less any other additional pay. Early retirement expenditures for the year ended June 30, 2004 totaled \$19,514.

Revenue Anticipation Bonds Payable

On April 1, 2003, the District issued School Infrastructure Sales and Services Tax Revenue Bonds. The proceeds of the bonds were used to construct and furnish the Olin Attendance Center, specifically a new library and multi-purpose activity center. The bonds will be repaid by the collection of the local option sales and services tax for school infrastructure. The

bonds are secured by a Reserve Fund, which was established under the Bond Resolution. A Sinking Fund has been established into which collections of the local option sales and service tax will be deposited. Interest and principal on the bonds will be paid from the Sinking Fund. Details of the District's June 30, 2004 revenue anticipation bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of April 1, 2003			
	Interest Rates	Principal	Interest	Total
2005	1.750	\$ 65,000	\$ 14,831	\$ 79,831
2006	1.850	70,000	13,616	83,616
2007	2.250	70,000	12,180	82,180
2008	2.400	75,000	10,493	85,493
2009	2.600	80,000	8,552	88,552
2010	2.750	80,000	6,412	86,412
2011	3.020	85,000	4,016	89,016
2012	3.200	85,000	1,360	86,360
Totals		<u>\$ 610,000</u>	<u>\$ 71,460</u>	<u>\$ 681,460</u>

Note 8. Pension and Retirement Benefits

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

Plan members are required to contribute 3.70% of their annual covered salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2004, 2003 and 2002. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2004, 2003 and 2002 were \$82,351, \$81,763 and \$80,486 respectively, equal to the required contributions for each year.

Note 9. Risk Management

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

Each member's contributions to the Association funds current operations and provides capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, ISEBA's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital.

The District's contributions 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, 2004 were \$122,677.

Payments from participating members are the sole source for paying claims and establishing reserves for the ISEBA self-funded programs. Stop loss insurance is purchased by the Association to protect against large claims, but the potential exists for claims to exceed the premium payments made by members into the program. In the event that claims exceed premiums and reserves, an assessment may be necessary to pay claims and replenish reserves in the program.

The District does not report a liability for losses in excess of stop loss insurance unless it is deemed probable that such losses have occurred and the amount of such a loss can be reasonably estimated. Accordingly, at June 30, 2004, no liability has been recorded in the District's financial statements. As of June 30, 2004, settled claims have not exceeded the risk pool or reinsurance company coverage.

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 written notice may withdraw. The Association will pay claims incurred before the termination date.

The 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 10. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media, and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$88,481 for the year ended June 30, 2004 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Note 11. Accounting Change and Restatements

Governmental Accounting Standards Board (GASB) Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements was implemented for the year ended June 30, 2004. The interpretation modifies when

compensated absence and early retirement liabilities are recorded under the modified accrual basis of accounting.

Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures; and Statement No. 41, Budgetary Comparison Schedule – Perspective Differences, were implemented for the year ended June 30, 2004. The statements create new basic financial statements for reporting the District’s financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

The government-wide financial statements separate the District’s programs between governmental and business type activities. The beginning net assets for governmental activities has been restated to include capital assets, long-term liabilities and the changes in assets and liabilities at July 1, 2003 caused by the conversion to the accrual basis of accounting.

The effects of the accounting change and other restatements in the governmental activities are summarized as follows:

	<u>General</u>	Capital Projects	Physical Plant and Equipment <u>Levy</u>	Total Nonmajor	<u>Total</u>
Net assets June 30, 2003, as previously reported	\$ 291,808	\$575,198	\$ 78,748	\$ 181,764	\$1,127,518
GASB Interpretation 6 adjustments	-	-	-	-	-
Net assets July 1, 2003, as restated for governmental funds	<u>\$ 291,808</u>	<u>\$575,198</u>	<u>\$ 78,748</u>	<u>\$ 181,764</u>	1,127,518
GASB 34 adjustments:					
Capital assets, net of accumulated depreciation of \$1,332,398					536,866
Long-term liabilities:					
Revenue bonds				\$ (610,000)	
Early retirement				<u>(19,514)</u>	(629,514)
Accrued interest payable					<u>(3,829)</u>
Net assets July 1, 2003, as restated					<u>\$1,031,041</u>

Required Supplementary Information

OLIN CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
 Budgetary Comparison Schedule of Revenues, Expenditures and Changes in Balances - Budget and Actual
 All Governmental Funds and Proprietary Fund
 Required Supplementary Information
 For the Year Ended June 30, 2004

	Governmental	Proprietary	Total	Budgeted Amounts		Final to Actual Variance
	Funds Actual	Funds Actual		Original	Final	
Revenues						
Local sources	\$ 1,301,501	\$ 64,550	\$ 1,366,051	\$ 1,329,924	\$ 1,329,924	\$ 36,127
State sources	1,252,588	1,929	1,254,517	1,291,045	1,291,045	(36,528)
Federal sources	675,155	64,205	739,360	588,528	588,528	150,832
Total revenues	<u>3,229,244</u>	<u>130,684</u>	<u>3,359,928</u>	<u>3,209,497</u>	<u>3,209,497</u>	<u>150,431</u>
Expenditures						
Instruction	1,793,134	-	1,793,134	1,732,629	1,732,629	(60,505)
Support services	707,049	-	707,049	699,732	699,732	(7,317)
Non-instructional programs	44,829	120,067	164,896	165,000	165,000	104
Other expenditures	1,294,029	-	1,294,029	1,453,838	1,453,838	159,809
Total expenditures	<u>3,839,041</u>	<u>120,067</u>	<u>3,959,108</u>	<u>4,051,199</u>	<u>4,051,199</u>	<u>92,091</u>
Excess (deficiency) of revenues over (under) expenditures	(609,797)	10,617	(599,180)	(841,702)	(841,702)	242,522
Balance, beginning of year	<u>1,127,518</u>	<u>(6,823)</u>	<u>1,120,695</u>	<u>1,243,455</u>	<u>1,243,455</u>	<u>(122,760)</u>
Balance, end of year	<u>\$ 517,721</u>	<u>\$ 3,794</u>	<u>\$ 521,515</u>	<u>\$ 401,753</u>	<u>\$ 401,753</u>	<u>\$ 119,762</u>

See accompanying Independent Auditor's Report.

OLIN CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
Notes to Required Supplementary Information – Budgetary Reporting
For the Year Ended June 30, 2004

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 Internal Service funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a basis consistent with U.S. generally accepted accounting principles.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. 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. The District did not amend its budget during the year ended June 30, 2004.

During the year ended June 30, 2004, District expenditures exceeded the amounts budgeted in the Instruction, and Support Services functions; however, the General Fund expenditures did not exceed the unspent authorized budget.

Other Supplementary Information

OLIN CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
 Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2004

Schedule 1

	Special Revenue			
	Management	Student	Public Education & Recreation	Total
	<u>Levy</u>	<u>Activity</u>	<u>Levy</u>	<u>Total</u>
ASSETS				
Cash and pooled investments	\$ 92,085	\$ 40,100	\$ 5,330	\$ 137,515
Receivables				
Property tax				
Current year delinquent	815	-	257	1,072
Succeeding year	55,200	-	8,939	64,139
Interest receivable	58	25	3	86
Total assets	<u>\$ 148,158</u>	<u>\$ 40,125</u>	<u>\$ 14,529</u>	<u>\$ 202,812</u>
 LIABILITIES AND FUND EQUITY				
Liabilities				
Salaries and benefits payable	\$ -	\$ -	\$ 1,478	\$ 1,478
Accounts payable	2,730	-	25	2,755
Deferred revenue				
Succeeding year property tax	55,200	-	8,939	64,139
Total liabilities	57,930	-	10,442	68,372
Fund Equity				
Unreserved fund balances	90,228	40,125	4,087	134,440
Total liabilities and fund equity	<u>\$ 148,158</u>	<u>\$ 40,125</u>	<u>\$ 14,529</u>	<u>\$ 202,812</u>

See accompanying Independent Auditor's Report.

OLIN CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2004

Schedule 2

Revenues	Special Revenue				<u>Total</u>
	<u>Management Levy</u>	<u>Student Activity</u>	<u>Public Education & Recreation & Levy</u>	<u>Debt Service</u>	
Local sources					
Local taxes	\$ 30,235	\$ -	\$ 9,661	\$ -	\$ 39,896
Other	491	93,779	13,546	-	107,816
State sources	25	-	8	-	33
Total revenues	<u>30,751</u>	<u>93,779</u>	<u>23,215</u>	<u>-</u>	<u>147,745</u>
Expenditures					
Instruction					
Regular program instruction	23,909	-	-	-	23,909
Other instruction	-	87,281	-	-	87,281
Support services					
Administration services	11,245	-	-	-	11,245
Operation and maintenance of plant services	21,870	-	-	-	21,870
Transportation services	5,935	-	-	-	5,935
Noninstructional programs	-	-	44,829	-	44,829
Other expenditures					
Long-term debt					
Interest and fiscal charges	-	-	-	18,267	18,267
Total expenditures	<u>62,959</u>	<u>87,281</u>	<u>44,829</u>	<u>18,267</u>	<u>213,336</u>
Excess (deficiency) of revenues over (under) expenditures	(32,208)	6,498	(21,614)	(18,267)	(65,591)
Other financing sources					
Operating transfers in	<u>-</u>	<u>-</u>	<u>-</u>	<u>18,267</u>	<u>18,267</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing (uses)	(32,208)	6,498	(21,614)	-	(47,324)
Fund balances, beginning of year	<u>122,436</u>	<u>33,627</u>	<u>25,701</u>	<u>-</u>	<u>181,764</u>
Fund balances, end of year	<u>\$ 90,228</u>	<u>\$ 40,125</u>	<u>\$ 4,087</u>	<u>\$ -</u>	<u>\$ 134,440</u>

See accompanying Independent Auditor's Report.

OLIN CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
Schedule of Changes in Special Revenue Fund, Student Activity Accounts
For the Year Ended June 30, 2004

Schedule 3

Account	Balance, Beginning of <u>Year</u>	<u>Revenues</u>	<u>Expenditures</u>	Balance, End of <u>Year</u>
General athletics	\$ 600	\$ 1,540	\$ 2,140	\$ -
Athletic-drink machines	(247)	247	-	-
Boys basketball	1,379	3,975	3,854	1,500
Boys football	1,401	7,322	5,021	3,702
Boys Bbaseball	-	1,973	4,457	(2,484)
Boys track	-	401	401	-
Boys golf	71	64	135	-
Girls basketball	1,434	2,997	2,931	1,500
Girls volleyball	127	2,201	1,828	500
Girls softball	-	2,403	2,403	-
Girls track	-	1,004	1,004	-
Girls golf	-	150	22	128
Drama	485	1,140	924	701
Thespians	-	375	470	(95)
Bank/vocal	342	238	274	306
PE super sport	361	203	210	354
ELP fundraising	190	-	-	190
Title I fundraising	108	20	15	113
HS SCI club	46	522	477	91
Elementary SCI club	172	-	-	172
Pepsi commission	2,306	-	-	2,306
Interest	14,214	2,537	5,474	11,277
Concession stand	77	12,730	9,813	2,994
Annual	(4,036)	2,699	3,671	(5,008)
Cheerleading	597	1,185	1,565	217
FFA	1,493	11,596	11,341	1,748
German club	135	38	173	-
Pom-pon	840	2,476	2,221	1,095

See accompanying Independent Auditor's Report.

OLIN CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
 Schedule of Changes in Special Revenue Fund, Student Activity Accounts
 For the Year Ended June 30, 2004

Schedule 3

Account	Balance, Beginning of Year	Revenues	Expenditures	Balance, End of Year
HS student council	\$ 2,114	\$ 4,243	\$ 4,982	\$ 1,375
JH student council	23	-	-	23
Spanish club	82	-	-	82
Class of 2004	932	667	208	1,391
Class of 2005	1,111	8,114	7,495	1,730
Class of 2006	788	439	-	1,227
Class of 2007	206	137	-	343
Class of 2008	181	220	-	401
Class of 2009	95	90	-	185
Class of 2010	160	-	-	160
Athletic resale	655	45	55	645
Music resale	(26)	444	440	(22)
Activity resale	742	5,367	2,229	3,880
I.A. resale	(194)	299	210	(105)
Candy resale/industrial arts	198	567	934	(169)
Employee candy resale	938	-	403	535
Field trips	2,683	3,165	4,578	1,270
Wapsi League	844	5,694	4,565	1,973
Pools PTO donation	-	4,252	358	3,894
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Totals	<u>\$ 33,627</u>	<u>\$ 93,779</u>	<u>\$ 87,281</u>	<u>\$ 40,125</u>

See accompanying Independent Auditor's Report.

OLIN CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
 Schedule of Changes in Fiduciary Assets and Liabilities - Agency Fund
 For the Year Ended June 30, 2004

Schedule 4

	Balance, Beginning of <u>Year</u>	<u>Additions</u>	<u>Deductions</u>	Balance, End of <u>Year</u>
Assets				
Cash	<u>\$ 967</u>	<u>\$ 601</u>	<u>\$ 1,076</u>	<u>\$ 492</u>
Liabilities				
Due to others	<u>\$ 967</u>	<u>\$ 601</u>	<u>\$ 1,076</u>	<u>\$ 492</u>

See accompanying Independent Auditor's Report.

OLIN CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
 Schedule of Revenues by Source and Expenditures by Function
 All Governmental Funds
 For the Last Four Years

Schedule 5

	Modified Accrual Basis			
	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
Revenues				
Local sources				
Local tax	\$ 985,865	\$ 1,098,659	\$ 874,609	\$ 785,951
Tuition	138,923	91,045	98,703	119,721
Other	176,713	119,901	125,459	148,865
State sources	1,252,588	1,224,302	1,278,016	1,270,050
Federal sources	675,155	92,816	61,680	41,757
Total revenues	<u>\$ 3,229,244</u>	<u>\$ 2,626,723</u>	<u>\$ 2,438,467</u>	<u>\$ 2,366,344</u>
Expenditures				
Instruction				
Regular instruction	1,125,376	1,042,394	1,030,170	957,931
Special instruction	370,646	388,735	332,900	299,215
Other instruction	297,112	289,268	294,685	287,404
Support services				
Student services	67,945	48,408	46,350	44,901
Instructional staff services	50,089	44,255	46,228	39,739
Administration services	318,802	305,623	290,216	282,604
Operation and maintenance of plant services	179,969	193,426	159,291	158,816
Transportation services	90,244	86,055	106,758	91,673
Central support services	-	-	-	6,466
Noninstructional programs	44,829	3,606	3,004	5,423
Other expenditures				
Facilities acquisition	1,187,281	286,559	69,566	74,839
Long-term debt				
Interest and other charges	18,267	-	-	-
AEA flowthrough	88,481	93,791	95,173	96,063
Total expenditures	<u>\$ 3,839,041</u>	<u>\$ 2,782,120</u>	<u>\$ 2,474,341</u>	<u>\$ 2,345,074</u>

See accompanying Independent Auditor's Report.

OLIN CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
 Schedule of Expenditures of Federal Awards
 For the Year Ended June 30, 2004

Schedule 6

Grantor/Program	<u>CFDA Number</u>	Agency or <u>Pass-through Number</u>	<u>Program Expenditures</u>
Indirect			
U.S. Department of Agriculture			
Iowa Department of Education			
Food distribution (non-cash)	10.550	FY04	\$ 7,549
School Nutrition Cluster Programs			
National School Breakfast Program	10.553	FY04	12,776
National School Lunch Program	10.555	FY04	<u>43,881</u>
Total Department of Agriculture			<u>64,206</u>
U.S. Department of Education			
Iowa Department of Education			
Title I Grants to Local Educational Agencies	84.010	FY03	11,455
	84.010	FY04	<u>42,591</u>
Total			54,046
Title VI Program	84.151	FY04	1,968
Innovative Education Program Strategies			
Title VI Program	84.298	FY04	1,632
Rural Education Grant	84.358	FY04	8,281
Title IIA - Federal Teacher Quality Program	84.367	FY04	13,773
Special Education-Grants to States-Part B	84.027	FY04	12,386
Fund for the Improvement of Education-Construction	84.215	FY04	<u>575,000</u>
Total Iowa Department of Education			<u>667,086</u>
Grant Wood Area Education Agency			
Carl D. Perkins Vocational & Applied Tech.	84.048	FY04	7,278
Dwight D. Eisenhower Math & Science Grant	84.164	FY04	<u>791</u>
Total Grant Wood Area Education Agency			<u>8,069</u>
Total U.S. Department of Education			<u>675,155</u>
Total federal awards			<u>\$ 739,361</u>

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of the Olin Consolidated Independent School District and is presented on 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.

KAY L. CHAPMAN, CPA PC

119 Sycamore Street, Suite 100

Muscatine, Iowa 52761

563-264-1385

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING

To the Board of Education
Olin Consolidated Independent School District
Olin, Iowa

I have audited the financial statements of the Olin Consolidated Independent School District as of and for the year ended June 30, 2004, and have issued my report thereon dated November 5, 2004. I conducted my audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Olin Consolidated Independent School District's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance 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 my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards. However, I noted certain immaterial instances of noncompliance that are described below.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2004 are based exclusively on knowledge obtained from procedures performed during my audit of the financial statements of the District. Since my 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. Prior year statutory comments have all been resolved, except for items 2 and 10. Current year statutory comments are detailed as follows:

1. Official Depositories - Official depositories have been approved by the District. The maximum deposit amounts approved were not exceeded during the year ended June 30, 2004. However, the name of each depository and the applicable maximum authorized limit were not included in the board minutes.

Recommendation - Section 12C of the Code of Iowa requires that the board minutes list each depository and corresponding maximum limit approved. The District should ensure that the minutes contain all required information in the future.

Response - We will include the required information in the board minutes in future years.

Conclusion - Response accepted.

2. Certified Budget - Expenditures for the year ended June 30, 2004 exceeded the amounts budgeted in the Instruction and Support Services functions.

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

Response - We will amend our budget, if necessary, in the future.

Conclusion - Response accepted.

3. Questionable Disbursements - I noted no disbursements that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
4. 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.
5. Business Transactions - No business transactions between the District and District officials were noted.
6. 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.
7. Board Minutes - I noted no transactions requiring Board approval, which had not been approved by the Board. However, the board minutes were not always published in compliance with Chapter 279.35 of the Code of Iowa. Also, the minutes did not indicate that a roll call vote was taken upon entering a closed session per Chapter 21.5 of the Code of Iowa.

Recommendation - Chapter 279.35 of the Code of Iowa requires that the District's board minutes be made available to the publisher within 15 days of the board meeting. The District should insure that all board minutes be submitted timely to the newspaper, in compliance with the Code of Iowa. Chapter 21.5 of the Code of Iowa requires that a roll call vote be taken regarding the motion of entering into a closed session and that the minutes indicate that a roll call vote was taken and the corresponding vote of each board member. The District should ensure that the required procedures are following pertaining to closed sessions and that the minutes contain all required information.

Response - We will be more attentive of this in the future.

Conclusion - Response accepted.

8. Certified Enrollment - I noted no variances in the basic enrollment data certified to the Department of Education.
9. Deposits and Investments - I noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
10. Certified Annual Reports - The fiscal Certified Annual Report was not filed with the Department of Education timely; however, I noted no significant deficiencies in the amounts reported.

Recommendation - The District should ensure that the Certified Annual Report is filed with the Department of Education in a timely manner in future years.

Response - We will file the CAR with the Department of Education before the due date in future years.

Conclusion - Response accepted.

Internal Control Over Financial Reporting

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

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, I believe the lack of segregation of duties is a material weakness. Prior year reportable conditions have not been resolved.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the Olin Consolidated Independent School District and other parties to whom the District may report. This report is not intended to be and should not be used by anyone other than these specified parties.

I would like to acknowledge the many courtesies and assistance extended to me by the personnel of the Olin Consolidated Independent School District during the course of my audit. Should you have any questions concerning any of the above matters, I shall be pleased to discuss them with you at your convenience.

A handwritten signature in cursive script that reads "Kay L. Chapman, CPA PC".

Kay L. Chapman, CPA PC
November 5, 2004

KAY L. CHAPMAN, CPA PC

119 Sycamore Street, Suite 100

Muscataine, Iowa 52761

563-264-1385

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE

To the Board of Education
Olin Consolidated Independent School District
Olin, Iowa

Compliance

I have audited the compliance of Olin Consolidated Independent School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2004. Olin Consolidated Independent School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Olin Consolidated Independent School District's management. My responsibility is to express an opinion on Olin Consolidated Independent School District's compliance based on my audit.

I conducted my audit of compliance in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and 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 provisions require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Olin Consolidated Independent School District's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination of Olin Consolidated Independent School District's compliance with those requirements.

In my opinion Olin Consolidated Independent School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2004.

Internal Control Over Compliance

The management of Olin Consolidated Independent School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing my audit, I considered Olin Consolidated Independent School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

I noted certain matters involving the internal control over compliance and its operation that I consider to be reportable conditions. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in my judgment, could adversely affect Olin Consolidated Independent School District's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grants. Reportable conditions are described in Part III of the accompanying Schedule of Findings and Questioned Costs.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. My consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, I believe item III-A-04 is a material weakness.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the Olin Consolidated Independent School District and other parties to whom the District may report. This report is not intended to be and should not be used by anyone other than these specified parties.



Kay L. Chapman, CPA PC
November 5, 2004

OLIN CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2004

Part I. Summary of the Independent Auditor's Results

1. An unqualified opinion was issued on the financial statements.
2. Reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements, including a material weakness.
3. The audit did not disclose any noncompliance which is material to the financial statements.
4. A reportable condition in internal control over major programs was disclosed by the audit of the financial statements, including a material weakness.
5. An unqualified opinion was issued on compliance with requirements applicable to each major program.
6. The audit disclosed an audit finding, which is required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
7. Major programs were as follows:
 - CFDA Number 84.215 Fund for the Improvement of Education – Iowa Demonstration Construction Grant
8. The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
9. Olin Consolidated Independent School District did not qualify as a low-risk auditee.

OLIN CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2004

Part II. Findings Related to the General Purpose Financial Statements

INSTANCES OF NON-COMPLIANCE

No matters were noted

REPORTABLE CONDITIONS

04-II-A Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The cash receipts and disbursements, bank deposits and bank account reconciliations were all handled by the same person.

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

Response and Corrective Action Planned - We will review our procedures and implement changes to improve internal control, as we deem necessary.

Conclusion - Response accepted.

04-II-B Signatures on Student Activity Fund Checks - It was noted that the Student Activity Fund checks were not signed by the Board Secretary and Board President, as required by the Code of Iowa. The Superintendent was the authorized signature for the Student Activity Fund.

Recommendation - The District should change the authorized signature card at the bank for the Student Activity Fund to indicate that the Board President and Board Secretary are the authorized signers for that account and that two signatures are required on each check. The District should then ensure that the Student Activity Fund checks be signed by both the Board President and Board Secretary, as required by the Code of Iowa.

Response and Corrective Action Planned - We will make the changes recommended.

Conclusion - Response accepted.

OLIN CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2004

04-II-C Review of Board Policies - I noted that the board policies had not been reviewed within the last five years as required by the Iowa Administrative Rules.

Recommendation - The District should review their board policies at least once every five years to be in compliance with State of Iowa regulations.

Response and Corrective Action Planned - We will investigate the situation.

Conclusion - Response accepted.

Part III. Findings and Questioned Costs for Federal Awards

REPORTABLE CONDITIONS

CFDA #84.215 Fund for the Improvement of Education – Iowa Demonstration Construction Grant

04-III-A Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The cash receipts and disbursements, bank deposits and bank account reconciliations were all handled by the same person.

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

Response and Corrective Action Planned - We have reviewed procedures and plan to make the necessary changes, as we deem necessary, to improve internal control.

Conclusion - Response accepted.

OLIN CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
Audit Staff
June 30, 2004

This audit was performed by

Kay Chapman, CPA