

OELWEIN COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2005

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Oelwein Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September 2004 Election)		
James Moeller	President	2005
Dave Lorenzen	Vice-President	2006
Rick Myott	Board Member	2006
George Harper	Board Member	2006
Tim Conrey	Board Member	2004
Mary Davis	Board Member	2004
Harlan Peterson	Board Member	2005

Board of Education
(After September 2004 Election)

James Moeller	President	2005
Dave Lorenzen	Vice-President	2006
Rick Myott	Board Member	2006
George Harper	Board Member	2006
Tim Conrey	Board Member	2007
Candice King	Board Member	2007
Harlan Peterson (Resigned March 2005)	Board Member	2005
Jean Nelson (Appointed March 2005)	Board Member	2005

School Officials

James Patera	Superintendent	2005
Joan Loew	District Sec/Treas & Business Manager	2005
Wayne Saur	Attorney	Indefinite
Ahlers Law Firm	Attorney	Indefinite

Oelwein Community School District



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Independent Auditor's Report

To the Board of Education of
Oelwein Community School District:

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

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

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

In accordance with Government Auditing Standards, we have also issued our reports dated September 30, 2005 on our consideration of Oelwein Community School District's internal control over financial reporting and our 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 our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 7 through 17 and 45 through 48 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of

measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Oelwein Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2004 (none of which are presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 5, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, is presented for purposed of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Ridihalgh, Fuelling, Snitker, Weber & Co., P.C.

Ridihalgh, Fuelling, Snitker, Weber & Co., P.C.
Certified Public Accounts

September 30, 2005

Management Discussion and Analysis

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

Financial Highlights

- General Fund revenues increased from \$11,184,043 in fiscal 2004 to \$11,583,258 in fiscal year 2005, while General Fund expenditures increased from \$10,849,933 in fiscal 2004 to \$11,259,199 in fiscal 2005.
- In order to contain costs and assist with budgeting, the District implemented a new Early Retirement Policy with a fixed benefit amount. The District lowered benefits for plans effective after the 2004/2005 school year. Eleven employees participated in the final offering of original plan. This effective retirement incentive encouraged long time employees to retire, most were replaced with lower seniority employees.
- The citizens of Fayette County approved a Local Option Sales and Service Tax (LOSS) which became effective July 1, 2003. Revenues were over \$600,000 for fiscal 2005. Revenues were committed 50% to property tax relief and 50% to building infrastructure needs. The Board let bids for the High School Geothermal project to be paid for with Revenue Bonds paid from the LOSS fund.
- The Board approved Instructional Support Levy (ISL) which became effective July 1, 2003, increased revenues by approximately \$400,000. Revenues from the ISL were used for Curriculum Development, Technology, Social Skills Development and Professional Development.

Overview of the Financial Statements

This annual report consists of three parts: management’s discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different view of the district:

- The first two statements are *district-wide financial statements* that provide both *short-term* and *long-term* information about the District’s *overall* financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the District, reporting the District’s operations in *more detail* than the District-wide statements.
- The *governmental funds statements* tell how basic services such as regular and special education were financed in the *short term* as well as what remains for future spending.
- *Proprietary funds statements* offer *short- and long-term* financial information about the activities the District operates *like businesses*, such as food services.
- *Fiduciary funds statements* provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District’s budget for the year. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

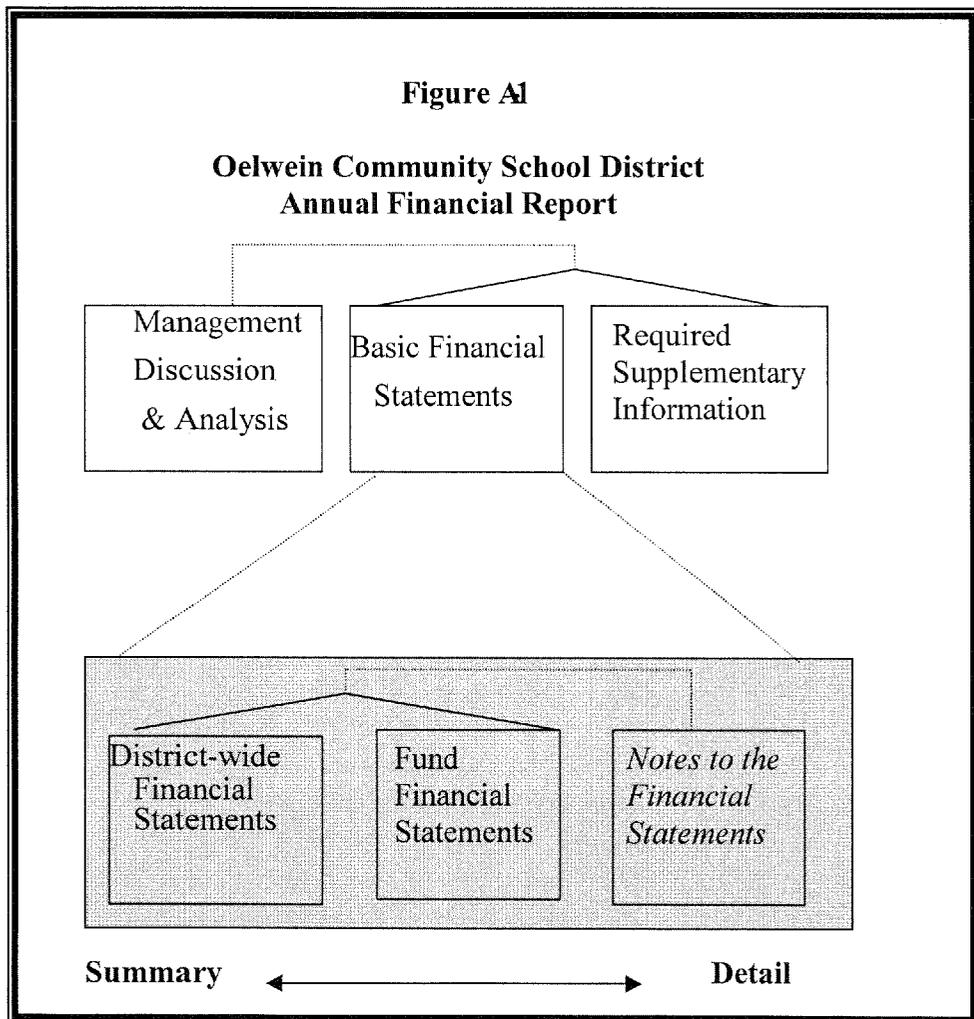


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis highlights the structure and contents of each of the statements.

Figure A-2: Major Features of the District-Wide and Fund Financial Statements				
	District-wide Statements	Fund Financial 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 is included here	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of 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 focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	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

District-wide Financial Statements

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

- Over time, increases or decreases in the District's net assets are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the District's overall health, you need to consider additional non-financial factors such as changes in the District's property tax base and the condition of school building and other facilities.

In the District-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 taxes and state aid finance most of these activities.
- *Business-type activities:* The District charges fees to help it cover the costs of certain services it provides. The District's food service program would be 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 repaying its long-term debts) or to show that it is properly using certain revenues (such as federal grants).

The District has three kinds of funds:

- *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 funds statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the District-wide statements, additional information at the bottom of the governmental funds statements explains the relationship (or differences) between them.

- *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 District-wide 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. *Internal service funds*, (the other kind of proprietary fund) are optional and available to report activities that provide supplies and services for other District programs and activities. At this time the District chooses not to use any internal service funds.
- *Fiduciary funds*: The District is the trustee, or *fiduciary*, for assets that belong to others, such as a scholarship fund. The District accounts for outside donations to specific District schools for specific purposes in this fund. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the District-wide financial statements because it cannot use these assets to finance its operations.

Financial Analysis of the District as a Whole

Net assets. Figure A-3 below provides a summary of the District's net assets for the year ended June 30, 2004 and June 30, 2005.

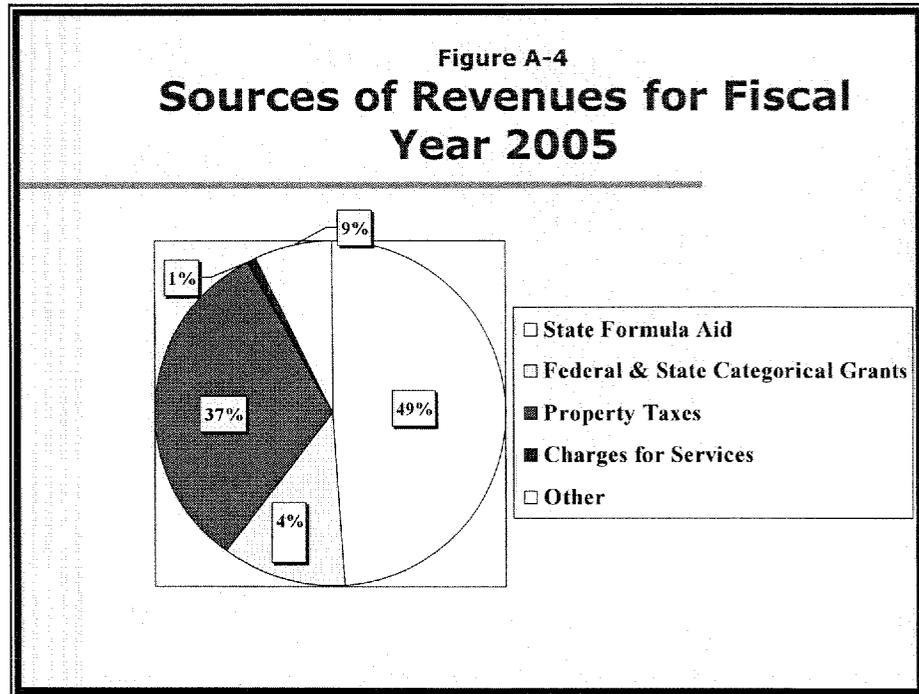
Figure A-3

Condensed Statement of Net Assets (in thousands of dollars)

	Governmental Activities		Business-type Activities		Total School District	
	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>
Current and other assets	\$7,934	\$8,645	\$182	\$202	\$8,116	\$8,848
Capital assets	9,347	9,326	45	37	9,392	9,363
Total assets	17,281	\$17,971	\$227	\$239	\$17,508	\$18,211
Long-term debt outstanding	2,564	2,140		-	2,564	2,140
Other liabilities	5,952	6,617	1	0	5,953	6,617
Total liabilities	8,516	8,757	1	0	8,517	8,757
Net assets						
Invested in capital assets, net of related debt	6,783	7,186	45	37	6,828	7,223
Restricted	732	624	-	-	732	624
Unrestricted	1,250	1,405	181	202	1,431	1,607
Total net assets	8,765	\$9,215	\$226	\$239	8,991	\$9,454

Note: totals may not add due to rounding.

General Fund revenues increased in FY 2005 over FY 2004 primarily due to the new Instructional Supporty Levy (ISL) which was a combination of an increase in property tax and sur tax. State foundation formula aid once again decreased due to declining enrollment.



All categories increased expenditures in FY 2005 over FY 2004, resulting in an increase in total expenditures of \$1,001,474. The majority of the increase was attributable to needed maintenance & improvements.

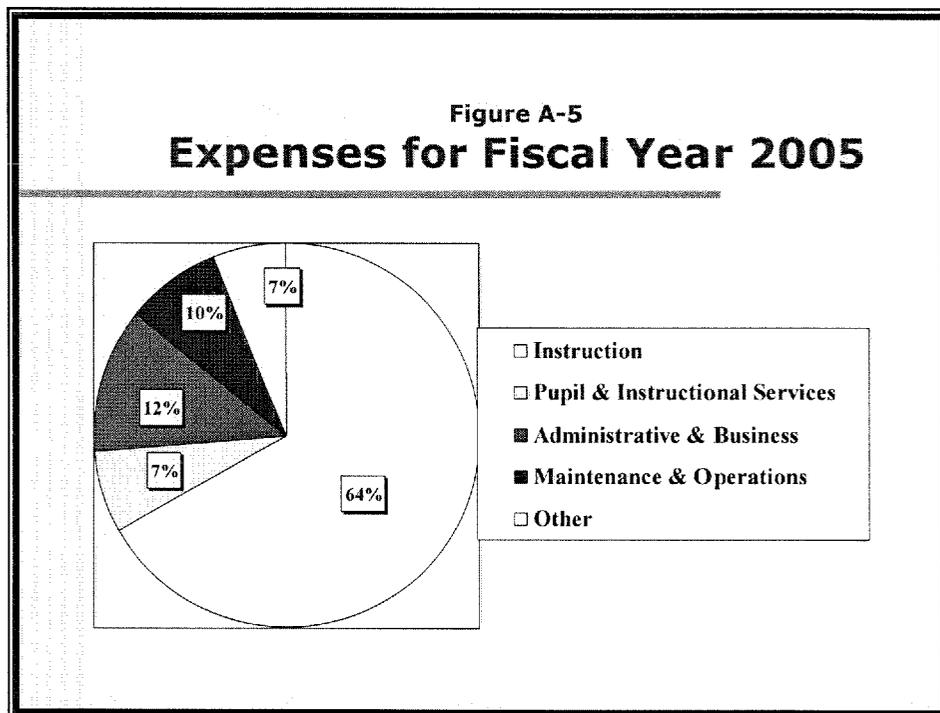


Figure A- 6 presents the cost of six major district activities: instruction, pupil and instructional services, administration and business, maintenance and operations, transportation, and other as compared to FY 2004 costs. The table also shows each activity's *net cost* (total cost less fees generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden placed on the District's taxpayers by each of these functions.

Figure A-6
Net Cost of Governmental Activities

	Total Cost of Services <u>2004</u>	Total Cost Of Services <u>2005</u>
Instruction	8,265,293	8,110,995
Pupil & Instructional Services	799,006	938,886
Administrative & Business	1,154,061	1,664,905
Maintenance & operations	872,370	1,371,861
Transportation	260,233	304,696
Other	650,257	611,351
Total	12,001,220	13,002,694

Note: totals may not add due to rounding.

- The cost of all governmental activities this year was \$13,002,694.
- The users of the District's programs financed some of the cost.
- The Federal government subsidized certain programs with grants and contributions of \$574,161.
- Most of the District's costs, however, were financed by District and state taxpayers.
- The non-federal portion of governmental activities was financed with \$4,865,269 in property taxes, \$6,659,227 of unrestricted state aid based on the statewide finance formula and the remainder with state grants, contributions, tuitions and other revenues.

Business-Type Activities

Revenues of the District's business-type activities were \$587,362 and expenses were \$614,487. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

Financial Analysis of the District's Funds

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

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported combined fund balances of \$2,046,675 a slight increase over last year's ending fund balances of \$2,002,893.

Governmental Fund Highlights

The District's improving General Fund financial position is the product of many factors. Both revenues and expenses increased over the previous year, however, the District's General Fund revenues exceeded total expenses and this resulted in an increase in the General Fund balance from \$1,271,114 to \$1,421,808.

The Capital Projects Fund balance increased due to the local option sales tax revenues received, the District ended fiscal 2005 with a balance of \$599,176 compared to a fiscal 2004 balance of \$375,860. Half of these revenues are spent to pay down existing debt with the other half committed to the High School Geothermal project.

Proprietary Fund Highlights

The School Nutrition Fund net assets increased from \$ 225,985 at June 30, 2004, to \$239,186 representing an increase of approximately 5 percent.

Budgetary Highlights

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 its private-purpose trust fund. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the cash basis. Over the course of the year, the District amended its annual operating budget one time to reflect a transfer of expenditure amounts. A schedule showing the original and final budget amounts compared to the District's actual financial activity is included in the required supplementary information section of this report.

Legal Budgetary Highlights

The District's total actual receipts were approximately \$1,526,000 less than the total budgeted receipts. The most significant change resulted in the District receiving less in various components of federal aid than originally anticipated.

Total expenditures were \$4,432,000 less than budgeted due primarily to the District's budget for the General Fund and Capital Projects 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 the actual expenditures during the year. Additionally, the District budgeted in the Capital Projects Fund for the High School Geothermal Project, the majority of those expenditures will be paid out during fiscal 2006.

Capital Asset and Debt Administration

Capital Assets

By the end of fiscal 2005, the District had invested in a broad range of assets, including school buildings, athletic facilities, computer and audio-visual equipment, and administrative offices. (See Figure A-7) Total depreciation expense for the year was \$387,708.

Figure A-7

Capital Assets (net of depreciation, in thousands of dollars)

	Governmental Activities		Business-type Activities		Total School District	
	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>
	Land	879	879			879
Buildings	7,621	7,618			7,621	7,618
Equipment & Furniture	847	830	45	37	892	830
Total	9,347	9,327	45	37	9,392	9,364

Note: totals may not add due to rounding.

Long-Term Debt

At year-end, the District had \$2,140,686 in general obligation bonds and other long-term debt outstanding. This represents a decrease of approximately 16% over the previous fiscal year as can be seen in

Figure A-8 below. More detailed information about the District's long-term liabilities is available in the notes to the financial statements.

In March 2000 the District's voters authorized the issuance of \$2,500,000 in

general obligation bonds to pay for construction of The Little Husky Learning Center and additions and improvements to Parkside Elementary and classroom additions at the High School, the bonds were sold during fiscal 2000. The District had total outstanding bonded indebtedness at June 30, 2004 of \$1,810,000.

Figure A-8
Outstanding Long-Term Debt (expressed in thousands)

	Total		Total
	School District		Percentage
	<u>2004</u>	<u>2005</u>	<u>2004-2005</u>
General obligation bonds	\$ 1,810	\$ 1,570	-13.0%
Notes Payable	754	571	-24.0%
Total	\$ 2,564	\$ 2,141	-16.0%

As of June 30, 2005 the District did not exceed its legal debt margin.

Factors Bearing on the District's Future

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

- Fiscal 2004-2005 marks yet another year of double digit medical insurance premium increases. Salary and benefit settlements, with any employee group, exceeding the rate of growth of state funding will have an adverse impact upon the District's General Fund budget. Future cuts to the instructional staff will need to be considered due to declining enrollment and salary and benefit increased costs.
- District enrollment in fiscal year 2005-2006 decreased 24 students of 1,444 in total budgeted enrollment. Under Iowa's school funding formula, District funding is highly dependant upon District enrollments. Future enrollment stability is a critical element in maintaining a sound financial foundation.

- The District approved the sale of \$1,900,000 in Local Option Sales Tax Bonds on July 7, 2005. These bonds will pay for the installation of a geothermal system at the High School. One half of the LOSS tax will be applied to the retirement of these revenue bonds.
- The District had delayed the purchase of a new school bus, pending the outcome of the geothermal project at the High School. The District has evaluated the condition of its transportation vehicles and determined that due to safety precautions, one bus must be replaced during fiscal 2006 at a cost of approximately \$70,000. To pay for the bus, the District will use resources from the Physical Plant and Equipment Levy Fund.
- District improvements include a new football stadium for Fall, 2005. A joint campaign with Board of Education and the Oelwein Booster Club is under way to raise funds for a new all-weather track. Future plans include determination of costs for possible improvements to the middle school pool and the feasibility of geothermal at Wings Park Elementary.

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability of the money it receives. If you have questions about this report or need additional financial information, contact Joan Loew, CPA, Business Manager, Oelwein Community School District, 307 Eighth Avenue S.E., Oelwein, IA 50662.

Oelwein Community School District
Statement of Net Assets
June 30, 2005

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents:			
ISCAP (note 5)	\$ 981,328	-	981,328
Other	3,668,633	189,190	3,857,823
Receivables:			
Property tax:			
Delinquent	80,859	-	80,859
Succeeding year	3,756,151	-	3,756,151
Accrued interest:			
ISCAP (note 5)	210	-	210
Other	-	-	-
Due from other governments	158,188	433	158,621
Inventories	-	12,506	12,506
Capital assets, net of accumulated depreciation (note 6)	9,326,247	37,057	9,363,304
Total assets	17,971,616	239,186	18,210,802
Liabilities			
Accounts payable	426,123	-	426,123
Salaries and benefits payable	1,388,027	-	1,388,027
Accrued interest payable	17,250	-	17,250
Deferred revenue-succeeding year property tax	3,756,151	-	3,756,151
ISCAP warrants payable (note 5)	1,009,206	-	1,009,206
ISCAP accrued interest payable (note 5)	187	-	187
Deposits Payable-Bond	19,000	-	19,000
Long-term liabilities (note 7):			
Portion due within one year:			
Bonds payable	250,000	-	250,000
Notes Payable	140,686	-	140,686
Portion due after one year:			
Bonds payable	1,320,000	-	1,320,000
Notes Payable	430,000	-	430,000
Total Liabilities	8,756,630	-	8,756,630
Net Assets			
Invested in net assets, net of related debt	7,185,561	37,057	7,222,618
Restricted for:			
Debt service	27,933	-	27,933
Capital projects	263,708	-	263,708
Management levy	(245,962)	-	(245,962)
Physical plant and equipment levy	354,213	-	354,213
Other special revenues purposes	224,975	-	224,975
Unrestricted	1,404,558	202,129	1,606,687
Total net assets	\$ 9,214,986	239,186	9,454,172

See notes to financial statements

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-type activities	Total
(4,895,518)	-	(4,895,518)
(2,624,984)	-	(2,624,984)
(590,493)	-	(590,493)
(8,110,995)	-	(8,110,995)
(651,403)	-	(651,403)
(287,483)	-	(287,483)
(707,652)	-	(707,652)
(622,828)	-	(622,828)
(334,425)	-	(334,425)
(1,371,861)	-	(1,371,861)
(304,696)	-	(304,696)
(4,280,348)	-	(4,280,348)
(7,136)	-	(7,136)
(132,415)	-	(132,415)
-	-	-
(132,415)	-	(132,415)
(12,530,894)	-	(12,530,894)
-	13,201	13,201
(12,530,894)	13,201	(12,517,693)
3,608,263	-	3,608,263
-	-	-
1,250,830	-	1,250,830
153,239	-	153,239
7,130,323	-	7,130,323
574,161	-	574,161
263,346	-	263,346
12,980,162	-	12,980,162
449,268	13,201	462,469
8,765,718	225,985	8,991,703
9,214,986	239,186	9,454,172

See notes to financial statements

Oelwein Community School District

Balance Sheet
Governmental Funds

June 30, 2005

	General	Debt Service	Capital Projects	Nonmajor Special Revenue	Total
Assets					
Cash and pooled investments:					
ISCAP (note 5)	\$ 981,328	-	-	-	981,328
Other	2,374,171	27,933	549,195	717,334	3,668,633
Receivables:					
Property tax:					
Delinquent	68,211	-	-	12,648	80,859
Succeeding year	2,929,736	-	-	826,415	3,756,151
Due from other governments	108,207	-	49,981	-	158,188
Accrued interest-ISCAP (note 5)	210	-	-	-	210
Total assets	6,461,863	27,933	599,176	1,556,397	8,645,369
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	95,705	-	316,468	13,950	426,123
Salaries and benefits payable	1,005,221	-	-	382,806	1,388,027
ISCAP warrants payable (note 5)	1,009,206	-	-	-	1,009,206
ISCAP accrued interest payable (note 5)	187	-	-	-	187
Deposits Payable-Bond	-	-	19,000	-	19,000
Deferred revenue:					
Succeeding year property tax	2,929,736	-	-	826,415	3,756,151
Total liabilities	5,040,055	-	335,468	1,223,171	6,598,694
Fund balances:					
Reserved for:					
Debt service	-	27,933	-	-	27,933
Capital projects	-	-	263,708	-	263,708
Unreserved	1,421,808	-	-	333,226	1,755,034
Total fund balances	1,421,808	27,933	263,708	333,226	2,046,675
Total liabilities and fund balances	\$ 6,461,863	27,933	599,176	1,556,397	8,645,369

Oelwein Community School District

Reconciliation of the Balance Sheet-Governmental Funds
to the Statement of Net Assets

June 30, 2005

Total fund balances of governmental funds (page 21)	\$ 2,046,675
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.	9,326,247
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.	(17,250)
Long-term liabilities, including bonds payable and compensated absences, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(2,140,686)</u>
Net assets of governmental activities (page 18)	<u><u>\$ 9,214,986</u></u>

Oelwein Community School District
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds
Year ended June 30, 2005

	General	Debt Service	Capital Projects	Nonmajor Special Revenue	Total
Revenues:					
Local sources:					
Local tax	\$3,462,585	-	617,478	785,206	4,865,269
Tuition	153,239	-	-	-	153,239
Other	262,950	-	396	464,920	728,266
State sources	7,130,323	-	-	704	7,131,027
Federal sources	574,161	-	-	-	574,161
Total revenues	11,583,258	-	617,874	1,250,830	13,451,962
Expenditures:					
Current:					
Instruction:					
Regular instruction	4,578,019	-	-	2,798	4,580,817
Special instruction	2,623,279	-	-	-	2,623,279
Other instruction	153,597	-	-	436,896	590,493
	<u>7,354,895</u>	<u>-</u>	<u>-</u>	<u>439,694</u>	<u>7,794,589</u>
Support services:					
Student services	651,403	-	-	-	651,403
Instructional staff services	287,483	-	-	-	287,483
General administration services	239,086	-	-	466,843	705,929
School administration	622,828	-	-	-	622,828
Business	334,425	-	-	-	334,425
Operation and maintenance of plant services	949,467	-	341,787	74,130	1,365,384
Transportation services	228,972	-	-	20,376	249,348
	<u>3,313,664</u>	<u>-</u>	<u>341,787</u>	<u>561,349</u>	<u>4,216,800</u>
Non-instructional programs	7,136	-	-	-	7,136
Other expenditures:					
Facilities acquisition	50,799	-	224,429	84,348	359,576
Long-term debt:					
Principal	57,593	364,672	-	-	422,265
Interest and fiscal charges	1,312	134,458	244	-	136,014
AEA flowthrough	471,800	-	-	-	471,800
	<u>581,504</u>	<u>499,130</u>	<u>224,673</u>	<u>84,348</u>	<u>1,389,655</u>
Total expenditures	11,257,199	499,130	566,460	1,085,391	13,408,180
Excess (deficiency) OF revenues over (under) expenditures	326,059	(499,130)	51,414	165,439	43,782
Other financing sources (uses):					
Operating transfers in	-	476,838	-	6,566	483,404
Operating transfers out	(175,365)	-	(163,566)	(144,473)	(483,404)
Loan proceeds	-	-	-	-	-
Total other financing sources (uses)	(175,365)	476,838	(163,566)	(137,907)	-
Net change in fund balances	150,694	(22,292)	(112,152)	27,532	43,782
Fund balances beginning of year	1,271,114	50,225	375,860	305,694	2,002,893
Fund balances end of year	<u>\$1,421,808</u>	<u>27,933</u>	<u>263,708</u>	<u>333,226</u>	<u>2,046,675</u>

Oelwein Community School District

Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances-Governmental Funds
to the Statement of Activities

Year ended June 30, 2005

Net change in fund balances (page 23)	\$ 43,782
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**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 are as follows:

Capital outlays (net)	359,556	
Depreciation expense	<u>(379,934)</u>	(20,378)

Repayment of long-term debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets.

422,265

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. The decrease in interest payable over the prior year is an expense reduction in the Statement of Net Assets.

3,599

Change in net assets of governmental activities (page 20)	<u>\$ 449,268</u>
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Oelwein Community School District

Statement of Net Assets
Proprietary Fund

June 30, 2005

	<u>School Nutrition</u>
Assets	
Cash and cash equivalents	\$ 189,190
Due from other governments	433
Inventories	12,506
Capital assets, net of accumulated depreciation	<u>37,057</u>
Total assets	<u>239,186</u>
Liabilities	
Accounts payable	<u>-</u>
Total liabilities	<u>-</u>
Net Assets	
Invested in capital assets, net of related debt	37,057
Unrestricted	<u>202,129</u>
Total net assets	<u><u>\$ 239,186</u></u>

See notes to financial statements

Oelwein Community School District

Statement of Revenues, Expenses and Changes in Net Assets
Proprietary Fund

Year ended June 30, 2005

	<u>School Nutrition</u>
Operating revenue:	
Local sources:	
Charges for service	<u>\$ 271,865</u>
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries and benefits	283,530
Purchased services	798
Supplies	322,385
Depreciation	7,774
Total operating expenses	<u>614,487</u>
Operating loss	<u>(342,622)</u>
Non-operating revenue	
State sources	8,418
Federal sources	346,427
Interest on investments	978
Total non-operating revenue	<u>355,823</u>
Change in net assets	13,201
Net assets beginning of year	<u>225,985</u>
Net assets end of year	<u><u>\$ 239,186</u></u>

See notes to financial statements

Oelwein Community School District

Statement of Cash Flows
Proprietary Fund

Year ended June 30, 2005

	<u>School Nutrition</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 271,865
Cash payments to employees for services	(284,240)
Cash payments to suppliers for goods or services	(283,858)
Net cash used in operating activities	<u>(296,233)</u>
Cash flows from non-capital financing sources:	
State grants received	8,418
Federal grants received	303,621
Net cash provided by non-capital financing activities	<u>312,039</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	-
Net cash used in capital and related financing activities	<u>-</u>
Cash flows from investing activities:	
Interest	<u>978</u>
Net increase in cash	16,784
Cash and cash equivalents at beginning of year	<u>172,406</u>
Cash and cash equivalents at end of year	<u>\$ 189,190</u>

See notes to financial statements

Oelwein Community School District

Statement of Cash Flows
Proprietary Fund

Year ended June 30, 2005

	<u>School Nutrition</u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (342,622)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities used	39,977
Depreciation	7,774
(Increase) in inventories	(652)
(Decrease) in accounts payable	-
(Decrease) in salaries and benefits payable	<u>(710)</u>
Net cash used in operating activities	<u><u>\$ (296,233)</u></u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2005, the District received \$42,373 of federal commodities.

Oelwein Community School District
Statement of Fiduciary Net Assets
Fiduciary Funds

June 30, 2005

Private Purpose Trust
Scholarship

Assets

Cash and pooled investments	\$ 15,459
Accrued interest receivable	94
Due from other governments	-
	<hr/>
Total assets	15,553
	<hr/>

Liabilities

Accounts payable	-
Due to other governments	-
	<hr/>
Total liabilities	-
	<hr/>

Net Assets

Reserved for scholarships	\$ 15,553
	<hr/> <hr/>

Oelwein Community School District
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds

Year ended June 30, 2005

	Private Purpose Trust
	Scholarship
Additions:	
Local sources:	
Other	\$ -
Interest	750
Total additions	750
 Deductions:	
Support services:	
Scholarships awarded	750
 Change in net assets	-
 Net assets beginning of year	15,553
 Net assets end of year	\$ 15,553

See notes to financial statements

Oelwein Community School District

Notes to Financial Statements

June 30, 2005

(1) Summary of Significant Accounting Policies

Oelwein Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses included remedial education as well as vocational and recreational courses. The geographic area served include the Cities of Oelwein, Hazleton, and Stanley, Iowa, and the predominate agricultural territory in Fayette and Buchanan Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

A. Reporting Entity

For financial reporting purposes, Oelwein Community School 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. Oelwein Community School District has no component units that 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 Fayette and Buchanan County Assessor's Conference Boards.

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 for 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:

Oelwein Community School District

Notes to Financial Statements

June 30, 2005

B. Basis of Presentation (continued)

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 place 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 that are imposed by management, but can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

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

The District reports the following major governmental funds:

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

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

Oelwein Community School District

Notes to Financial Statements

June 30, 2005

B. Basis of Presentation (continued)

The District reports the following major proprietary fund:

The District's proprietary fund is the School Nutrition Fund. This fund is used to account for the food service operations of the District.

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues.

Oelwein Community School District

Notes to Financial Statements
June 30, 2005

C. Measurement Focus and Basis of Accounting (continued)

Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as 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 the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

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

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

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax

Oelwein Community School District

Notes to Financial Statements

June 30, 2005

D. Assets, Liabilities and fund Equity (continued)

Property Tax Receivable (continued)

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2003 assessed property valuations; is for the tax accrual period July 1, 2004 through June 30, 2005 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2004.

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	\$ 2,500
Buildings	2,500
Improvement other than buildings	2,500
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	2,500

Oelwein Community School District

Notes to Financial Statements

June 30, 2005

D. Assets, Liabilities and fund Equity (continued)

Capital Assets (continued)

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

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	50 Years
Improvements other than buildings	20-50 Years
Furniture and equipment	5-15 Years

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

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

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

Compensated Absences – District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2005. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

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

Oelwein Community School District

Notes to Financial Statements

June 30, 2005

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 legislations.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2005, disbursements in each functional area did not exceed the amounts budgeted.

(2) Cash and Pooled Investments

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

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-ended 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 \$21,354 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.

(3) Due From and Due to Other Funds

There were no interfund receivable or payable balances at June 30, 2005.

Oelwein Community School District

Notes to Financial Statements

June 30, 2005

(4) Interfund Transfers

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

Transfer to	Transfer from	Amount
Physical Plant and Equipment Levy	Capital Projects	\$ 6,566
Debt Service	Physical Plant and Equipment Levy	144,473
Debt Service	General	175,365
Debt Service	Capital Projects	<u>157,000</u>
Total		<u>\$483,404</u>

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

(5) Iowa School 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, 2005 is as follows:

Series	Warrant Date	Final Warrant Maturity	Investment	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable
2005-2006A	6/28/2005	6/28/2006	<u>981,328</u>	210	<u>1,009,206</u>	<u>187</u>

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 addition, 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. ISCAP advance activity in the General Fund for the year ended June 30, 2005 is as follows:

Oelwein Community School District

Notes to Financial Statements

June 30, 2005

(5) Iowa School Cash Anticipation Program (ISCAP) (continued)

	Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
2004-2005A	\$ -	-	-	-

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

Series	Interest Rates on Warrants	Interest Rates on Investments
2005-2006A	3.5000%	3.9030%

(6) Capital Assets

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 879,013	-	-	879,013
Total capital assets not Being depreciated	879,013	-	-	879,013
Capital assets being depreciated:				
Buildings	10,382,136	243,123	-	10,625,259
Furniture & equipment	1,767,571	116,433	28,707	1,855,297
Total capital assets being depreciated	12,149,707	359,556	28,707	12,480,556
Less accumulated Depreciation for:				
Buildings	2,761,745	246,222	-	3,007,967
Furniture & equipment	920,350	133,712	28,707	1,025,355
Total accumulated depreciation	3,682,095	379,934	28,707	4,033,322
Total Capital assets being depreciated, net	8,467,612	(20,378)	-	8,447,234
Governmental activities capital assets, net	\$9,346,625	(20,378)	-	9,326,247

Oelwein Community School District

Notes to Financial Statements

June 30, 2005

(6) Capital Assets (continued)

	Balance Beginning of Year, as restated	Increases	Decreases	Balance End of Year
Business-type activities:				
Furniture & Equipment	\$ 132,985	-	-	132,985
Less accumulated depreciation	88,154	7,774	-	95,928
Business-type activities				
Capital assets, net	\$ 44,831	7,774	-	37,057

Depreciation expense was charged by the District as follows:

Governmental activities:

Instruction:

Regular	\$ 314,701
Special	1,705

Support Activities

Administration	1,723
Operation and maintenance of plant	6,457
Transportation	55,348

Total governmental activities depreciation expense \$ 379,934

Business-type activities:

Food services \$ 7,774

(7) Long-Term Liabilities

Changes in Long-term liabilities for the year ended June 30, 2005 are summarized as follows:

	Balance Beginning Of Year	Additions	Reductions	Balance End of Year	Due Within One Year
General obligation bonds	\$1,810,000	-	240,000	1,570,000	250,000
Notes payable	753,673	-	182,987	570,686	140,686
Total	\$2,563,673	-	422,987	2,140,686	390,686

Early Retirement

The District offers a voluntary early retirement plan to its employees. Eligible employees must have completed fifteen years of continuous service to the District. Employees must complete an application which is required to be approved by the Board of Education. The early retirement incentive for each eligible employee is equal to 15-25% of the employee's base salary calculated by using the current year regular salary schedule, less any other additional pay. Certified staff's benefit is dependent on age, longevity and degree lane. Early retirement benefits paid during the year ended June 30, 2005, totaled \$207,265. The cost of early retirement payments expected to be liquidated currently are recorded as a liability of the Special Revenue, Management Levy Fund.

Oelwein Community School District

Notes to Financial Statements

June 30, 2005

(7) Long-Term Liabilities (continued)

GENERAL OBLIGATION SCHOOL BONDS

The Oelwein Community School District received proceeds of \$2,500,000 from the issue of general obligation bonds dated March 1, 2000. This bond issue is being used for the purpose of providing funds to build classroom additions at Oelwein High School and Parkside Elementary School. Details of the District's June 30, 2005 general obligation bonded indebtedness are as follows:

<u>Year</u> <u>Ending</u> <u>June 30,</u>	<u>Interest</u> <u>Rates</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	5.50%	\$ 250,000	83,345	333,345
2007	5.45	265,000	69,595	334,595
2008	5.15	275,000	55,152	330,152
2009	5.20	290,000	40,990	330,990
2010	5.25	305,000	25,910	330,910
2011	5.35	185,000	9,898	194,898
Total		<u>\$1,570,000</u>	<u>284,890</u>	<u>1,854,890</u>

NOTES PAYABLE – ENERGY MANAGEMENT IMPROVEMENT CAPITAL LOAN NOTE

The Oelwein Community School District received proceeds of \$850,000 from an Energy Management Improvement Capital Loan Note dated June 1, 2000. These note proceeds are being used for a geothermal project at the Oelwein Middle School. Details of the District's June 30, 2005 Energy Management Improvement Capital Loan Note indebtedness is as follows:

<u>Year</u> <u>Ending</u> <u>June 30,</u>	<u>Interest</u> <u>Rates</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	5.40%	\$ 95,000	29,280	124,280
2007	5.50	100,000	24,150	124,150
2008	5.60	105,000	18,650	123,650
2009	5.65	110,000	12,770	122,770
2010	5.70	115,000	6,555	121,555
Total		<u>\$525,000</u>	<u>91,405</u>	<u>616,405</u>

Oelwein Community School District

Notes to Financial Statements

June 30, 2005

(7) Long-Term Liabilities (continued)

NOTES PAYABLE – FIRST NATIONAL BANK

The District entered into a loan agreement with First National Bank on July 23, 2003 for \$59,693. This loan was used in the General Fund for the purchase of band equipment. The due date of this loan is July 23, 2006. The interest rate on this loan is 1.24%. The District will make annual principal payments of \$20,384 beginning July 23, 2004. Details of the District's June 30, 2005 indebtedness for this loan at First National Bank is as follows:

Year Ending June 30,	Principal	Interest	Total
2006	<u>\$ 15,428</u>	<u>733</u>	<u>16,161</u>

NOTES PAYABLE – CAPITAL LOANS

The District entered into a capital loan agreement with Blue Bird Leasing on August 15, 2002 for \$65,054. The due date of this loan is August 15, 2005. The interest rate on the loan is 4.50%. The District indebtedness for the loan at Blue Bird Leasing is as follows:

Year Ending June 30,	Principal	Interest	Total
2006	<u>\$ 30,258</u>	<u>1,362</u>	<u>31,620</u>

Total Notes Payable:

Energy Management Improvement	
Capital Loan Note	\$525,000
Capital Loans	30,258
First National Bank	<u>15,428</u>
Total	<u>\$570,686</u>

(8) Pension and Retirement Benefits

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

Plan members are required to contribute 3.70% of their annual covered salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2005, 2004 and 2003. Contribution requirements are established by state statute. The District's contribution to IPERS for the

Oelwein Community School District

Notes to Financial Statements

June 30, 2005

(8) Pension and Retirement Benefits (continued)

years ended June 30, 2005, 2004, and 2003 were \$397,736, \$372,474, \$372,799, respectively, and were equal to the required contributions for each year.

(9) Risk Management

Oelwein Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from the risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(10) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$471,800 for the year ended June 30, 2005 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(11) Deficit Fund Balance

The District has an unreserved fund deficit balance of \$245,962 in the Management Levy Fund. This deficit balance is created by the recognition of the liability for the future payment of early retirement commitments.

Required Supplementary Information

Total Actual	Budgeted Amounts		Final to Actual Variance- Positive Negative
	Original	Final	
5,974,257	7,113,942	7,113,942	(1,139,685)
7,159,149	7,421,489	7,421,489	(262,340)
855,684	980,000	980,000	(124,316)
<u>13,989,090</u>	<u>15,515,431</u>	<u>15,515,431</u>	<u>(1,526,341)</u>
8,045,399	9,977,946	9,977,946	1,932,547
3,587,866	4,121,639	4,121,639	533,773
575,200	700,000	700,000	124,800
1,324,694	3,166,335	3,166,335	1,841,641
<u>13,533,159</u>	<u>17,965,920</u>	<u>17,965,920</u>	<u>4,432,761</u>
455,931	(2,450,489)	(2,450,489)	2,906,420
<u>19,000</u>	<u>-</u>	<u>-</u>	<u>19,000</u>
474,931	(2,450,489)	(2,450,489)	2,925,420
<u>3,382,891</u>	<u>2,723,372</u>	<u>2,723,372</u>	<u>659,519</u>
<u><u>3,857,822</u></u>	<u><u>272,883</u></u>	<u><u>272,883</u></u>	<u><u>3,584,939</u></u>

See accompanying independent auditor's report

Oelwein Community School District
 Budgetary Comparison Schedule-Budget to GAAP Reconciliation
 Required Supplementary Information
 Year ended June 30, 2005

	Governmental Fund Types		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	13,423,208	28,754	13,451,962
Expenditures	12,965,061	443,119	13,408,180
Net	458,147	(414,365)	43,782
Beginning fund balances	3,210,486	(1,207,593)	2,002,893
Ending fund balances	3,668,633	(1,621,958)	2,046,675

	Proprietary Fund Type		
	Enterprise		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	584,882	42,806	627,688
Expenses	568,098	46,389	614,487
Net	16,784	(3,583)	13,201
Beginning net assets	172,406	53,579	225,985
Ending net assets	189,190	49,996	239,186

See accompanying independent auditor's report

Oelwein community School District

Notes to Required Supplementary Information – Budgetary Reporting

Year ended June 30, 2005

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private Purpose Trust. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the cash basis. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as 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 District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2005, disbursements did not exceed the amounts budgeted.

Oelwein Community School District

Oelwein Community School District

Combining Balance Sheet
Nonmajor Special Revenue Funds

June 30, 2005

	Management Levy	Student Activity	Physical Plant and Equipment Levy	Total
Assets				
Cash and pooled investments	\$ 128,884	224,975	363,475	717,334
Receivable:				
Property tax:				
Delinquent	7,960	-	4,688	12,648
Succeeding year	600,000	-	226,415	826,415
Total assets	736,844	224,975	594,578	1,556,397
Liabilities and Fund Equity				
Liabilities:				
Accounts payable	-	-	13,950	13,950
Salaries and benefits payable	382,806	-	-	382,806
Deferred revenue:				
Succeeding year property tax	600,000	-	226,415	826,415
Total liabilities	982,806	-	240,365	1,223,171
Fund equity:				
Unreserved fund balances	(245,962)	224,975	354,213	333,226
Total liabilities and fund equity	\$ 736,844	224,975	594,578	1,556,397

Oelwein Community School District

Combining Schedule of Revenues, Expenditures
and Changes in Fund Balances
Nonmajor Special Revenue Funds

Year ended June 30, 2005

	Management Levy	Student Activity	Physical Plant and Equipment Levy	Total
Revenues:				
Local sources:				
Local tax	\$ 378,751	-	406,455	785,206
Other		456,269	8,651	464,920
State sources	443	-	261	704
Total revenues	379,194	456,269	415,367	1,250,830
Expenditures:				
Current:				
Instruction:				
Regular instruction	2,798	-	-	2,798
Other instruction	-	436,896	-	436,896
Support services:				
Administration services	466,843	-	-	466,843
Transportation	20,376	-	-	20,376
Operation and maintenance of plant services	35,599	-	38,531	74,130
Other expenditures:				
Facilities acquisition	-	-	84,348	84,348
Total expenditures	525,616	436,896	122,879	1,085,391
Excess (deficiency) of revenues over (under) expenditures	(146,422)	19,373	292,488	165,439
Other financing sources (uses):				
Operating transfers in	-	-	6,566	6,566
Operating transfers out	-	-	(144,473)	(144,473)
Total other financing sources (uses)	-	-	(137,907)	(137,907)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(146,422)	19,373	154,581	27,532
Fund balances beginning of year	(99,540)	205,602	199,632	305,694
Fund balances end of year	\$ (245,962)	224,975	354,213	333,226

Oelwein Community School District
 Schedule of Changes in Special Revenue Fund
 Student Activity Accounts
 Year ended June 30, 2005

	Balance Beginning of Year	Transfers In (Out)	Revenues	Expenditures	Balance End Year
<u>Central Office</u>					
Americorp	\$ -	-	-	-	-
Alternative School	43	-	470	179	334
Alternative School Activity	28	-	200	-	228
F.A.S.T.	-	-	-	-	-
Savings Interest Reserve	-	-	-	-	-
Miscellaneous Revolving Receipts	7,191	-	8,323	8,419	7,095
District Football	-	-	-	-	-
Elementary Building Account	13,383	-	77,920	82,054	9,249
LHLC Building Account	-	-	-	-	-
K-1 Building Account	5,249	-	8,394	4,914	8,729
Parents As Teachers	-	-	-	-	-
Office Account	3,419	-	7,503	10,199	723
Sports Complex	-	-	-	-	-
Computer Fee	-	-	-	-	-
Husky Hub Center	27,213	-	9,752	7,683	29,282
Transfers-Central Office	-	-	-	-	-
Total	56,526	-	112,562	113,448	55,640
<u>Senior High Activity</u>					
Ag Department	1,295	1,546	20,961	23,802	-
Athletic Equipment	2,786	(3,505)	719	-	-
General Activities	23,786	(52,239)	44,477	12,404	3,620
Annual	323	226	12,027	12,576	-
Band Club	2,488	(314)	31,294	28,052	5,416
Student Council	765	-	3,076	1,619	2,222
Distributive Ed. Club	6,881	-	23,985	25,435	5,431
Football Club	6,193	(957)	8,706	8,904	5,038
Band Trip	-	-	4,798	2,634	2,164
Baseball	-	10,305	-	5,555	4,750
Basketball - Boys	-	5,215	-	2,515	2,700
Basketball - Girls	-	5,152	-	2,452	2,700
Boys Track	-	2,395	-	1,395	1,000
Newspaper Club	939	-	3,995	2,343	2,591
Drama Club	3,714	-	8,320	3,746	8,288
Vocal Music Club	2,525	-	11,861	10,351	4,035
Activity Office	-	-	-	-	-
Band	-	9,564	-	4,814	4,750
Baseball Club	214	(2,055)	4,457	1,953	663

See accompanying independent auditor's report

Oelwein Community School District
 Schedule of Changes in Special Revenue Fund
 Student Activity Accounts
 Year ended June 30, 2005

	Balance Beginning of Year	Transfers In (Out)	Revenues	Expenditures	Balance End Year
<u>Senior High Activity (Continued):</u>					
Basketball Club - Boys	60	-	6,532	4,598	1,994
Basketball Club - Girls	1,044	-	3,078	3,781	341
Concessions	25,217	(14,867)	22,564	15,914	17,000
Football	-	17,658	-	8,958	8,700
Cheerleader Club	4,138	-	13,151	11,650	5,639
Interest Revenue Account	4,907	-	1,994	-	6,901
Golf - Boys	-	2,190	-	1,090	1,100
Golf - Girls	-	2,030	-	930	1,100
Tournaments	8,543	5	3,453	837	11,164
Tournaments-Gates	5	(5)	27,665	26,514	1,151
Vocal Music	-	5,200	-	2,500	2,700
Class of 2006	137	1,018	10,342	6,354	5,143
Class of 2007	72	-	2,427	2,440	59
Class of 2008	-	-	80	51	29
Class of 2009	5,096	(1,018)	112	1,959	2,231
Wrestling Club	1,344	(371)	2,135	2,305	803
Volleyball Club	787	(801)	2,984	693	2,277
Softball Club	1,182	-	5,668	6,806	44
Track Club - Boys	1,231	(395)	224	271	789
Softball	-	4,537	-	1,737	2,800
Track - Girls	-	2,450	-	1,450	1,000
Wrestling	-	4,771	-	2,371	2,400
Cross Country Track - Girls & Boys	-	990	-	490	500
Tennis - Boys	-	777	-	427	350
Williams Center	-	-	240	240	-
Husky Elite Club	56	-	-	25	31
Newspaper	-	600	37	337	300
Speech	-	2,327	-	1,127	1,200
Lockers	2,298	-	871	400	2,769
Post Prom	2,285	-	2,490	3,188	1,587
Cheerleading	-	2,100	-	1,000	1,100
F.F.A. Grant	-	(1,546)	6,000	444	4,010
Drama	-	6,626	-	1,626	5,000
Girls Track Club	656	(450)	502	604	104
Academic Decathlon	100	-	-	-	100
Art	32	-	-	-	32
Club Husky	2,825	-	1,526	1,431	2,920
Manufacturing Club	123	-	907	220	810
Tennis - Girls	-	434	-	84	350
Volleyball	-	5,701	-	3,201	2,500
Total	114,047	15,294	293,658	268,603	154,396

See accompanying independent auditor's report

Oelwein Community School District
 Schedule of Changes in Special Revenue Fund
 Student Activity Accounts
 Year ended June 30, 2005

	Balance Beginning of Year	Transfers In (Out)	Revenues	Expenditures	Balance End Year
<u>Junior High Activity</u>					
Track Fund	-	-	5,000	3,323	1,677
General Activities	1,219	5,140	5,749	12,108	-
Softball	-	100	-	100	-
Cheerleading	-	255	-	255	-
Drama	-	570	-	570	-
Activity Office	8,862	-	593	745	8,710
Annual	-	15	2,218	2,233	-
Band Club	258	65	776	1,099	-
Basketball	-	1,896	-	1,896	-
Football	-	4,517	-	4,517	-
Magazine Campaign	10,258	(18,916)	25,345	16,687	-
Interest Reserve Account	4,429	(6,423)	1,994	-	-
Student Council	3,298	-	1,271	2,080	2,489
Student Purchases	6,446	(9,083)	4,824	942	1,245
Track	-	3,067	-	3,067	-
Vocal Music	-	351	-	351	-
Wrestling	-	959	-	959	-
6-7-8 Club	-	1,176	794	1,970	-
Band	-	512	-	512	-
Industrial Arts Club	21	-	-	-	21
Baseball	-	-	-	-	-
Vocal Music Club	238	-	1,485	926	797
Volleyball	-	505	-	505	-
Total	35,029	(15,294)	50,049	54,845	14,939
Total Student Activity	205,602	-	456,269	436,896	224,975

See accompanying independent auditor's report

Oelwein Community School District

Schedule of Revenues by Source and Expenditures by Function
All Governmental Fund Types

For the Last Four Years

	Modified Accrual Basis			
	2005	2004	2003	2002
Revenues:				
Local sources:				
Local tax	\$ 4,865,269	4,419,270	3,905,021	3,417,898
Tuition	153,239	101,933	198,316	-
Other	728,266	749,597	880,600	-
State sources	7,131,027	7,145,234	7,175,310	7,113,209
Federal sources	574,161	565,064	637,381	924,594
Total	<u>\$13,451,962</u>	<u>12,981,098</u>	<u>12,796,628</u>	<u>11,455,701</u>
Expenditures:				
Instruction:				
Regular instruction	\$ 4,580,817	4,748,953	4,523,914	4,963,094
Special instruction	2,623,279	2,045,139	1,978,857	1,838,670
Other instruction	590,493	1,255,858	1,218,585	1,275,890
Support services:				
Student services	651,403	540,265	524,917	517,789
Instructional staff services	287,483	258,741	315,721	453,302
Administration services	705,929	438,473	500,212	460,730
School administration	622,828	552,707	595,860	596,272
Business administration	334,425	161,158	368,356	351,957
Operation and maintenance of plant services	1,365,384	869,678	748,058	789,129
Transportation services	249,348	215,082	183,698	171,151
Non-instructional programs	7,136	9,423	26,768	-
Other expenditures:				
Facilities acquisition	359,576	342,648	1,180,517	4,367,230
Long-term debt:				
Principal	422,265	443,326	378,734	320,626
Interest and other charges	136,014	157,367	199,149	190,544
AEA flowthrough	471,800	479,662	508,209	511,208
Total	<u>\$13,408,180</u>	<u>12,518,480</u>	<u>13,251,555</u>	<u>16,807,592</u>

Oelwein Community School District
 Schedule of Expenditures of Federal Awards
 Year ended June 30, 2005

Grantor/Program	CFDA Number	Grant Number	Expenditures
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Education:			
Food Distribution (non-cash)	10.550	FY05	\$ 42,373
School Nutrition Cluster Programs			
Team Nutrition	10.514	FY05	933
School Breakfast Program	10.553	FY05	60,911
National School Lunch Program	10.555	FY05	242,210
			<u>304,054</u>
U.S. Department of Education:			
Iowa Department of Education:			
Title I Grants to Local Educational Agencies	84.010	FY05	337,088
Individuals with Disabilities Education Act	84.027	FY05	84,680
Vocational Education-Basic Grants to States	84.048	FY05	1,818
Improving Teacher Quality State Grants	84.367	FY05	119,412
Safe and Drug-Free Schools and Communities-State Grants	84.186	FY05	10,591
State Grants for Innovative Programs	84.298	FY05	15,017
Title VIA	84.369	FY05	8,496
Title II D	84.318	FY05	2,863
U.S. Department of Health and Human Services:			
Iowa Department of Education:			
Medicaid Assistance Program	93.778	FY05	50,725
Total			<u>\$ 977,117</u>

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of the Oelwein Community 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.



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Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters

Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

To the Board of Education of
Oelwein Community School District:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Oelwein Community School District as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated September 30, 2005. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Oelwein Community School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. No reportable conditions were noted 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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. We noted no matters involving internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Oelwein Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain

immaterial instances of non-compliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

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

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Oelwein Community School District and other parties to whom Oelwein Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Oelwein Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Ridihalgh, Fuelling, Snitker, Weber & Co., P.C.

Ridihalgh, Fuelling, Snitker, Weber & Co., P.C.
Certified Public Accountants

September 30, 2005



RIDIHALGH, FUELLING, SNITKER, WEBER & CO., P.C.

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

To the Board of Education of
Oelwein Community School District:

Compliance

We have audited the compliance of Oelwein Community School District with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2005. Oelwein Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Oelwein Community School District's management. Our responsibility is to express an opinion on Oelwein Community School District's compliance based on our audit.

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

In our opinion, Oelwein Community School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005.

Internal Control Over Compliance

The management of Oelwein Community 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 our audit, we considered Oelwein Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect Oelwein Community School District's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grants.

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 non-compliance 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. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. We noted no matters involving internal control over compliance and its operation that we consider to be material weaknesses.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Oelwein Community School District and other parties to whom Oelwein Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

Ridihalgh, Fuelling, Snitker, Weber & Co., P.C.

Ridihalgh, Fuelling, Snitker, Weber & Co., .C.
Certified Public Accountants

September 30, 2005

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

Part I: Summary of the Independent Auditor's Results

- a) An unqualified opinion was issued on the financial statements.
- b) No reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements.
- c) The audit did not disclose any noncompliance which is material to the financial statements.
- d) No reportable conditions in internal control over major programs were disclosed by the audit of the financial statements.
- e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- f) The audit disclosed no audit findings, which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- g) Major programs were as follows:
 - CFDA #84.010 – Title I Grants to Local Educational Agencies
 - Clustered programs:
 - CFDA #10.514 Team Nutrition
 - CFDA #10.553 School Breakfast Program
 - CFDA #10.555 National School Lunch Program
- h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- i) Oelwein Community School District did qualify as a low-risk auditee.

Part II: Findings Related to the Financial Statements:

INSTANCES OF NONCOMPLIANCE:

No matters were noted.

REPORTABLE CONDITIONS:

No reportable conditions.

Part III: Findings and Questioned Costs for Federal Awards:

INSTANCES OF NONCOMPLIANCE:

No matters were noted.

REPORTABLE CONDITIONS:

No reportable conditions.

Part IV: Other Findings Related to Statutory Reporting:

- IV-A-05 Official Depositories – Official depositories have been approved by the District. The maximum deposit amounts approved were not exceeded during the year ended June 30, 2005.
- IV-B-05 Certified Budget – Disbursements for the year ended June 30, 2005, did not exceed the amounts budgeted.

OELWEIN COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2005

Part IV: Other Findings Related to Statutory Reporting: (continued)

- IV-C-05 Questionable Disbursements – No disbursements were noted that might not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- IV-D-05 Travel Expense – No expenditures of District money for travel expense of spouses of District officials or employees was noted. No travel advances to District officials or employees were noted.
- IV-E-05 Business Transactions – No business transactions between the District and District officials and employees were noted.
- IV-F-05 Bond Coverage – Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.
- IV-G-05 Board Minutes – No transactions requiring Board approval which had not been approved by the Board were noted.
- IV-H-05 Certified Enrollment – No variances in the basic enrollment data certified to the Department of Education were noted.
- IV-I-05 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the District's investment policy were noted.
- IV-J-05 Certified Annual Report – The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.
- IV-K-05 Deficit Balances– The Special Revenue Fund – Management Fund had a deficit at June 30, 2005.

Recommendation – The District should continue to monitor this account and investigate alternatives to eliminate this deficit in order to return the Fund to a sound financial condition.

Response – We are working on this.

Conclusion – Response accepted.

- IV-L-05 Account Classification – The Activity Fund had an account that was incorrectly classified. The account labeled "Office Account" had activity that should have been recorded in the General Fund.

Recommendation – The District should record these revenues and expenditures in the General Fund.

Response – In the future, we will record this in the General Fund.

Conclusion – Response accepted.

OELWEIN COMMUNITY SCHOOL DISTRICT

AUDIT STAFF

This audit was performed by:

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David L. Fox, CPA