

OLIN CONSOLIDATED INDEPENDENT SCHOOL DISTRICT

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

JUNE 30, 2005

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OLIN CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
 Officials
 June 30, 2005

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
(Before September 2004 Election)		
Margo Ahrendsen	Board President	2005
Mike Hansen	Board Member	2004
Ned Rohwedder	Board Member	2004
Brian Bean	Board Member	2005
Randy Cress	Board Member	2006
(After September 2004 Election)		
Margo Ahrendsen	Board President	2005
Brian Bean	Board Member	2005
Randy Cress	Board Member	2006
Mike Hansen	Board Member	2007
Ned Rohwedder	Board Member	2007
School Officials		
Juanita Suhr	Superintendent	2005
Carrie Fortin	District Secretary/Treasurer & Business Manager	2005
Ahlers & Cooney, P.C.	Attorney	2005

KAY L. CHAPMAN, CPA PC

210 Cedar Street
Muscatine, Iowa 52761
563-264-1385

Independent Auditor's Report

To the Board of Education
Olin Consolidated Independent School District

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

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

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

In accordance with Government Auditing Standards, I have also issued my report dated November 8, 2005 on my consideration of Olin Consolidated Independent School District's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of my audit.

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

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Olin Consolidated Independent School District's basic financial statements. I previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the one year ended June 30, 2004 (which are not presented herein) and expressed an unqualified opinion on those financial statements. The financial statements for the two years ended June 30, 2003 (which are not presented herein) were audited by other auditors who expressed unqualified opinions of those financial statements. Other supplementary information included in Schedules 1 through 5, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in my audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Kay L. Chapman, CPA PC
November 8, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

2005 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$2,256,163 in fiscal 2004 to \$2,523,057 in fiscal 2005, and General Fund expenditures decreased from \$2,423,194 in fiscal 2004 to \$2,402,193 in fiscal 2005. The District's General Fund balance increased from \$124,777 in fiscal 2004 to \$254,641 in fiscal 2005, a 104% increase.
- The increase in General Fund revenues was attributable to the following: Increased property tax due to starting an At Risk Program approximately \$58,000; we received the first of our income surtax money- approximately \$54,000; Start of the Teacher Quality Pay Funding - approximately \$43,400; improved interest rates increased the interest received by approximately \$12,000; received more REAP reimbursement in FY05 than FY04 by \$35,700; the remaining is increased state aide and property tax. The decrease in expenditures was due primarily to staff re-assignment.

USING THIS ANNUAL REPORT

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

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

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Olin Consolidated Independent School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Olin Consolidated Independent School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Olin Consolidated Independent School District acts solely as an agent or custodian for the benefit of those outside of County government.

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

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

Other Supplementary Information provides detailed information about the nonmajor Governmental Funds.

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

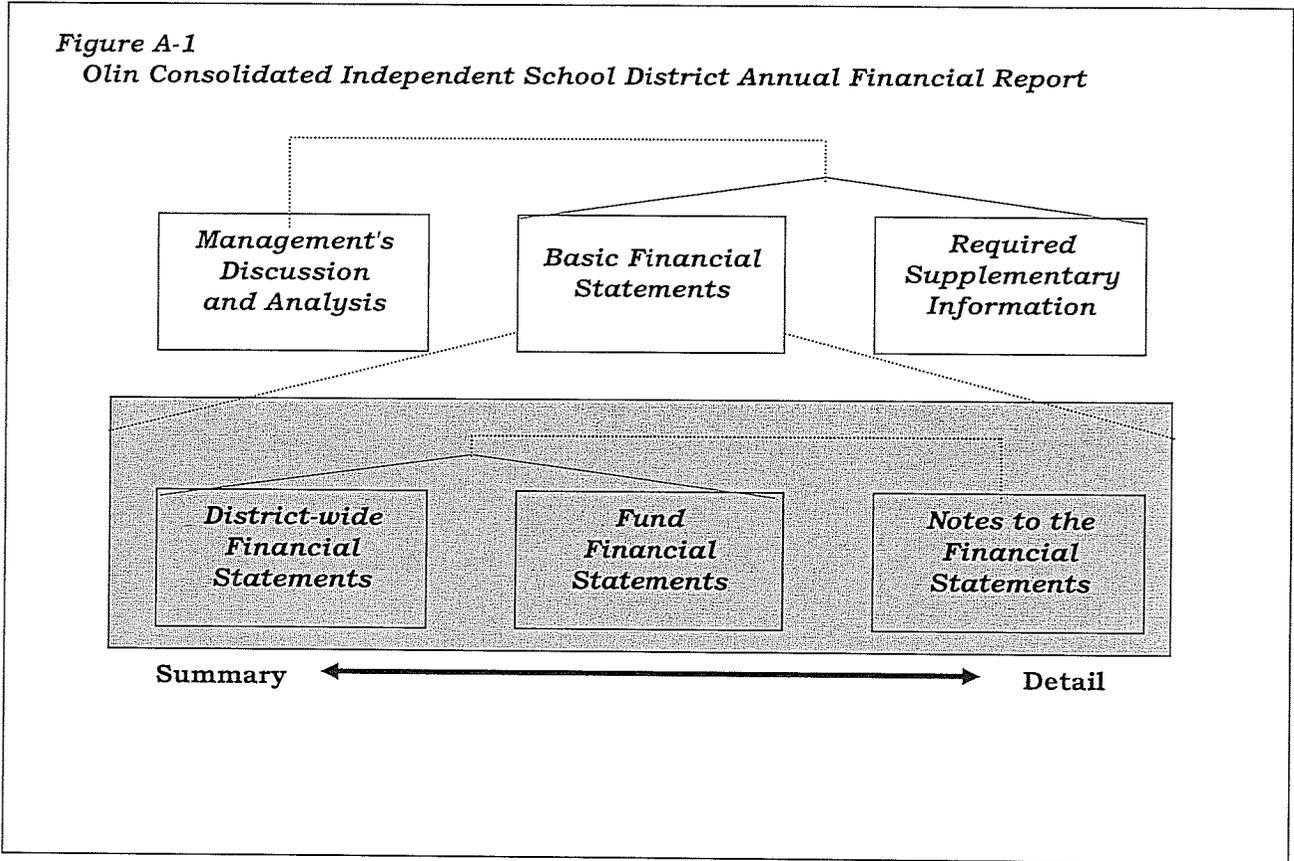


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

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

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

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

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

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund.

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

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

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2005 compared to June 30, 2004.

Figure A-3
Condensed Statement of Net Assets

	Governmental Activities		Business Type Activities		Total School District		Total Change
	2005	2004	2005	2004	2005	2004	2004-2005
Current and other assets	\$ 2,355,773	\$ 1,934,409	\$ 15,439	\$ 2,072	\$ 2,371,212	\$ 1,936,481	22.45%
Capital assets	<u>1,636,952</u>	<u>1,676,814</u>	<u>8,293</u>	<u>9,849</u>	<u>1,645,245</u>	<u>1,686,663</u>	-2.46%
Total assets	<u>3,992,725</u>	<u>3,611,223</u>	<u>23,732</u>	<u>11,921</u>	<u>4,016,457</u>	<u>3,623,144</u>	10.86%
Long-term obligations	545,000	625,844	-	-	545,000	625,844	0.00%
Other liabilities	<u>1,682,114</u>	<u>1,417,971</u>	<u>7,461</u>	<u>8,127</u>	<u>1,689,575</u>	<u>1,426,098</u>	18.48%
Total liabilities	<u>2,227,114</u>	<u>2,043,815</u>	<u>7,461</u>	<u>8,127</u>	<u>2,234,575</u>	<u>2,051,942</u>	8.90%
Net assets							
Invested in capital assets, net of related debt	1,091,952	1,066,814	8,293	9,849	1,100,245	1,076,663	2.19%
Restricted	422,841	377,100	-	-	422,841	377,100	12.13%
Unrestricted	<u>250,818</u>	<u>123,494</u>	<u>7,978</u>	<u>(6,055)</u>	<u>258,796</u>	<u>117,439</u>	120.37%
Total net assets	<u>\$ 1,765,611</u>	<u>\$ 1,567,408</u>	<u>\$ 16,271</u>	<u>\$ 3,794</u>	<u>\$ 1,781,882</u>	<u>\$ 1,571,202</u>	13.41%

The District's combined net assets increased by approximately 13%, or \$210,680, over the prior year. The largest portion of the District's net assets is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased \$45,741, or 12% from the prior year. The increase was primarily a result of increased balance in the Capital Projects Fund since we did not do any projects during FY05.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased \$141,357, or 120%. This increase in unrestricted net assets was a result of the District's increased revenue and being conservative with our resources.

Figure A-4 shows the change in net assets for the years ended June 30, 2005 and 2004.

Figure A-4
Change in Net Assets

	Governmental Activities		Business Type Activities		Total District	
	2005	2004	2005	2004	2005	2004
Revenues						
Program revenues						
Charges for service and sales	\$ 246,330	\$ 239,144	\$ 59,538	\$ 64,550	\$ 305,868	\$ 303,694
Operating grants, contributions and restricted interest	343,151	302,187	64,548	66,134	407,699	368,321
Capital grants, contributions and restricted interest	-	575,000	-	-	-	575,000
General revenues						
Property and sales taxes	1,104,092	986,569	-	-	1,104,092	986,569
Unrestricted state grants	1,195,021	1,049,852	-	-	1,195,021	1,049,852
Unrestricted investment earnings	20,850	7,500	-	-	20,850	7,500
Loss on disposal of capital assets	(6,650)	-	-	-	(6,650)	-
Other	<u>1,600</u>	<u>68,992</u>	<u>-</u>	<u>-</u>	<u>1,600</u>	<u>68,992</u>
Total revenues	<u>2,904,394</u>	<u>3,229,244</u>	<u>124,086</u>	<u>130,684</u>	<u>3,028,480</u>	<u>3,359,928</u>
Program expenses						
Governmental activities						
Instruction	1,661,805	1,755,102	-	-	1,661,805	1,755,102
Support services	814,539	709,166	-	-	814,539	709,166
Non-instructional programs	1,383	44,829	111,609	120,067	112,992	164,896
Other expenses	<u>228,464</u>	<u>183,780</u>	<u>-</u>	<u>-</u>	<u>228,464</u>	<u>183,780</u>
Total expenses	<u>2,706,191</u>	<u>2,692,877</u>	<u>111,609</u>	<u>120,067</u>	<u>2,817,800</u>	<u>2,812,944</u>
Change in net assets	<u>\$ 198,203</u>	<u>\$ 536,367</u>	<u>\$ 12,477</u>	<u>\$ 10,617</u>	<u>\$ 210,680</u>	<u>\$ 546,984</u>

Property and other taxes and unrestricted state grants account for 76% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 88% of the total expenses.

Governmental Activities

Revenues for governmental activities were \$2,904,394 and expenses were \$2,706,191. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues.

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

Figure A-5
Total and Net Cost of Governmental
Activities

	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
Instruction	\$ 1,661,805	\$ 1,166,915
Support services	814,539	812,865
Non-instructional programs	1,383	1,018
Other expenses	<u>228,464</u>	<u>135,912</u>
Total expenses	<u>\$ 2,706,191</u>	<u>\$ 2,116,710</u>

- The cost financed by users of the District's programs was \$246,330.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$343,151.
- The net cost of governmental activities was financed with \$1,104,092 in property and other taxes and \$1,195,021 in unrestricted state grants.

Business Type Activities

Revenues for business type activities were \$124,086 and expenses were \$111,609. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

During the year ended June 30, 2005, the District did not increase meal prices. The Ala Carte line started in the FY04 continues to help balance the School Nutrition Fund.

INDIVIDUAL FUND ANALYSIS

As previously noted, Olin Consolidated Independent School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$675,422, well above last year's ending fund balances of \$517,721. The primary reason for the increase is the increased revenue listed on page four along with no major capitol projects.

Governmental Fund Highlights

- The District's improving General Fund financial position is the result of many factors. Growth during the year in tax resulted in an increase in revenues. That along with the District's slight decrease in General Fund expenditures resulted in an increased ending fund balance.
- The General Fund balance increased from \$124,777 to \$254,641, due in part to the increase in enrollment the fall of 2003 of 10 students which increased state aid. Also the reassignment of staff duties resulting in decrease in expenditures helped the fund balance.
- The Capital Projects Fund balance increased due to revenue exceeding bond payments. The District ended fiscal 2004 with a balance of \$149,593 as a result of the sale of revenue bonds in 2004. Fiscal 2005 ended with a balance of \$218,245.

Proprietary Fund Highlights

Enterprise Fund net assets increased from \$3,794 at June 30, 2004 to \$16,271 at June 30, 2005, representing an increase of approximately 300%. For fiscal 2005, the District did not increase meal prices. The District continued its ala carte options implemented during the prior year along with its school lunch program to provide students with the option of salad and/or pasta bars at lunch. This resulted in the related increase in revenue and net assets.

BUDGETARY HIGHLIGHTS

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

The District's receipts were \$112,425 more than budgeted receipts, a variance of 4%. The most significant variance resulted from the Teacher Quality Pay Funding that started in FY05.

Total expenditures were \$363,069 less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

In spite of the District's budgetary practice, the certified budget was exceeded in the support services functional area due to account number conversions implemented in FY05.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2005, the District had invested \$1,645,245, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net decrease of approximately 2% from last year. More detailed information about the District's capital assets is presented in Note 5 to the financial statements. Depreciation expense for the year was \$75,256.

The original cost of the District's capital assets was \$3,161,267. Governmental funds account for \$3,112,985, with the remainder of \$48,282 accounted for in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the furniture and equipment category. The District's furniture and equipment totaled \$86,821 at June 30, 2004 and \$99,337 at June 30, 2005. The furniture and equipment area increased by approximately 11% due to purchase of a computer lab in the new school library consisting of 20 computers.

Figure A-6

Capital Assets, Net of Depreciation

	Governmental		Business Type		Total		Total
	Activities		Activities		School District		Change
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2004-2005</u>
Land	\$ 83,796	\$ 83,796	\$ -	\$ -	\$ 83,796	\$ 83,796	0.00%
Buildings and improvements	1,453,819	1,506,197	-	-	1,453,819	1,506,197	-3.48%
Site improvements	-	-	-	-	-	-	0.00%
Furniture and equipment	<u>99,337</u>	<u>86,821</u>	<u>8,293</u>	<u>9,849</u>	<u>107,630</u>	<u>96,670</u>	11.34%
Totals	<u>\$1,636,952</u>	<u>\$1,676,814</u>	<u>\$ 8,293</u>	<u>\$ 9,849</u>	<u>\$1,645,245</u>	<u>\$1,686,663</u>	-2.46%

Long-Term Debt

At June 30, 2005, the District had \$545,000 in general obligation debt outstanding. This represents a decrease of approximately 13% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 6 to the financial statements.

Figure A-7
Outstanding Long-term Obligations

	Total		Total
	School District		Change
	<u>2005</u>	<u>2004</u>	<u>2004-2005</u>
Revenue bonds	\$ 545,000	\$ 610,000	-10.66%
Early retirement	-	15,844	-100.00%
Total	<u>\$ 545,000</u>	<u>\$ 625,844</u>	-12.92%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- Although the District has experienced increased enrollment for two of the past three years, the District experienced a large decrease in enrollment in September 2005 which will effect our budget beginning with the 2005-06 school year. Our enrollment dropped 50 students (15%).
- Fiscal 2005 negotiations with the Olin Education Teacher Association (OETA) resulted in a 5.5 percent salary increase with new money of \$15,000. This was approximately a \$55,000 salary increase. The District will negotiate a new agreement during fiscal 2006. Settlements in excess of "new money" or allowable growth in state funding will have an adverse effect on the District's General Fund budget and related fund balance.
- In the spring of 2005 the board approved some reductions in force to help off-set the declining enrollment.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Carrie Fortin District Secretary/Treasurer and Business Manager, Olin Consolidated Independent School District, 212 Trilby Street, Olin, IA 52320.

Basic Financial Statements

OLIN CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
Statement of Net Assets
June 30, 2005

Exhibit A

ASSETS	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
Cash and cash equivalents			
ISCAP	\$ 376,436	\$ -	\$ 376,436
Other	831,073	12,674	843,747
Receivables			
Property tax			
Delinquent	20,578	-	20,578
Succeeding year	1,025,831	-	1,025,831
Interest receivable			
ISCAP	2,405	-	2,405
Other	539	-	539
Accounts receivable	1,880	-	1,880
Due from other governments	97,031	-	97,031
Inventories	-	2,765	2,765
Capital assets, net of accumulated depreciation	1,636,952	8,293	1,645,245
Total assets	<u>3,992,725</u>	<u>23,732</u>	<u>4,016,457</u>
 LIABILITIES			
Accounts payable	47,805	-	47,805
Salaries and benefits payable	225,407	6,428	231,835
Accrued interest payable	1,763	-	1,763
Deferred revenue			
Succeeding year property tax	1,025,831	-	1,025,831
Other	-	1,033	1,033
ISCAP warrants payable	375,000	-	375,000
ISCAP accrued interest payable	2,597	-	2,597
ISCAP unamortized premium	3,711	-	3,711
Long-term liabilities			
Portion due within one year			
Revenue bonds payable	70,000	-	70,000
Portion due after one year			
Revenue bonds payable	475,000	-	475,000
Total liabilities	<u>2,227,114</u>	<u>7,461</u>	<u>2,234,575</u>

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

OLIN CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
Statement of Net Assets
June 30, 2005

Exhibit A

	Governmental Activities	Business Type Activities	Total
NET ASSETS			
Invested in capital assets, net of related debt	\$ 1,091,952	\$ 8,293	\$ 1,100,245
Restricted for			
Talented and Gifted Program	2,020	-	2,020
Iowa Early Intervention Program	40	-	40
Management Levy	83,049	-	83,049
Physical Plant and Equipment Levy	77,878	-	77,878
Public Education and Recreation Levy	11,888	-	11,888
Other special revenue purposes	29,721	-	29,721
Capital projects	218,245	-	218,245
Unrestricted	250,818	7,978	258,796
Total net assets	\$ 1,765,611	\$ 16,271	\$ 1,781,882

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

OLIN CONSOLIDATED INDEPENDENT SCHOOL DISTRICT

Statement of Activities

For the Year Ended June 30, 2005

Exhibit B

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
<u>Functions/Programs</u>							
Governmental activities							
Instruction							
Regular instruction	\$ 1,031,339	\$ 195,227	\$ 193,867	\$ -	\$ (642,245)	\$ -	\$ (642,245)
Special instruction	272,467	49,064	52,032	-	(171,371)	-	(171,371)
Other instruction	357,999	-	4,700	-	(353,299)	-	(353,299)
	<u>1,661,805</u>	<u>244,291</u>	<u>250,599</u>	-	<u>(1,166,915)</u>	-	<u>(1,166,915)</u>
Support services							
Student services	88,815	-	-	-	(88,815)	-	(88,815)
Instructional staff services	70,641	-	-	-	(70,641)	-	(70,641)
Administration services	338,050	-	-	-	(338,050)	-	(338,050)
Operation and maintenance of plant services	218,754	1,490	-	-	(217,264)	-	(217,264)
Transportation services	98,279	184	-	-	(98,095)	-	(98,095)
	<u>814,539</u>	<u>1,674</u>	-	-	<u>(812,865)</u>	-	<u>(812,865)</u>
	<u>1,383</u>	<u>365</u>	-	-	<u>(1,018)</u>	-	<u>(1,018)</u>
Non-instructional programs							
Other expenditures							
Facilities acquisition	77,892	-	-	-	(77,892)	-	(77,892)
Long-term debt interest	15,711	-	-	-	(15,711)	-	(15,711)
AEA flowthrough	92,552	-	92,552	-	-	-	-
Depreciation (unallocated) *	42,309	-	-	-	(42,309)	-	(42,309)
	<u>228,464</u>	-	<u>92,552</u>	-	<u>(135,912)</u>	-	<u>(135,912)</u>
Total governmental activities	<u>2,706,191</u>	<u>246,330</u>	<u>343,151</u>	-	<u>(2,116,710)</u>	-	<u>(2,116,710)</u>

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

OLIN CONSOLIDATED INDEPENDENT SCHOOL DISTRICT

Exhibit B

Statement of Activities

For the Year Ended June 30, 2005

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
<u>Functions/Programs (continued)</u>						
Business type activities						
Non-instructional programs						
Nutrition services	\$ 111,609	\$ 59,538	\$ -	\$ -	\$ 12,477	\$ 12,477
Total business type activities	<u>111,609</u>	<u>59,538</u>	<u>-</u>	<u>-</u>	<u>12,477</u>	<u>12,477</u>
Total	<u>\$ 2,817,800</u>	<u>\$ 305,868</u>	<u>\$ -</u>	<u>(2,116,710)</u>	<u>12,477</u>	<u>(2,104,233)</u>
<u>General Revenues</u>						
Property tax levied for						
General purposes				892,188	-	892,188
Capital projects				66,025	-	66,025
Local option sales and services tax				145,879	-	145,879
Unrestricted state grants				1,195,021	-	1,195,021
Contributions and donations				1,500	-	1,500
Unrestricted investment earnings				20,850	-	20,850
Loss on disposal of capital assets				(6,650)	-	(6,650)
Other				100	-	100
Total general revenues				<u>2,314,913</u>	<u>-</u>	<u>2,314,913</u>
Change in net assets				198,203	12,477	210,680
Net assets, beginning of year				1,567,408	3,794	1,571,202
Net assets, end of year				<u>\$ 1,765,611</u>	<u>\$ 16,271</u>	<u>\$ 1,781,882</u>

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

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

OLIN CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
Balance Sheet
Governmental Funds
June 30, 2005

Exhibit C

ASSETS	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor Special Revenue</u>	<u>Total</u>
Cash and pooled investments				
ISCAP	\$ 376,436	\$ -	\$ -	\$ 376,436
Other	422,734	206,511	201,828	831,073
Receivables				
Property tax				
Delinquent	17,621	-	2,957	20,578
Succeeding year	896,533	-	129,298	1,025,831
Accounts receivable	1,880	-	-	1,880
Interest receivable				
ISCAP	2,405	-	-	2,405
Other	-	-	539	539
Due from other governments	85,297	11,734	-	97,031
Total assets and other debits	<u>\$ 1,802,906</u>	<u>\$ 218,245</u>	<u>\$ 334,622</u>	<u>\$ 2,355,773</u>
 LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 45,686	\$ -	\$ 2,119	\$ 47,805
Salaries and benefits payable	224,738	-	669	225,407
ISCAP warrants payable	375,000	-	-	375,000
ISCAP interest payable	2,597	-	-	2,597
ISCAP unamortized premium	3,711	-	-	3,711
Deferred revenue				
Succeeding year property tax	896,533	-	129,298	1,025,831
Total liabilities	<u>1,548,265</u>	<u>-</u>	<u>132,086</u>	<u>1,680,351</u>
 Fund balances				
Reserved for				
Talented and Gifted Program	2,020	-	-	2,020
Iowa Early Intervention Grant	40	-	-	40
Unreserved, undesignated				
Special revenue funds	-	-	202,536	202,536
Other governmental funds	252,581	218,245	-	470,826
Total fund balances	<u>254,641</u>	<u>218,245</u>	<u>202,536</u>	<u>675,422</u>
Total liabilities and fund balances	<u>\$ 1,802,906</u>	<u>\$ 218,245</u>	<u>\$ 334,622</u>	<u>\$ 2,355,773</u>

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

OLIN CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Assets
June 30, 2005

Exhibit D

Total fund balances of governmental funds	\$ 675,422
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	1,636,952
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(1,763)
Long-term liabilities, including bonds payable are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(545,000)</u>
Net assets of governmental activities	<u><u>\$ 1,765,611</u></u>

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

OLIN CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2005

Exhibit E

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental</u>	<u>Total</u>
Revenues				
Local sources				
Local tax	\$ 827,592	\$ 145,879	\$ 129,876	\$ 1,103,347
Tuition	141,631	-	-	141,631
Other	24,024	3,004	100,121	127,149
State sources	1,404,398	-	107	1,404,505
Federal sources	134,412	-	-	134,412
Total revenues	<u>2,532,057</u>	<u>148,883</u>	<u>230,104</u>	<u>2,911,044</u>
Expenditures				
Current				
Instruction				
Regular instruction	1,038,614	-	16,624	1,055,238
Special instruction	272,467	-	-	272,467
Other instruction	251,713	-	106,286	357,999
	<u>1,562,794</u>	<u>-</u>	<u>122,910</u>	<u>1,685,704</u>
Support services				
Student services	90,110	-	-	90,110
Instructional staff services	70,641	-	-	70,641
Administration services	325,799	-	5,606	331,405
Operation and maintenance of plant services	181,595	-	56,983	238,578
Transportation services	78,702	-	6,145	84,847
	<u>746,847</u>	<u>-</u>	<u>68,734</u>	<u>815,581</u>
Non-instructional programs	-	-	1,383	1,383
Other expenditures				
Facilities acquisition	-	-	77,892	77,892
Long-term debt				
Principal	-	-	65,000	65,000
Interest and fiscal charges	-	-	15,231	15,231
AEA flowthrough	92,552	-	-	92,552
	<u>92,552</u>	<u>-</u>	<u>158,123</u>	<u>250,675</u>
Total expenditures	<u>2,402,193</u>	<u>-</u>	<u>351,150</u>	<u>2,753,343</u>

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

OLIN CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2005

Exhibit E

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental</u>	<u>Total</u>
Excess (deficiency) of revenues over (under) expenditures	\$ 129,864	\$ 148,883	\$(121,046)	\$ 157,701
Other financing sources (uses) Interfund operating transfers	<u>-</u>	<u>(80,231)</u>	<u>80,231</u>	<u>-</u>
Net change in fund balances	129,864	68,652	(40,815)	157,701
Fund balance, beginning of year	<u>124,777</u>	<u>149,593</u>	<u>243,351</u>	<u>517,721</u>
Fund balance, end of year	<u>\$ 254,641</u>	<u>\$ 218,245</u>	<u>\$ 202,536</u>	<u>\$ 675,422</u>

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

OLIN CONSOLIDATED INDEPENDENT SCHOOL DISTRICT Exhibit F
 Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances-
 Governmental Funds to the Statement of Activities
 For the Year Ended June 30, 2005

Net change in fund balances - total governmental funds \$ 157,701

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

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

Capital outlays	\$ 40,488	
Loss on disposal of capital assets	(6,650)	
Depreciation expense	<u>(73,700)</u>	(39,862)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds, as follows:

Early retirement	15,844
------------------	--------

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. 65,000

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. (480)

Change in net assets of governmental activities \$ 198,203

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

OLIN CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
Statement of Net Assets
Proprietary Fund
June 30, 2005

Exhibit G

Nonmajor
Enterprise
School
Nutrition

ASSETS

Cash and pooled investments	\$ 12,674
Inventories	2,765
Capital assets, net of accumulated depreciation	<u>8,293</u>
Total assets	<u>23,732</u>

LIABILITIES

Salaries and benefits payable	6,428
Deferred revenue	<u>1,033</u>
Total liabilities	<u>7,461</u>

NET ASSETS

Invested in capital assets, net of related debt	8,293
Unreserved retained earnings	<u>7,978</u>
Total net assets	<u><u>\$ 16,271</u></u>

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

OLIN CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
Statement of Revenues, Expenses and Changes in Net Assets
Proprietary Fund
For the Year Ended June 30, 2005

Exhibit H

	<u>Nonmajor Enterprise School Nutrition</u>
Operating revenue	
Local sources	
Charges for service	<u>\$ 59,538</u>
Operating expenses	
Non-instructional programs	
Salaries	43,608
Benefits	5,654
Purchased services	703
Supplies	60,088
Depreciation	1,556
Total operating expenses	<u>111,609</u>
Operating loss	<u>(52,071)</u>
Non-operating revenues	
State sources	1,719
Federal sources	62,829
Total non-operating revenues	<u>64,548</u>
Change in net assets	12,477
Net assets, beginning of year	<u>3,794</u>
Net assets, end of year	<u><u>\$ 16,271</u></u>

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

OLIN CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2005

Exhibit I

	Nonmajor Enterprise <u>School</u> <u>Nutrition</u>
Cash flows from operating activities	
Cash received from sale of meals	\$ 59,538
Cash payments to employees for services	(49,845)
Cash payments to suppliers for goods and services	(55,859)
Net cash used in operating activities	<u>(46,166)</u>
Cash flows from non-capital financing activities	
State grants received	1,719
Federal grants received	57,121
Net cash provided by non-capital financing activities	<u>58,840</u>
Cash flows from capital and related financing activities	-
Cash flows from investing activities	-
Net increase in cash and cash equivalents	12,674
Cash and cash equivalents, beginning of year	-
Cash and cash equivalents, end of year	<u>\$ 12,674</u>
Reconciliation of operating loss to net cash used in operating activities	
Operating loss	\$ (52,071)
Adjustments to reconcile operating loss to net cash used in operating activities	
Depreciation	1,556
Commodities used	5,708
(Increase) in inventories	(693)
(Decrease) in due to other funds	(2,482)
(Decrease) in accounts payable	(83)
Increase in salaries and benefits payable	1,899
Net cash used in operating activities	<u>\$ (46,166)</u>

Non-cash investing, capital and financing activities

During the year ended June 30, 2005, the District received \$5,708 of federal commodities.

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

OLIN CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2005

Exhibit J

	<u>Private Purpose Trust</u>	
	<u>Scholarships</u>	<u>Agency</u>
ASSETS		
Cash and pooled investments	\$ 2,595	\$ 408
LIABILITIES		
Due to others	<u>-</u>	<u>408</u>
NET ASSETS		
Reserved for scholarships	<u>\$ 2,595</u>	<u>\$ -</u>

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

OLIN CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
 Statement of Changes in Fiduciary Net Assets
 Fiduciary Fund
 For the Year Ended June 30, 2005

Exhibit K

	Private Purpose Trust <u>Scholarships</u>
Additions	
Local sources	
Interest	\$ 39
Deductions	<u> -</u>
Change in net assets	39
Net assets, beginning of year	<u>2,556</u>
Net assets, end of year	<u><u>\$ 2,595</u></u>

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

OLIN CONSOLIDATED INDEPENDENT SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2005

Note 1. Summary of Significant Accounting Policies

The Olin Consolidated Independent School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. Additionally, the District either operates or sponsors various adult education programs. The geographic area served includes the City of Olin, Iowa, and the agricultural territory in Jones County. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Olin Consolidated Independent School District has included all funds, organizations, agencies, boards, commissions, and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on, the District. The Olin Consolidated Independent School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the County Assessor's Conference Board.

B. Basis of Presentation

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

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

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

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

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

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

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

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

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

The District reports no major proprietary funds. However, it reports one nonmajor proprietary, enterprise fund, the School Nutrition Fund which is used to account for the food service operations of the District.

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

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

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

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

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

D. Assets, Liabilities and Fund Equity

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

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value, except for non-negotiable certificates of deposit which are stated at cost.

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½ % per month penalty for delinquent payments; is based on January 1, 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	\$ 1,500
Buildings	\$ 1,500
Improvements other than buildings	\$ 1,500
Furniture and equipment:	
School Nutrition Fund equipment	\$ 500
Other furniture and equipment	\$ 1,500

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

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

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

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

period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of property tax receivables and other receivables not collected within sixty days after year end.

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

Early Retirement - Certified District employees meeting certain requirements are eligible for early retirement benefits. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental fund financial statements only for employees that have resigned or retired. The early retirement liability has been computed based on rates of pay in effect at June 30, 2005. The early retirement liability attributable to the governmental activities will be paid primarily from the Management Fund.

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

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

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

E. Budgeting and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2005, expenditures exceeded the amounts budgeted in the Instruction and Support Services functions; however, the District did not exceed its General Fund unspent authorized budget.

Note 2. Cash and Pooled Investments

The District's deposits 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-end management investment companies; certain joint

investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2005, the District had investments in the IPASeducation as follows:

	<u>Amortized Cost</u>
Institutional Money Market Fund	\$ 827,619

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Investment rate risk. The District's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the District.

Credit risk. The investment in the IPASeducation was rated Aaa by Moody's Investors Service.

Note 3. Interfund Transfers

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

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects	\$80,231

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

Note 4. Iowa Schools Cash Anticipation Program (ISCAP)

The District participates in the Iowa Schools Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings, and amounts available for withdrawal for each outstanding series of warrants. Bankers Trust Co. NA is the trustee for the program. A summary of the District's participation in ISCAP as of June 30, 2005, is as follows:

<u>Series</u>	<u>Warrant Date</u>	<u>Final Warrant Maturity</u>	<u>Investments</u>	<u>Accrued Interest Receivable</u>	<u>Warrants Payable</u>	<u>Accrued Interest Payable</u>	<u>Unamortized Premium</u>
2004-05A	6/30/04	6/30/05	\$ 47	\$ -	\$ -	\$ -	\$ -
2004-05B	1/28/05	1/27/05	177,512	2,405	177,000	2,597	1,053
2005-06A	6/30/05	6/30/06	<u>198,877</u>	<u>-</u>	<u>198,000</u>	<u>-</u>	<u>2,658</u>
			<u>\$ 376,436</u>	<u>\$ 2,405</u>	<u>\$ 375,000</u>	<u>\$ 2,597</u>	<u>\$ 3,711</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 additions, the District must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. There was no ISCAP advance activity for the year ended June 30, 2005.

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

<u>Series</u>	<u>Interest Rates on Warrants</u>	<u>Interest Rates on Investments</u>
2004-05A	3.000%	2.4630%
2004-05B	3.500%	2.2800%
2005-06A	3.500%	3.9030%

Note 5. Capital Assets

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

<u>Governmental activities</u>	<u>Balance, Beginning of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance, End of Year</u>
Capital assets not being depreciated:				
Land and improvements	<u>\$ 83,796</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 83,796</u>
Capital assets being depreciated:				
Buildings and improvements	2,033,840	11,040	-	2,044,880
Site improvements	75,400	-	-	75,400
Furniture and equipment	<u>882,711</u>	<u>29,448</u>	<u>(3,250)</u>	<u>908,909</u>
Total capital assets being depreciated	<u>2,991,951</u>	<u>40,488</u>	<u>(3,250)</u>	<u>3,029,189</u>

Less accumulated depreciation for:

Buildings and improvements	527,643	39,568	23,850	591,061
Site improvements	75,400	-	-	75,400
Furniture and equipment	795,890	34,132	(20,450)	809,572
Total accumulated depreciation	<u>1,398,933</u>	<u>73,700</u>	<u>3,400</u>	<u>1,476,033</u>
Total capital assets being depreciated, net	<u>1,593,018</u>	<u>(33,212)</u>	<u>(6,650)</u>	<u>1,553,156</u>
Governmental activities capital assets, net	<u>\$ 1,676,814</u>	<u>\$ (33,212)</u>	<u>\$ (6,650)</u>	<u>\$ 1,636,952</u>

Business type activities

Furniture and equipment	\$ 48,282	\$ -	\$ -	\$ 48,282
Less accumulated depreciation	<u>38,433</u>	<u>1,556</u>	<u>-</u>	<u>39,989</u>
Business-type activities capital assets, net	<u>\$ 9,849</u>	<u>\$ (1,556)</u>	<u>\$ -</u>	<u>\$ 8,293</u>

Depreciation expense was charged to the following functions:

Governmental activities

Instruction	
Regular	\$ 9,845
Support services	
Administration	6,645
Operation and maintenance of plant	1,469
Transportation	13,432
Unallocated depreciation	<u>42,309</u>
Total governmental activities depreciation expense	<u>\$ 73,700</u>

Business type activities

Food services	<u>\$ 1,556</u>
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Note 6. 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
Revenue bonds	\$ 610,000	\$ -	\$(65,000)	\$ 545,000	\$ 70,000
Early retirement	<u>15,844</u>	<u>-</u>	<u>(15,844)</u>	<u>-</u>	<u>-</u>
Totals	<u>\$ 625,844</u>	<u>\$ -</u>	<u>\$(80,844)</u>	<u>\$ 545,000</u>	<u>\$ 70,000</u>

Early Retirement

District employees who have 20 years of continuous service and are at least 55 years of age, are eligible for early retirement pay. Employees who participate in the early retirement program shall receive a benefit equal to 80 days of the employee's base salary calculated by using the current year regular salary schedule, less any other additional pay. Early retirement expenditures for the year ended June 30, 2005 totaled \$15,844.

Revenue Anticipation Bonds Payable

On April 1, 2004, the District issued School Infrastructure Sales and Services Tax Revenue Bonds. The proceeds of the bonds are to be used to construct and furnish the Olin Attendance Center, specifically a new library and multi-purpose activity center. The bonds will be repaid by the collection of the local option sales and services tax for school infrastructure. The bonds are secured by a Reserve Fund, which was established under the Bond Resolution. A Sinking Fund has been established into which collections of the local option sales and service tax will be deposited. Interest and principal on the bonds will be paid from the Sinking Fund. Details of the District's June 30, 2005 revenue anticipation bonded indebtedness are as follows:

Year Ending <u>June 30,</u>	<u>Bond Issue of April 1, 2003</u>			
	<u>Interest Rates</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	1.850	\$ 70,000	\$ 13,616	\$ 83,616
2007	2.250	70,000	12,180	82,180
2008	2.400	75,000	10,493	85,493
2009	2.600	80,000	8,552	88,552
2010	2.750	80,000	6,412	86,412
2011	3.020	85,000	4,016	89,016
2012	3.200	<u>85,000</u>	<u>1,360</u>	<u>86,360</u>
Totals		<u>\$ 545,000</u>	<u>\$ 56,629</u>	<u>\$ 601,629</u>

Note 7. Pension and Retirement Benefits

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

Plan members are required to contribute 3.70% of their annual covered salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2005, 2004 and 2003. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2005, 2004 and 2003 were \$88,382, \$82,351 and \$81,763 respectively, equal to the required contributions for each year.

Note 8. Risk Management

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

In July 2004, the Association converted from a self-funded pool to a fully insured pool covered by Wellmark Blue Cross Blue Shield of Iowa. In December 2004, ISEBA issued assessments necessary to cover run-out claims received when the program converted from self-insured to fully-insured coverage. ISEBA is recovering the shortfall through a combination of assessments, deficit recovery charges and administrative cost reduction measures. Members continuing membership in the Association had their deficit recovery assessment included in their annual premium for the 2004-2005 and 2005-2006 plan years. The deficit recovery is equal to 2% of the annual premium. The total amount of the deficit recoveries of current members is estimated to be \$2.2 million. The District's share of this assessment was \$5,185, none of which was paid with the 2004-2005 premium. The entire amount of the assessment is to be paid during the fiscal year ending June 30, 2006. Since the program is now fully insured, there will be no additional assessments due to claims exceeding premiums charged to members.

The District's contributions, which include deficit recovery assessments, to the risk pool are recorded as expenditures from its General fund at the time of payment to the risk pool. The District contributions to ISEBA for the year ended June 30, 2005 were \$7,277

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

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

Note 9. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media, and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$92,552 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.

Required Supplementary Information

OLIN CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
 Budgetary Comparison Schedule of Revenues, Expenditures and Changes in Balances - Budget and Actual
 All Governmental Funds and Proprietary Fund
 Required Supplementary Information
 For the Year Ended June 30, 2005

	Governmental Funds		Proprietary Fund	Total	Budgeted Amounts		Final to Actual
	Actual		Actual	Actual	Original	Final	Variance
Revenues							
Local sources	\$ 1,372,127		\$ 59,538	\$ 1,431,665	\$ 1,369,743	\$ 1,369,743	\$ 61,922
State sources	1,404,505		1,719	1,406,224	1,407,462	1,407,462	(1,238)
Federal sources	134,412		62,829	197,241	145,500	145,500	51,741
Total revenues	<u>2,911,044</u>		<u>124,086</u>	<u>3,035,130</u>	<u>2,922,705</u>	<u>2,922,705</u>	<u>112,425</u>
Expenditures							
Instruction	1,685,704		-	1,685,704	1,900,091	1,900,091	214,387
Support services	815,581		-	815,581	748,990	748,990	(66,591)
Non-instructional programs	1,383		111,609	112,992	148,600	148,600	35,608
Other expenditures	250,675		-	250,675	430,340	430,340	179,665
Total expenditures	<u>2,753,343</u>		<u>111,609</u>	<u>2,864,952</u>	<u>3,228,021</u>	<u>3,228,021</u>	<u>363,069</u>
Excess (deficiency) of revenues over (under) expenditures	157,701		12,477	170,178	(305,316)	(305,316)	475,494
Balance, beginning of year	517,721		3,794	521,515	558,250	558,250	(36,735)
Balance, end of year	<u>\$ 675,422</u>		<u>\$ 16,271</u>	<u>\$ 691,693</u>	<u>\$ 252,934</u>	<u>\$ 252,934</u>	<u>\$ 438,759</u>

See accompanying Independent Auditor's Report.

OLIN CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
Notes to Required Supplementary Information – Budgetary Reporting
For the Year Ended June 30, 2005

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary 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 and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund 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, the District did not adopt any budget amendments.

During the year ended June 30, 2005, District expenditures in the Support Services function exceeded the amount budgeted; however, General Fund expenditures did not exceed the District's unspent authorized budget.

Other Supplementary Information

OLIN CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
 Combining Balance Sheet
 Nonmajor Special Revenue Funds
 June 30, 2005

Schedule 1

	Special Revenue				<u>Total</u>
	Management <u>Levy</u>	Student <u>Activity</u>	Physical Plant & Equipment <u>Levy</u>	Public Education & Recreation <u>Levy</u>	
ASSETS					
Cash and pooled investments	\$ 81,590	\$ 29,721	\$ 78,296	\$ 12,221	\$ 201,828
Receivables					
Property tax					
Current year delinquent	1,252	-	1,502	203	2,957
Succeeding year	55,000	-	65,461	8,837	129,298
Interest receivable	207	-	199	133	539
Total assets	\$ 138,049	\$ 29,721	\$ 145,458	\$ 21,394	\$ 334,622
 LIABILITIES AND FUND EQUITY					
Liabilities					
Salaries and benefits payable	\$ -	\$ -	\$ -	\$ 669	\$ 669
Accounts payable	-	-	2,119	-	2,119
Deferred revenue					
Succeeding year property tax	55,000	-	65,461	8,837	129,298
Total liabilities	55,000	-	67,580	9,506	132,086
Fund Equity					
Unreserved fund balances	83,049	29,721	77,878	11,888	202,536
Total liabilities and fund equity	\$ 138,049	\$ 29,721	\$ 145,458	\$ 21,394	\$ 334,622

See accompanying Independent Auditor's Report.

OLIN CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2005

Schedule 2

	Special Revenue					<u>Debt</u> Service	<u>Total</u>
	Management <u>Levy</u>	Student <u>Activity</u>	Physical Plant & Equipment <u>Levy</u>	Public Education & Recreation <u>Levy</u>	Public Education & Recreation <u>Levy</u>		
Revenues							
Local sources							
Local taxes	\$ 54,999	\$ -	\$ 65,971	\$ 8,906	\$ -		\$ 129,876
Other	1,104	95,882	2,865	270	-		100,121
State sources	<u>45</u>	<u>-</u>	<u>54</u>	<u>8</u>	<u>-</u>		<u>107</u>
Total revenues	<u>56,148</u>	<u>95,882</u>	<u>68,890</u>	<u>9,184</u>	<u>-</u>		<u>230,104</u>
Expenditures							
Instruction							
Regular program instruction	16,624	-	-	-	-		16,624
Other instruction	-	106,286	-	-	-		106,286
Support services							
Administration services	5,106	-	500	-	-		5,606
Operation and maintenance of plant services	35,452	-	21,531	-	-		56,983
Transportation services	6,145	-	-	-	-		6,145
Noninstructional programs	-	-	-	1,383	-		1,383
Other expenditures							
Facilities acquisition	-	-	77,892	-	-		77,892
Long-term debt							
Principal	-	-	-	-	65,000		65,000
Interest and fiscal charges	-	-	-	-	15,231		15,231
Total expenditures	<u>63,327</u>	<u>106,286</u>	<u>99,923</u>	<u>1,383</u>	<u>80,231</u>		<u>351,150</u>
Excess (deficiency) of revenues over (under) expenditures	(7,179)	(10,404)	(31,033)	7,801	(80,231)		(121,046)
Other financing sources							
Operating transfers in	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>80,231</u>		<u>80,231</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing (uses)	(7,179)	(10,404)	(31,033)	7,801	-		(40,815)
Fund balances, beginning of year	<u>90,228</u>	<u>40,125</u>	<u>108,911</u>	<u>4,087</u>	<u>-</u>		<u>243,351</u>
Fund balances, end of year	<u>\$ 83,049</u>	<u>\$ 29,721</u>	<u>\$ 77,878</u>	<u>\$ 11,888</u>	<u>\$ -</u>		<u>\$ 202,536</u>

See accompanying Independent Auditor's Report.

OLIN CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
Schedule of Changes in Special Revenue Fund, Student Activity Accounts
For the Year Ended June 30, 2005

Schedule 3

Account	Balance, Beginning of Year	Revenues	Expenditures	Balance, End of Year
General athletics	\$ -	\$ 2,448	\$ 2,448	\$ -
Boys basketball	1,500	3,666	4,187	979
Boys football	3,702	6,673	9,375	1,000
Boys Bbaseball	(2,484)	6,803	4,319	-
Boys track	-	982	982	-
Boys golf	-	80	80	-
Girls basketball	1,500	3,984	5,175	309
Girls volleyball	500	2,094	1,937	657
Girls softball	-	3,159	3,159	-
Girls track	-	999	999	-
Girls golf	128	-	128	-
Drama	701	826	332	1,195
Thespians	(95)	660	565	-
Bank/vocal	306	-	288	18
PE super sport	354	-	-	354
ELP fundraising	190	-	-	190
Title I fundraising	113	80	12	181
HS SCI club	91	434	192	333
Elementary SCI club	172	290	130	332
Pepsi commission	2,306	-	2,306	-
Interest	11,277	1,518	8,562	4,233
Concession stand	2,994	9,834	12,828	-
Annual	(5,008)	9,138	3,843	287
Cheerleading	217	430	278	369
FFA	1,748	11,039	10,106	2,681
Pom-pon	1,095	1,878	1,904	1,069
HS student council	1,375	6,836	5,448	2,763
JH student council	23	113	-	136
School store	-	34	115	(81)
Spanish club	82	-	-	82
Class of 2004	1,391	-	1,391	-

See accompanying Independent Auditor's Report.

OLIN CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
Schedule of Changes in Special Revenue Fund, Student Activity Accounts
For the Year Ended June 30, 2005

Schedule 3

Account	Balance, Beginning of Year	Revenues	Expenditures	Balance, End of Year
Class of 2005	\$ 1,730	\$ 3,399	\$ 5,129	\$ -
Class of 2006	1,227	6,760	6,552	1,435
Class of 2007	343	366	-	709
Class of 2008	401	45	48	398
Class of 2009	185	36	-	221
Class of 2010	160	95	-	255
Athletic resale	645	661	599	707
Music resale	(22)	480	458	-
Activity resale	3,880	6,482	7,602	2,760
I.A. resale	(105)	48	50	(107)
Candy resale/industrial arts	(169)	293	223	(99)
Employee candy resale	535	-	470	65
Field trips	1,270	1,599	1,494	1,375
Wapsi League	1,973	1,147	284	2,836
Pools PTO donation	3,894	156	2,055	1,995
Library books fund	-	317	233	84
Totals	<u>\$ 40,125</u>	<u>\$ 95,882</u>	<u>\$ 106,286</u>	<u>\$ 29,721</u>

See accompanying Independent Auditor's Report.

OLIN CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
 Schedule of Changes in Fiduciary Assets and Liabilities - Agency Fund
 For the Year Ended June 30, 2005

Schedule 4

	Balance, Beginning of <u>Year</u>	<u>Additions</u>	<u>Deductions</u>	Balance, End of <u>Year</u>
Assets				
Cash	<u>\$ 483</u>	<u>\$ 559</u>	<u>\$ 634</u>	<u>\$ 408</u>
Liabilities				
Due to others	<u>\$ 483</u>	<u>\$ 559</u>	<u>\$ 634</u>	<u>\$ 408</u>

See accompanying Independent Auditor's Report.

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

Schedule 5

	Modified Accrual Basis			
	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Revenues				
Local sources				
Local tax	\$ 1,103,347	\$ 985,865	\$ 1,098,659	\$ 874,609
Tuition	141,631	138,923	91,045	98,703
Other	127,149	176,713	119,901	125,459
State sources	1,404,505	1,252,588	1,224,302	1,278,016
Federal sources	134,412	675,155	92,816	61,680
Total revenues	<u>\$ 2,911,044</u>	<u>\$ 3,229,244</u>	<u>\$ 2,626,723</u>	<u>\$ 2,438,467</u>
Expenditures				
Instruction				
Regular instruction	1,055,238	1,125,376	1,042,394	1,030,170
Special instruction	272,467	370,646	388,735	332,900
Other instruction	357,999	297,112	289,268	294,685
Support services				
Student services	90,110	67,945	48,408	46,350
Instructional staff services	70,641	50,089	44,255	46,228
Administration services	331,405	318,802	305,623	290,216
Operation and maintenance of plant services	238,578	179,969	193,426	159,291
Transportation services	84,847	90,244	86,055	106,758
Noninstructional programs	1,383	44,829	3,606	3,004
Other expenditures				
Facilities acquisition	77,892	1,187,281	286,559	69,566
Long-term debt				
Principal	65,000	-	-	-
Interest and other charges	15,231	18,267	-	-
AEA flowthrough	92,552	88,481	93,791	95,173
Total expenditures	<u>\$ 2,753,343</u>	<u>\$ 3,839,041</u>	<u>\$ 2,782,120</u>	<u>\$ 2,474,341</u>

See accompanying Independent Auditor's Report.

KAY L. CHAPMAN, CPA PC

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Muscatine, Iowa 52761
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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
Olin Consolidated Independent School District

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Olin Consolidated Independent 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 my report thereon dated November 8, 2005. I conducted my 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 my audit, I considered Olin Consolidated Independent School District's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, I noted certain matters involving the internal control over financial reporting and its operation that I consider to be reportable conditions. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in my 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. Reportable conditions are described in Part I of the accompanying Schedule of Findings.

A material weakness is a reportable 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 caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, I believe item (A) Segregation of Duties, is a material weakness.

Compliance and Other Matters

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

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 my audit of the financial statements of the District. Since my audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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

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



Kay L. Chapman, CPA PC
November 8, 2005

OLIN CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
Schedule of Findings
For the Year Ended June 30, 2005

Part I. Findings Related to the Financial Statements

INSTANCES OF NON-COMPLIANCE

No matters were noted.

REPORTABLE CONDITIONS

- A. Segregation of Duties - The limited number of accounting personnel makes it difficult to achieve adequate internal accounting control through the segregation of duties and responsibilities, such as recording and processing cash receipts, preparing checks and bank reconciliations, preparation of journals and general financial information for ledger posting, and the analysis of financial information. A small staff makes it difficult to establish an ideal system of automatic internal checks on accounting record accuracy and reliability, although I noted the District had taken steps to segregate duties between the present personnel. This is not an unusual condition but it is important the District officials are aware that the condition exists.

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

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

Conclusion - Response accepted.

- B. Physical Plant and Equipment Levy Expenditures - It was noted that the Physical Plant and Equipment Levy (PPEL) Fund was used to purchase equipment costing less than \$500 per unit.

Recommendation - Chapter 298.3 of the Code of Iowa states that proceeds of the Physical Plant and Equipment Levy may be used to "purchase a single unit of equipment exceeding five hundred dollars in value". The purchase of equipment valued less than \$500 is not an allowable expenditure from the PPEL Fund. The District should review its PPEL expenditures more closely to ensure that all expenditures comply with the Code of Iowa.

Response - This was a misunderstanding of the law on our part. Our understanding was that equipment could be purchased from the PPEL Fund if the total cost of the order exceeded \$500. We will be more attentive of this in the future.

Conclusion - Response accepted.

OLIN CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
Schedule of Findings
For the Year Ended June 30, 2005

Part II. Other Findings Related to Statutory Reporting:

1. Official Depositories - A resolution naming official depositories has been approved by the Board. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2005.
2. Certified Budget - Expenditures for the year ended June 30, 2005 exceeded the amount budgeted in the Support Services function.

Recommendation - The District should have amended the budget in sufficient amounts before expenditures were allowed to exceed the budget.

Response - We will be more attentive of this in the future and amend the budget in sufficient amounts, as necessary.

Conclusion - Response accepted.

3. Questionable Disbursements - I noted no disbursements that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
4. Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
5. Business Transactions - No business transactions between the District and District officials or employees were noted.
6. Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
7. Board Minutes - I noted no transactions requiring Board approval which had not been approved by the Board. However, it was noted that the minutes were not always published within fourteen days of the board meeting as required by Chapter 279.35 of the Code of Iowa.

Recommendation - The District should ensure that all minutes are made available to the newspaper within fourteen days of the board meeting as required by the Code of Iowa.

OLIN CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
Schedule of Findings
For the Year Ended June 30, 2005

Response - This was an oversight. The late-filed minutes occurred during a time when the District was undergoing a state review and resulting superintendent issues. We will be more attentive of this in the future.

Conclusion - Response accepted.

8. Certified Enrollment - No variances in the basic enrollment data certified to the Iowa Department of Education were noted.
9. Deposits and Investments - I noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
10. Certified Annual Reports - The Certified Annual Report was filed with the Department of Education timely; however, I noted a few errors in the amounts reported in the non-fiscal Capital Assets Summary section.

Recommendation - The District should correct the items affecting beginning balances on the Certified Annual Report for the fiscal year ending June 30, 2006.

Response - We will correct the necessary balances on our FY06 CAR.

Conclusion - Response accepted.

OLIN CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
Audit Staff
June 30, 2005

This audit was performed by

Kay Chapman, CPA
Christina Chamberlin, staff accountant
Tammy Calvert, staff accountant