

OSKALOOSA COMMUNITY SCHOOL DISTRICT
OSKALOOSA, IOWA

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

JUNE 30, 2005

TABLE OF CONTENTS

	Page
OFFICIALS	3
INDEPENDENT AUDITOR’S REPORT	5-6
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)	7-17
BASIC FINANCIAL STATEMENTS	
Exhibit	
District-Wide Financial Statements:	
A Statement of Net Assets	20-21
B Statement of Activities	22-25
Governmental Fund Financial Statements:	
C Balance Sheet	26
D Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Assets	27
E Statement of Revenues, Expenditures and Changes in Fund Balances	28-29
F Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to the Statement of Activities	30
Proprietary Fund Financial Statements:	
G Statement of Net Assets	31
H Statement of Revenues, Expenses, and Changes in Net Assets	32
I Statement of Cash Flows	33-34
Fiduciary Fund Financial Statements:	
J Statement of Fiduciary Net Assets	35
K Statement of Changes in Fiduciary Net Assets	36
Notes to Financial Statements	37-55
REQUIRED SUPPLEMENTARY INFORMATION:	
Budgetary Comparison Schedule of Receipts, Disbursements, and Changes in Balances – Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Fund	58
Budgetary Comparison Schedule - Budget to GAAP Reconciliation	59
Notes to Required Supplementary Information – Budgetary Reporting	60
OTHER SUPPLEMENTARY INFORMATION:	
Schedule	
Nonmajor Governmental Funds:	
1 Combining Balance Sheet	62
2 Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	63-64
3 Schedule of Changes in Special Revenue Fund, Student Activity Accounts	65
4 Schedule of Revenues by Source and Expenditures by Function – All Governmental Funds	66
5 Schedule of Expenditures of Federal Awards	67-68
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	69-70

TABLE OF CONTENTS
(continued)

	Page
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133	71-72
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	73-78

OSKALOOSA COMMUNITY SCHOOL DISTRICT

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<u>Board of Education</u>		
(Before September 2004 Election)		
David Meinert	President	2004
Don Patterson	Vice President	2005
Pat Sodak	Board Member	2004
Bruce Smith	Board Member	2004
David Dickinson	Board Member	2005
Anne Whitis	Board Member	2006
Brian Kieffer	Board Member	2006
<u>Board of Education</u>		
(After September 2004 Election)		
David Meinert	President	2007
Don Patterson	Vice President	2005
David Dickinson	Board Member	2005
Anne Whitis	Board Member	2006
Brian Kieffer	Board Member	2006
Laurie Palmer	Board Member	2007
Bruce Smith	Board Member	2007
<u>School Officials</u>		
Dr. M. Carolyn McGaughey	Superintendent	2008
Jake Roberts	District Secretary/Treasurer	2005
Randy S. DeGeest	Attorney	Indefinite

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of
Oskaloosa Community School District:

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Oskaloosa Community School District, 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. Our responsibility is to express opinions on these basic financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Oskaloosa Community 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, we have also issued our report dated July 27, 2005 on our consideration of Oskaloosa Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and budgetary comparison information on pages 7 through 17 and 58 through 60 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Oskaloosa, Iowa
July 27, 2005

This section of the Oskaloosa Community School District's annual financial report presents the discussion and analysis of the District's financial performance during the fiscal year ended June 30 2005. The analysis focuses on the District's financial performance as a whole. Please read it in conjunction with the District's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

The continued financial strength of the District evidenced by the 11.4% solvency ratio is due to the control over the growth of expenses by the administration, and to the use of a substantial cash reserve levy. Expenditures for supplies and equipment were held at the previous year's levels.

The District completed work on the construction of a new elementary school at a total cost of \$15,890,769, a High School Renovation and addition project at a total cost of \$6,928,202, and began a project to replace the boilers and hydronic piping at the High School and renovate the vocational section, at an estimated cost of \$1,385,962. To finance these projects the District issued capital loan notes in the amount of \$2,530,000 and Local Option Sales and Services Tax Revenue Bonds totaling \$5,760,000 in 2002/2003, Local Option Sales Tax Bonds in the amount of \$13,720,000 in 2003/2004, and Local Option Sales Tax Bonds in the amount of \$1,910,000 in 2005. No additional bond issues are being considered at this time.

General Fund revenues increased from \$18,046,903 in fiscal 2004 to \$18,575,986 in fiscal 2005, while General Fund expenditures increased from \$17,275,028 in fiscal 2004 to \$18,166,785 in fiscal 2005. This resulted in an increase in the District's General fund balance from \$1,700,997 in fiscal 2004 to \$2,110,198 in fiscal 2005, an increase of \$409,201.

The increase in revenues was attributable to an increase in property taxes and state funding. The increase in expenditures was attributable to negotiated wage and benefit increases.

Interest income on investments for the General Fund for the last five fiscal years has been as follows: 2000/2001 - \$150,679, 2001/2002 - \$60,684, 2002/2003 - \$35,355, 2003/2004 - \$35,145, and 2004/2005 - \$65,690. This fluctuation in interest income has been due to fluctuations in interest rates and not in the amount available for investment.

OVERVIEW OF FINANCIAL STATEMENTS

This report consists of three parts: Management's discussion and analysis (this section), the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

The first two statements are District-wide financial statements that provide both short-term and long-term information about the District's overall financial status.

The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District's operations in more detail than the district-wide statements.

The governmental funds statements explain how basic services such as regular and special education were financed in the short term as well as what remains for future spending.

Proprietary funds statements offer short-term and long-term financial information about activities the District operates like businesses, such as food services.

Fiduciary funds statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year.

DISTRICT-WIDE STATEMENTS

Figure 1 summarizes the major features of the District's Financial Statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of the Management's Discussion and Analysis highlights the structure and contents of each of the statements.

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

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

Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating, respectively.

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.

Figure 1

MAJOR FEATURES OF THE DISTRICT-WIDE AND FUND FINANCIAL STATEMENTS

		Fund Statement	Fund Statement	Fund Statement
	District-wide 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 Service	Instances in which the District administers resources on behalf of someone else such as scholarship programs
Required Financial Statements	Statement of Net Assets Statement of Activities	Balance Sheet Statement of Revenues, Expenditures & Changes in Fund Balance	Statement of Net Assets, Statement of Revenues, Expenses and Changes in Net Assets Statement of Cash Flows	Statement of Fiduciary Net Assets Statement of Changes in Fiduciary Net Assets
Accounting Basis and Measurement Focus	Accrual Accounting and Economic Resources Focus	Modified Accrual Accounting and Current Financial Resources Focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of Asset/Liability Information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

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

Governmental Activities: Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property taxes and state aid finance most of these activities.

Business-type activities: The District charges fees to help cover the costs of certain services it provides. The District's food service program would be included here.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds. Funds are accounting devices that 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:

Governmental Funds. Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you 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 the Capital Projects Fund.

Proprietary Funds. Services for which the District charges a fee are generally reported in proprietary funds. These funds are reported in the same way as the District-wide statements.

The Nutrition Fund is the only proprietary fund that the District maintains.

Fiduciary Funds. The District is the trustee or fiduciary for the assets that belong to others such as scholarship funds.

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

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Comparative condensed financial statements are presented as follows (figure 1B).

Condensed Statement of Net Assets (Figure 1B)

(Expressed in Thousands)

	Governmental Activities		Business Type Activities		Total District	Total District	Change
	June 30	June 30	June 30	June 30	June 30	June 30	<u>2004/2005</u>
	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	
Current & Other Assets	\$19,808	\$19,726	\$37	-\$7	\$19,845	\$19,719	-\$126
Capital Assets	\$27,697	\$32,067	\$40	\$291	\$27,737	\$32,358	\$4,621
Total Assets	\$47,505	\$51,793	\$77	\$284	\$47,582	\$52,077	\$4,495
Long-Term Liabilities	\$21,891	\$12,869			\$21,891	\$12,834	-\$9,057
Other Liabilities	\$10,332	\$22,152	\$9	\$11	\$10,341	\$22,198	-\$10,034
Total Liabilities	\$32,223	\$35,021	\$9	\$11	\$32,232	\$35,032	-\$19,091
Net Assets:							
Invested in Capital Assets Net of Debt	\$13,365	\$15,653	\$40	\$291	\$13,405	\$15,944	\$2,539
Restricted	\$1,054	\$235			\$1,054	\$235	-\$819
Unrestricted	\$863	\$884	\$28	-\$18	\$891	\$866	-\$25
Total Net Assets	\$15,282	\$16,772	\$68	\$273	\$15,350	\$17,045	\$1,695

CHANGES IN NET ASSETS

	Governmental		Business Type		Total District	
	Activities		Activities		June 30	
	June 30		June 30		June 30	
	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>
Revenues						
Program Revenues						
Charges for Services	\$1,112	\$933	\$439	\$447	\$1,551	\$1,380
Operating Grants & Restricted Interest	\$2,278	\$2,209	\$418	\$413	\$2,696	\$2,622
Capital Grants		\$148		\$280	\$0	\$428
General Revenues						
Property & Other Taxes	\$9,470	\$10,048			\$9,470	\$10,048
Unrestricted Grants	\$8,958	\$9,148			\$8,958	\$9,148
Other	<u>\$426</u>	<u>\$445</u>			<u>\$426</u>	<u>\$445</u>
Total Revenues	\$22,244	\$22,931	\$857	\$1,140	\$23,101	\$24,071
Program Expenses						
Governmental Activities						
Instruction	\$12,004	\$12,558			\$12,004	\$12,558
Support Services	\$5,369	\$5,861			\$5,369	\$5,861
Other Expenses	\$3,849	\$3,021			\$3,849	\$3,021
Business Type Activities						
Other Expenses			<u>\$862</u>	<u>\$935</u>	<u>\$862</u>	<u>\$935</u>
Total Expenses	\$21,222	\$21,440	\$862	\$935	\$22,084	\$22,375
Changes in Net Assets	\$1,022	\$1,491	-\$5	\$205	\$1,017	\$1,696

GOVERNMENTAL ACTIVITIES

The revenues for governmental activities were \$22,930,921 and expenses were \$21,440,162. The excess revenues were due primarily to the increased property tax levy and state funding.

Federal and state governments subsidized certain programs with grants and contributions totaling \$2,208,613.

The net cost of governmental activities was financed primarily with \$10,047,881 in local property and other taxes, \$9,147,940 in unrestricted state grants and \$236,704 in interest on investments.

BUSINESS-TYPE ACTIVITIES

Revenues of the District’s business-type activities were \$1,140,031 and expenses were \$935,311. The Nutrition fund comprises the only business-type activity for the District. Revenues included \$446,666 in charges for services, \$413,482 in state and federal grants and \$221 in interest on investments.

FINANCIAL ANALYSIS OF THE DISTRICT’S FUNDS

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

The district’s Governmental Fund balances decreased a total of \$2,639,277 over the previous fiscal year. The individual fund balance changes were as follows:

	<u>Beginning</u>	<u>Increase</u>	<u>Ending</u>
General Fund:	\$1,700,997	\$ 409,201	\$2,110,198
Capital Projects	\$7,007,203	(\$1,680,429)	\$5,326,774
Non-major Funds	\$1,192,681	(\$1,368,049)	(\$175,368)

Notes:

1. The reasons for the increase in funds for the General Fund were discussed earlier in this discussion.
2. The decrease in the Capital Projects Fund was due to an excess of spending over collection of the local option sales and services taxes and revenue bond proceeds. This is a timing difference only and should reverse in future years.
3. The decrease in Non-major Fund Balance was due to an increase in early retirement benefits and casualty insurance premiums that are paid from the Management Fund, and to construction payments made directly from the PPEL Fund.

BUDGETARY HIGHLIGHTS

OSKALOOSA COMMUNITY SCHOOL BUDGETARY COMPARISON GOVERNMENTAL AND PROPRIETARY FUNDS 2004/2005

	<u>Final Budgeted Amounts</u>	<u>Total Actual</u>
Receipts		
Local Sources	\$ 9,805,748	\$11,959,442
State Sources	\$11,650,343	\$10,594,528
Federal Sources	<u>\$ 650,000</u>	<u>\$ 1,094,071</u>
Total	\$22,106,091	\$23,648,041
Disbursements		
Instruction	\$12,218,000	\$12,181,042
Support Services	\$ 5,853,800	\$ 5,865,277
Non-Instructional Programs	\$ 862,500	\$ 904,253
Other Expenditures	<u>\$13,666,746</u>	<u>\$ 9,715,539</u>
Total	\$32,601,046	\$28,666,111
Excess Receipts over (under) Disbursements	(\$10,494,955)	(\$ 5,018,070)
Other Financing Sources Net	\$	\$ 1,984,469
Excess Receipts over (under) Disbursements	(\$10,494,955)	(\$ 3,033,601)
Balance Beginning of Year	\$12,784,397	\$11,728,479
Balance End of Year	\$ 2,289,442	\$ 8,694,878

The total receipts for the governmental and proprietary funds were greater than budgeted amounts due to unexpected funds from local sources, specifically open enrollment and special education tuition from other schools. Unexpected income from Title One and Title Two Grants and from Medicaid Reimbursements provided greater than expected Federal funds. Actual expenditures were less than budgeted amounts. The difference was due to pending final payments on the major construction projects.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds. This is referred to as the certified budget. It may be amended during the year utilizing similar statutorily prescribed procedures. The District's certified budget is prepared on a cash. During the 2004/2005 fiscal year, the District amended its budget once to reflect increased expenditure estimates in three of the four budget categories.

CAPITAL ASSET AND DEBT ADMINISTRATION

By the end of the 2005 fiscal year, the District had invested in a broad range of capital assets including land, buildings, athletic facilities, computers and audio-visual equipment, transportation equipment and administrative offices.

Figure 2 shows total investment in capital assets net of accumulated depreciation.

Figure 2 indicates a substantial decrease in construction in progress. The High School Addition and Renovation and the new Elementary Building were financed with Sales and Services Tax Revenue Bonds and Capital Loan Notes and capitalized during the year as evidenced by the substantial increase in buildings.

Figures 2 **SUMMARY OF CAPITAL ASSETS, NET OF DEPRECIATION**

	Governmental Activities		Business Activities		Total District		Change
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	
Land	\$358,751	\$358,751			\$358,751	\$358,751	\$0
Construction in Progress	\$224,561	\$18,123,100			\$224,561	\$18,123,100	-\$17,898,539
Buildings	\$29,988,453	\$7,817,102			\$29,988,453	\$7,817,102	\$22,171,351
Improvements	\$43,492	\$53,576			\$43,492	\$53,576	-\$10,084
Furniture & Equipment	<u>\$1,451,301</u>	<u>\$1,344,768</u>	<u>\$291,037</u>	<u>\$39,864</u>	<u>\$1,742,338</u>	<u>\$1,384,632</u>	<u>\$357,706</u>
Total District	\$32,066,558	\$27,697,297	\$291,037	\$39,864	\$32,357,595	\$27,737,161	\$4,620,434

LONG-TERM LIABILITIES

Figure 3 outlines the composition of the total long-term liabilities amount of \$22,151,535 for the District as of June 30, 2005.

During fiscal year 2002 , the District’s voters approved the issuance of local option sales and services tax revenue bonds not to exceed \$20,000,000. A total of \$1,910,000 of these bonds were issued during fiscal 2005.

Figure 3 **SUMMARY OF LONG-TERM LIABILITIES**

	<u>Total Long-Term Liabilities</u>		<u>Total Change</u>
	<u>2004</u>	<u>2005</u>	
Early Retirement	\$ 243,600	\$ 229,826	(6.5%)
Compensated Absences	\$ 46,131	\$ 50,038	8.5%
Capital Loan Notes	\$2,340,000	\$2,145,000	(8.3%)
Local Option Sales and Services Tax Revenue Bonds and School Infrastructure			
Local Option sales and Services Tax Revenue Bonds	\$ 19,000,000	\$19,595,000	3.1%
Lease/Purchase Contracts	\$ 260,888	\$ 131,671	(49.5)%
Total	<u>\$21,890,619</u>	<u>\$22,151,535</u>	1.0%

FACTORS BEARING ON THE DISTRICT'S FUTURE

A substantial part of the general fund revenues are determined by the Aid and Levy Worksheet that utilizes the District's certified enrollment to establish the combined district cost. The certified enrollment determined in September of 2005 remained steady. The District's Administration will continue to monitor student enrollments as they relate to state and federal funding generated..

A substantial part of the general fund expenditures are wages and benefits. A majority of the district's employees are covered by State-mandated collective bargaining agreements. The final step in the negotiation process is binding arbitration. If the negotiation process progresses to this level, the outcome may produce wages and benefits in excess of available funding. If this happens, administration will be forced to reduce the expenditure budget with cuts in staff a likely target.

CONTACTS

For information regarding this report, contact Jake Roberts, Board Secretary, Oskaloosa Community School, 1800 North 3rd, Oskaloosa, Iowa 52757, telephone, 641-673-8345.

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Basic Financial Statements

OSKALOOSA COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS
June 30, 2005

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
Assets			
Cash and pooled investments	\$ 8,579,459	\$ 45,419	\$ 8,624,878
Receivables:			
Property tax:			
Current year	84,438	-	84,438
Succeeding year	6,787,000	-	6,787,000
Accrued interest	58,575	15	58,590
Interfund receivable (payable)	70,000	(70,000)	-
Due from other governments	710,977		710,977
Inventories	-	17,829	17,829
Restricted ISCAP assets (note 5):			
Investments	3,423,740	-	3,423,740
Accrued interest receivable	12,594	-	12,594
Capital assets, net of accumulated depreciation (note 6)	<u>32,066,558</u>	<u>291,037</u>	<u>32,357,595</u>
 Total assets	 <u>51,793,341</u>	 <u>284,300</u>	 <u>52,077,641</u>
Liabilities			
Accounts payable	503,102	11,181	514,283
Salaries and benefits payable	1,751,322	-	1,751,322
Accrued interest payable	403,968	-	403,968
ISCAP warrants payable (note 4)	3,410,000	-	3,410,000
ISCAP accrued interest payable (note 4)	13,755	-	13,755
Deferred revenue:			
Succeeding year property tax	6,787,000	-	6,787,000
Long-term liabilities (note 7):			
Portion due within one year:			
Early retirement	80,953	-	80,953
Notes payable	205,000	-	205,000
Local option sales and services tax revenue bonds payable	730,000	-	730,000
School infrastructure local option sales and services tax revenue bonds payable	680,000	-	680,000
Compensated absences	50,038	-	50,038
Portion due after one year:			
Early retirement	148,873	-	148,873
Notes payable	1,940,000	-	1,940,000
Local option sales and services tax revenue bonds payable	10,905,000	-	10,905,000
School infrastructure local option sales and services tax revenue bonds payable	7,280,000	-	7,280,000
Lease purchase agreement payable	131,671	-	131,671
 Total liabilities	 <u>35,020,682</u>	 <u>11,181</u>	 <u>35,031,863</u>

OSKALOOSA COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS

June 30, 2005

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Net Assets			
Invested in capital assets, net of related debt	\$ 15,653,332	\$ 291,037	\$ 15,944,369
Restricted for:			
Other special revenue purposes	234,822	-	234,822
Unrestricted	<u>884,505</u>	<u>(17,918)</u>	<u>866,587</u>
Total net assets	<u>\$ 16,772,659</u>	<u>\$ 273,119</u>	<u>\$ 17,045,778</u>

See notes to financial statements.

OSKALOOSA COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
Year Ended June 30, 2005

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Governmental Activities:				
Instruction:				
Regular instruction	\$ 8,487,874	\$ 344,653	\$ 511,016	\$ -
Special instruction	2,603,934	81,529	680,369	-
Other instruction	1,466,170	486,254	2,437	-
	<u>12,557,978</u>	<u>912,436</u>	<u>1,193,822</u>	<u>-</u>
Support services:				
Student services	969,415	4,396	59,065	-
Instructional staff services	636,820	-	217,774	-
Administration services	1,600,325	-	-	-
Operation and maintenance of plant services	1,930,667	-	-	-
Transportation services	723,691	16,066	43,472	-
	<u>5,860,918</u>	<u>20,462</u>	<u>320,311</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	835,964	-	-	148,341
Long-term debt interest and fiscal charges	833,118	-	-	-
AEA flowthrough	694,480	-	694,480	-
Depreciation (unallocated) *	657,704	-	-	-
	<u>3,021,266</u>	<u>-</u>	<u>694,480</u>	<u>148,341</u>
Total governmental activities	21,440,162	932,898	2,208,613	148,341
Business-Type Activities:				
Non-instructional programs:				
Food service operations	935,311	446,666	413,482	279,662
Total	<u>\$ 22,375,473</u>	<u>\$ 1,379,564</u>	<u>\$ 2,622,095</u>	<u>\$ 428,003</u>

Net (Expense) Revenue
and Changes in Net Assets

<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Total</u>
\$ (7,632,205)	\$ -	\$ (7,632,205)
(1,842,036)	-	(1,842,036)
(977,479)	-	(977,479)
<u>(10,451,720)</u>	<u>-</u>	<u>(10,451,720)</u>
(905,954)	-	(905,954)
(419,046)	-	(419,046)
(1,600,325)	-	(1,600,325)
(1,930,667)	-	(1,930,667)
(664,153)	-	(664,153)
<u>(5,520,145)</u>	<u>-</u>	<u>(5,520,145)</u>
(687,623)	-	(687,623)
(833,118)	-	(833,118)
-	-	-
(657,704)	-	(657,704)
<u>(2,178,445)</u>	<u>-</u>	<u>(2,178,445)</u>
(18,150,310)	-	(18,150,310)
-	204,499	204,499
<u>(18,150,310)</u>	<u>204,499</u>	<u>(17,945,811)</u>

OSKALOOSA COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
Year Ended June 30, 2005

Functions/Programs

General Revenues:

Property tax levied for:

General purposes

Capital outlay

Local option sales and services tax

Unrestricted state grants

Unrestricted investment earnings

Other

Total general revenues

Change in net assets

Net assets beginning of year

Net assets end of year

* = This amount excludes the depreciation that is included
in the direct expense of the various programs.

See notes to financial statements.

Net (Expense) Revenue
and Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
\$ 6,869,869	\$ -	\$ 6,869,869
432,781	-	432,781
2,745,231	-	2,745,231
9,147,940	-	9,147,940
236,704	221	236,925
208,544	-	208,544
-		
19,641,069	221	19,641,290
1,490,759	204,720	1,695,479
15,281,900	68,399	15,350,299
\$ 16,772,659	\$ 273,119	\$ 17,045,778

OSKALOOSA COMMUNITY SCHOOL DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2005

	General	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
Assets				
Cash and pooled investments	\$ 3,129,184	\$ 5,109,805	\$ 340,470	\$ 8,579,459
Receivables:				
Property tax:				
Current year	76,037	-	8,401	84,438
Succeeding year	6,113,000	-	674,000	6,787,000
Accrued interest	20,999	36,757	819	58,575
Interfund receivable (note 3)	487,970	70,330	-	558,300
Due from other governments	307,490	403,487	-	710,977
Restricted ISCAP assets (note 5):				
Investments	3,423,740	-	-	3,423,740
Accrued interest receivable	12,594	-	-	12,594
	<u>\$ 13,571,014</u>	<u>\$ 5,620,379</u>	<u>\$ 1,023,690</u>	<u>\$ 20,215,083</u>
Total assets				
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 172,739	\$ 293,605	\$ 36,758	\$ 503,102
Salaries and benefits payable	1,751,322	-	-	1,751,322
Interfund payable	-	-	488,300	488,300
ISCAP warrants payable (note 5)	3,410,000	-	-	3,410,000
ISCAP accrued interest payable (note 5)	13,755	-	-	13,755
Deferred revenue:				
Succeeding year property tax	6,113,000	-	674,000	6,787,000
Total liabilities	<u>11,460,816</u>	<u>293,605</u>	<u>1,199,058</u>	<u>12,953,479</u>
Fund balance:				
Reserved for:				
Debt service	-	-	39,623	39,623
Local option sales and services tax revenue bonds reserve (note 7)	-	2,129,000	-	2,129,000
Unreserved:				
Reported in nonmajor Special Revenue Funds	-	-	(214,991)	(214,991)
Undesignated	2,110,198	3,197,774	-	5,307,972
Total fund balances	<u>2,110,198</u>	<u>5,326,774</u>	<u>(175,368)</u>	<u>7,261,604</u>
	<u>\$ 13,571,014</u>	<u>\$ 5,620,379</u>	<u>\$ 1,023,690</u>	<u>\$ 20,215,083</u>
Total liabilities and fund balances				

See notes to financial statements.

OSKALOOSA COMMUNITY SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
June 30, 2005

Total fund balances of governmental funds	\$ 7,261,604
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.	32,066,558
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.	(403,968)
Long-term liabilities, including early retirement, notes payable, bonds payable, capital leases payable and compensated absences, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(22,151,535)</u>
Net assets of governmental activities	<u>\$ 16,772,659</u>

See notes to financial statements.

OSKALOOSA COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2005

	General	Capital Projects	Nonmajor Governmental Funds	Total
Revenues:				
Local sources:				
Local tax	\$ 6,564,287	\$ 2,745,231	\$ 733,337	\$ 10,042,855
Tuition	326,404	-	-	326,404
Other	328,265	296,810	504,974	1,130,049
State sources	10,495,300	-	214	10,495,514
Federal sources	861,630	-	-	861,630
Total revenues	<u>18,575,886</u>	<u>3,042,041</u>	<u>1,238,525</u>	<u>22,856,452</u>
Expenditures:				
Current:				
Instruction:				
Regular instruction	8,061,927	-	321,190	8,383,117
Special instruction	2,565,959	-	-	2,565,959
Other instruction	960,648	-	505,522	1,466,170
	<u>11,588,534</u>	<u>-</u>	<u>826,712</u>	<u>12,415,246</u>
Support services:				
Student services	969,415	-	-	969,415
Instructional staff services	766,037	-	-	766,037
Administration services	1,589,518	-	-	1,589,518
Operation and maintenance of plant services	1,900,009	-	-	1,900,009
Transportation services	658,792	-	-	658,792
	<u>5,883,771</u>	<u>-</u>	<u>-</u>	<u>5,883,771</u>
Other expenditures:				
Facilities acquisition	-	4,516,446	1,800,446	6,316,892
Long term debt:				
Principal	-	-	1,315,000	1,315,000
Interest and fiscal charges	-	-	854,809	854,809
AEA flowthrough	694,480	-	-	694,480
	<u>694,480</u>	<u>4,516,446</u>	<u>3,970,255</u>	<u>9,181,181</u>
Total expenditures	<u>18,166,785</u>	<u>4,516,446</u>	<u>4,796,967</u>	<u>27,480,198</u>
Excess (deficiency) of revenues over (under) expenditures	<u>409,101</u>	<u>(1,474,405)</u>	<u>(3,558,442)</u>	<u>(4,623,746)</u>

OSKALOOSA COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2005

	General	Capital Projects	Nonmajor Governmental Funds	Total
Other financing sources (uses):				
Sale of equipment	\$ 100	\$ -	\$ -	\$ 100
Sale of real property	-	-	68,109	68,109
Interfund transfers in (note 4)	-	-	2,169,809	2,169,809
Interfund transfers out (note 4)	-	(2,122,284)	(47,525)	(2,169,809)
Local option sales and services tax revenue bonds issued	-	1,916,260	-	1,916,260
Total other financing sources (uses)	<u>100</u>	<u>(206,024)</u>	<u>2,190,393</u>	<u>1,984,469</u>
Net change in fund balances	409,201	(1,680,429)	(1,368,049)	(2,639,277)
Fund balances beginning of year	<u>1,700,997</u>	<u>7,007,203</u>	<u>1,192,681</u>	<u>9,900,881</u>
Fund balances end of year	<u>\$ 2,110,198</u>	<u>\$ 5,326,774</u>	<u>\$ (175,368)</u>	<u>\$ 7,261,604</u>

See notes to financial statements.

OSKALOOSA COMMUNITY SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2005

Net change in fund balances - total governmental funds \$ (2,639,277)

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	\$ 5,378,267	
	Depreciation expense	<u>(1,009,006)</u>	4,369,261

Repayment of long-term liabilities is an expenditure in the governmental funds, but it reduces long-term liabilities in the statement of net assets. 1,639,217

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, however, interest expense is recognized as the interest accrues, regardless of when it is due. 21,691

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. 9,867

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds but increase long-term liabilities in the statement of net assets and do not affect the statement of activities. (1,910,000)

Change in net assets of governmental activities \$ 1,490,759

See notes to financial statements.

OSKALOOSA COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS
PROPRIETARY FUND

June 30, 2005

	<u>Non-Major Enterprise Fund</u>
Assets	
Cash and cash equivalents	\$ 45,419
Interest receivable	15
Inventories	17,829
Capital assets, net of accumulated depreciation	<u>291,037</u>
Total assets	<u>354,300</u>
Liabilities	
Due to other funds	70,000
Accounts payable	<u>11,181</u>
Total liabilities	<u>81,181</u>
Net Assets	
Invested in capital assets, net of related debt	291,037
Unrestricted	<u>(17,918)</u>
Total net assets	<u>\$ 273,119</u>

See notes to financial statements.

OSKALOOSA COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUND
Year Ended June 30, 2005

	<u>Non-Major Enterprise Fund</u>
Operating revenues:	
Local sources:	
Charges for services	\$ <u>446,666</u>
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	301,056
Benefits	111,869
Purchased services	2,534
Supplies	490,984
Depreciation	28,489
Other	379
	<u>935,311</u>
Operating loss	<u>(488,645)</u>
Non-operating revenues:	
Interest on investments	221
Capital contributions	279,662
State sources	11,079
Federal sources	402,403
Total non-operating revenues	<u>693,365</u>
Change in net assets	204,720
Net assets beginning of year	<u>68,399</u>
Net assets end of year	<u>\$ <u>273,119</u></u>

See notes to financial statements.

OSKALOOSA COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
Year Ended June 30, 2005

	Non-Major Enterprise Fund
	<u> </u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 441,399
Cash received from miscellaneous operating activities	5,267
Cash payments to employees for services	(412,924)
Cash payments to suppliers for goods or services	<u>(452,391)</u>
Net cash used in operating activities	<u>(418,649)</u>
Cash flows from non-capital financing activities:	
Increase in due to other funds	70,000
State grants received	11,079
Federal grants received	<u>363,465</u>
Net cash provided by non-capital financing activities	<u>444,544</u>
Cash flows from investing activities:	
Interest on investments	<u>225</u>
Net increase in cash and cash equivalents	26,120
Cash and cash equivalents beginning of year	<u>19,299</u>
Cash and cash equivalents end of year	<u>\$ 45,419</u>

OSKALOOSA COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
Year Ended June 30, 2005

	Non-Major Enterprise Fund
	<u> </u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (488,645)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	28,489
Commodities used	38,938
Decrease in inventories	102
Increase in accounts payable	<u>2,467</u>
Net cash used in operating activities	<u>\$ (418,649)</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2005, the District received \$38,938 of federal commodities. The District purchased \$279,662 of equipment through the Capital Projects Fund which was contributed to the non-major Enterprise Fund, School Nutrition Fund.

See notes to financial statements.

OSKALOOSA COMMUNITY SCHOOL DISTRICT
 STATEMENT OF FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 June 30, 2005

	Private Purpose Trust <u> </u> Athletic <u> </u> Endowment <u> </u>
Assets:	
Cash and pooled investments	\$ <u> 1,985</u>
Liabilities:	
None	<u> -</u>
Net assets:	
Reserved for scholarships	\$ <u> 1,985</u>

See notes to financial statements.

OSKALOOSA COMMUNITY SCHOOL DISTRICT
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 Year Ended June 30, 2005

	<u>Private Purpose</u> <u>Trust</u> <u>Athletic</u> <u>Endowment</u>
Additions:	
Local sources:	
Interest	\$ <u>13</u>
Deductions:	
None	<u>-</u>
Change in net assets	13
Net assets beginning of year	<u>1,972</u>
Net assets end of year	<u>\$ 1,985</u>

See notes to financial statements.

OSKALOOSA COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

Note 1. Summary of Significant Accounting Policies

Oskaloosa Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the City of Oskaloosa, Iowa, and the predominate agricultural territory in Mahaska 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, Oskaloosa Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on, the District. Oskaloosa Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations – The District participates in a jointly governed organization that provides services to the District but 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 Mahaska County Assessor's Conference Board.

B. Basis of Presentation

District-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.

OSKALOOSA COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

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

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

Fund Financial Statements – Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the District-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 main 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 expenses, including instructional, support and other costs.

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

The District's proprietary fund is the Enterprise, School Nutrition Fund, 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 with restrictions of income earned to be used to benefit individuals through athletic endowments.

OSKALOOSA COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

Note 1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting

The District-wide financial statements and the proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting.

Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

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

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

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

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

All proprietary funds of the District apply 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.

OSKALOOSA COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the statement of net assets and the balance sheet:

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

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash, and at the day of purchase, 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 to the County Board of Supervisors. Current year property tax receivable represents unpaid taxes from the current year. 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 to the County Auditor by April 15 of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the District-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

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

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

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

OSKALOOSA COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

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

Asset Class	Amount
Land	\$ 1,000
Buildings	1,000
Improvements other than buildings	1,000
Furniture and equipment:	
School Nutrition Fund Equipment	500
Other furniture and equipment	1,000

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

Asset Class	Estimated Useful Lives
Buildings	45 years
Improvements other than buildings	20-50 years
Furniture and equipment	5-15 years

Salaries and Benefits Payable – Payroll and related expenses 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 collectible 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 unspent grant proceeds, the succeeding year property tax receivable and other receivables not collected within sixty days after year end.

Deferred revenue in 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.

OSKALOOSA COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

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

Long-term Liabilities – In the District-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 Balances – 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.

Invested in capital assets, net of related debt – In the District-wide statement of net assets, the net asset balance invested in capital assets, net of related debt is equal to the capital assets balances, including restricted capital assets, less accumulated depreciation and the outstanding balances of any bonds, notes, or other debt that are attributable to the acquisition, construction, or improvement of those assets.

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

E. Budgets and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2005, disbursements in the support services and non-instructional programs functional areas exceeded the amounts budgeted.

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.

OSKALOOSA COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

Note 2. Cash and Pooled Investments (continued)

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

	<u>Total</u>
MBIA Money Market Fund	\$ 1,796,500
Goldman Sachs Financial Square Treasury Obligations Fund	1,234,805
United States Treasury Notes	214,648
Iowa Schools Joint Investment Trust, Diversified Portfolio	<u>29,963</u>
	<u>\$ 3,275,916</u>

The investments in Iowa Schools Joint Investment Trust are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940. All other investments are stated at fair value.

Interest 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 investments in the Iowa Schools Joint Investment Trust, MBIA Money Market Fund, and Goldman Sachs Financial Square Treasury Obligations Fund were all rated Aaa by Moody’s Investors Service. The investment in the MBIA Money Market Fund is also rated AAA by Standard and Poor’s Investor’s Service. The investment in the United States treasury notes is not subject to credit risk rating.

OSKALOOSA COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

Note 3. Interfund Receivables/Payables

The amounts of interfund receivables and payables are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Amounts arising from pooled cash and investment balances:		
General	Special Revenue, Management Fund	\$ 183,970
Capital Projects	Physical Plant and Equipment Levy	70,330
		<u>254,300</u>
Amounts arising from interfund loans:		
General	Special Revenue, Physical Plant and Equipment Levy	234,000
General	Enterprise, School Nutrition	70,000
		<u>304,000</u>
		<u>\$ 558,300</u>

Note 4. 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	\$ 2,122,284
	Special Revenue: Physical Plant and Equipment Levy	47,525
		<u>47,525</u>
Total		<u>\$ 2,169,809</u>

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

OSKALOOSA COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

Note 5. Iowa Schools Cash Anticipation Program (ISCAP)

The District participates in the Iowa Schools Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity and monthly statements are provided regarding their cash balance, interest earnings, and amounts available for withdrawal for each outstanding series of warrants. These accounts are reflected as restricted assets on the balance sheet. Bankers Trust Co. N.A. 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>
2004-05B	1/28/2005	1/27/2006	\$ 889,563	\$ 12,052	\$ 887,000	\$ 13,194
2005-06A	6/30/2005	6/30/2006	2,534,177	542	2,523,000	561
Total			<u>\$ 3,423,740</u>	<u>\$ 12,594</u>	<u>\$ 3,410,000</u>	<u>\$ 13,755</u>

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts. In addition, the District must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. The District had no ISCAP advance activity in the General Fund for the year ended June 30, 2005.

The warrants bear interest and the available proceeds of the warrants are invested at the interest rates shown below:

<u>Series</u>	<u>Interest Rates on Warrants</u>	<u>Interest Rates on Investments</u>
2004-05B	3.500%	2.280%
2005-06A	3.500%	3.903%

OSKALOOSA COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

Note 6. Capital Assets

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 358,751	\$ -	\$ -	\$ 358,751
Construction in progress	18,123,100	4,920,432	22,818,971	224,561
Total capital assets not being depreciated	<u>18,481,851</u>	<u>4,920,432</u>	<u>22,818,971</u>	<u>583,312</u>
Capital assets being depreciated:				
Buildings	12,903,977	22,818,971	255,892	35,467,056
Improvements other than buildings	297,190	-	-	297,190
Furniture and equipment	5,970,163	457,835	8,403	6,419,595
Total capital assets being depreciated	<u>19,171,330</u>	<u>23,276,806</u>	<u>264,295</u>	<u>42,183,841</u>
Less accumulated depreciation for:				
Buildings	5,086,875	647,620	255,892	5,478,603
Improvements other than buildings	243,614	10,084	-	253,698
Furniture and equipment	4,625,395	351,302	8,403	4,968,294
Total accumulated depreciation	<u>9,955,884</u>	<u>1,009,006</u>	<u>264,295</u>	<u>10,700,595</u>
Total capital assets being depreciated, net	<u>9,215,446</u>	<u>22,267,800</u>	<u>-</u>	<u>31,483,246</u>
Governmental activities capital assets, net	<u>\$ 27,697,297</u>	<u>\$ 27,188,232</u>	<u>\$ 22,818,971</u>	<u>\$ 32,066,558</u>

OSKALOOSA COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

Note 6. Capital Assets (continued)

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business-type activities:				
Furniture and equipment	\$ 86,039	\$ 279,662	\$ 23,884	\$ 341,817
Less accumulated depreciation	46,175	28,489	23,884	50,780
Business-type activities capital assets, net	<u>\$ 39,864</u>	<u>\$ 251,173</u>	<u>\$ -</u>	<u>\$ 291,037</u>

Depreciation expense was charged by the District to the following functions:

Governmental activities:

Instruction:

Regular

\$ 166,287

Special

50,898

Support services:

Administration

31,530

Operation and maintenance of plant services

37,688

Transportation

64,899

351,302

Unallocated depreciation

657,704

Total governmental activities depreciation expense

\$ 1,009,006

Business-type activities:

Food service operations

\$ 28,489

OSKALOOSA COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

Note 7. Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2005 is as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Early Retirement	\$ 243,600	\$ 121,626	\$ 135,400	\$ 229,826	\$ 80,953
Capital Loan Notes	2,340,000	-	195,000	2,145,000	205,000
Local Option Sales and Services Tax Revenue Bonds	11,225,000	985,000	575,000	11,635,000	730,000
School Infrastructure Local Option Sales and Services Tax Revenue Bonds	7,775,000	925,000	740,000	7,960,000	680,000
Lease purchase Agreement	260,888	-	129,217	131,671	-
Compensated Absences	46,131	50,038	46,131	50,038	50,038
Total	\$ 21,890,619	\$ 2,081,664	\$ 1,820,748	\$ 22,151,535	\$ 1,745,991

Early Retirement

The District offers a voluntary early retirement plan to its certified employees, administrators, nurses, and directors. Eligible employees must be between ages fifty-five and sixty-five and employees must have completed twenty years of continuous service to the District or fifteen years with the District and then may add one half the years of service with another District to maximum of five years to meet the twenty year requirement. Employees must complete an application which is required to be approved by the Board of Education. The early retirement incentive for each eligible employee is a flat dollar lump sum payment based upon the years of service the employee had as of the retirement year. The early retiree will also be eligible for monthly insurance premium benefits up to a maximum \$150 per month. This benefit will be discontinued when the retirees have been retired for nine years, if the retiree becomes eligible for Medicare, or when the retiree reaches age 65, whichever occurs first. Early retirement benefits paid during the year ended June 30, 2005, totaled \$135,400.

OSKALOOSA COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

Note 7. Long-Term Liabilities (continued)

Capital Loan Notes

Details of the District's June 30, 2005 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Interest Rate	Principal	Interest	Total
2006	3.30 %	\$ 205,000	\$ 88,412	\$ 293,412
2007	3.70	210,000	81,648	291,648
2008	3.90	220,000	73,878	293,878
2009	4.00	225,000	65,298	290,298
2010	4.10	235,000	56,298	291,298
2011	4.25	245,000	46,662	291,662
2012	4.40	255,000	36,250	291,250
2013	4.50	270,000	25,030	295,030
2014	4.60	280,000	12,880	292,880
		\$ 2,145,000	\$ 486,356	\$ 2,631,356

OSKALOOSA COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

Note 7. Long-Term Liabilities (continued)

Local Option Sales and Services Tax Revenue Bonds

During the year ended June 30, 2005, the District issued local option sales and services tax revenue bonds of \$985,000 dated June 1, 2005, with interest rates of 4.25%.

Details of the District's local option sales and services tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Issue Dated September 1, 2002 Series 2002A-422B			Issue Dated September 1, 2002 Subordinate Series 2002B-422B		
	Interest Rate	Principal	Interest	Interest Rate	Principal	Interest
2006	4.050 %	\$ -	\$ 144,506	3.125 %	\$ 145,000	\$ 103,922
2007	4.050	-	144,506	3.375	150,000	99,390
2008	4.050	-	144,506	3.750	155,000	94,328
2009	4.050	-	144,506	4.125	165,000	88,516
2010	4.050	-	144,506	4.500	170,000	81,708
2011	4.050	-	144,506	4.625	180,000	74,058
2012	4.050	-	144,506	4.750	190,000	65,734
2013	4.050	175,000	144,506	4.875	205,000	56,708
2014	4.200	750,000	129,824	5.000	210,000	46,716
2015	4.250	780,000	98,290	5.000	225,000	36,216
2016	4.375	820,000	64,813	5.150	235,000	24,966
2017	4.500	860,000	28,756	5.250	245,000	12,862
		<u>\$ 3,385,000</u>	<u>\$ 1,477,731</u>		<u>\$ 2,275,000</u>	<u>\$ 785,124</u>

OSKALOOSA COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

Note 7. Long-Term Liabilities (continued)

Local Option Sales and Services Tax Revenue Bonds (continued)

Year Ending June 30,	Issue Dated July 1, 2003 Series 2003A-422B			Issue Dated June 1, 2005 Series 2005A-423B		
	Interest Rate	Principal	Interest	Interest Rate	Principal	Interest
2006	2.500 %	\$ 585,000	\$ 145,988	4.250 %	\$ -	\$ 41,863
2007	2.500	600,000	131,963	4.250	-	41,863
2008	3.000	615,000	116,900	4.250	985,000	41,863
2009	3.000	630,000	99,138	-	-	-
2010	3.125	650,000	80,088	-	-	-
2011	3.375	670,000	59,741	-	-	-
2012	3.500	695,000	37,378	-	-	-
2013	3.625	545,000	13,006	-	-	-
2014	-	-	-	-	-	-
2015	-	-	-	-	-	-
2016	-	-	-	-	-	-
2017	-	-	-	-	-	-
		<u>\$ 4,990,000</u>	<u>\$ 684,202</u>		<u>\$ 985,000</u>	<u>\$ 125,589</u>

Year Ending June 30,	Total	
	Principal	Interest
2006	\$ 730,000	\$ 436,279
2007	750,000	417,722
2008	1,755,000	397,597
2009	795,000	332,160
2010	820,000	306,302
2011	850,000	278,305
2012	885,000	247,618
2013	925,000	214,220
2014	960,000	176,540
2015	1,005,000	134,506
2016	1,055,000	89,779
2017	1,105,000	41,618
	<u>\$ 11,635,000</u>	<u>\$ 3,072,646</u>

OSKALOOSA COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

Note 7. Long-Term Liabilities (continued)

School Infrastructure Local Option Sales and Services Tax Revenue Bonds

During the year ended June 30, 2005, the District issued \$925,000 of school infrastructure local option sales and services tax revenue bonds dated June 1, 2005, with interest rates of 4.250%.

Details of the District's school infrastructure local option sales and services tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Issue Dated August 1, 2003 Series 2003B-422E			Issue Dated August 1, 2003 Subordinate Series 2003C-422E		
	Interest Rate	Principal	Interest	Interest Rate	Principal	Interest
2006	6.00 %	\$ 680,000	\$ 279,595	5.500 %	- \$	\$ 77,825
2007	6.00	725,000	238,195	5.500	110,000	77,825
2008	6.00-4.30	765,000	194,095	5.500	120,000	71,775
2009	4.45-4.60	805,000	157,240	5.500	120,000	65,175
2010	4.70-4.80	840,000	119,840	5.500	130,000	58,575
2011	4.90-5.00	880,000	79,030	5.500	140,000	51,425
2012	5.00	925,000	34,750	5.500	795,000	43,725
		<u>\$ 5,620,000</u>	<u>\$ 1,102,745</u>		<u>\$ 1,415,000</u>	<u>\$ 446,325</u>

Year Ending June 30,	Issue Dated June 1, 2005 Series 2005A-423E			Total	
	Interest Rate	Principal	Interest	Principal	Interest
2006	4.250 %	\$ -	\$ 39,313	\$ 680,000	\$ 396,733
2007	4.250	-	39,313	835,000	355,333
2008	4.250	925,000	39,313	1,810,000	305,183
2009	-	-	-	925,000	222,415
2010	-	-	-	970,000	178,415
2011	-	-	-	1,020,000	130,455
2012	-	-	-	1,720,000	78,475
		<u>\$ 925,000</u>	<u>\$ 117,939</u>	<u>\$ 7,960,000</u>	<u>\$ 1,667,009</u>

OSKALOOSA COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

Note 7. Long-Term Liabilities (continued)

The local option sales and services tax revenue bonds and school infrastructure local option sales and services tax revenue bonds were issued for the purpose of defraying a portion of the cost of school infrastructure. The bonds are payable solely from the proceeds of the local option sales and services tax revenues received by the District. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District.

The resolutions providing for the issuance of the local option sales and services tax revenue bonds and school infrastructure local option sales and services tax revenue bonds include the following provisions:

- a) \$2,129,000 of the proceeds from the issuance of the revenue bonds shall be deposited to the Reserve Account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the Sinking Account. The balance of the proceeds shall be deposited in the Project Account.
- b) All proceeds from the local option sales and services tax shall be placed in a Revenue Account.
- c) Monies in the Revenue Account shall be disbursed to make deposits into a Sinking Account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- d) Any monies remaining in the Revenue Account after the required transfer to the Sinking Account may be transferred to the Project Account to be used for any lawful purpose.

Lease Purchase Agreement

The District has a lease-purchase agreement for the purchase of various computer equipment. The present value of the lease is \$521,868 at a discounted interest rate of 1.9%. The lease requires annual payments totaling \$134,173.

Details of the District's June 30, 2005 lease-purchase agreement are as follows:

Year Ending June 30,	Principal	Interest	Interest
2007	\$ <u>131,671</u>	\$ <u>2,502</u>	\$ <u>134,173</u>

Note 8. Pension and Retirement Benefits

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

OSKALOOSA COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

Note 8. Pension and Retirement Benefits (continued)

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. Contribution requirements are established by State statute. The District's contributions to IPERS for the years ended June 30, 2005, 2004, and 2003 were \$624,237, \$608,723, and \$604,728 respectively, equal to the required contributions for each year.

Note 9. Risk Management

Oskaloosa Community 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. ISEBA was formed July 1999 for the purpose of managing and funding employee benefits. ISEBA provides coverage and protection in the following categories: medical, dental, vision and prescription drugs.

In July 2004, ISEBA 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 \$44,907, will be paid with the 2004-2005 premiums. 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. District contributions to ISEBA for the year ended June 30, 2005 were \$2,290,251.

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.

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

Note 10. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount this purpose totaled \$694,480 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.

OSKALOOSA COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

Note 11. Construction Commitments

The District entered into various contracts totaling \$1,385,962 for renovation of the high school. In addition, the District had carryover construction commitments from the prior year totaling \$4,759,771, including change orders. At June 30, 2005 \$4,626,827 of the contracts were completed and paid, \$293,685 was recorded in accounts payable, and the remaining amounts of the contracts will be paid as work on the project progresses.

Note 12. Financial Condition

The non-major funds Special Revenue Fund, Management Levy and Special Revenue Fund, Physical Plant and Equipment Levy, had deficit undesignated, unreserved fund balances at June 30, 2005 of \$180,489 and \$269,324, respectively. In addition, the Special Revenue Fund, Activity Fund had several individual account deficit balances.

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Required Supplementary Information

OSKALOOSA COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances –
 Budget and Actual (Cash Basis) – All Governmental Funds
 and Proprietary Fund
 Required Supplementary Information
 Year Ended June 30, 2005

	Governmental Funds - Actual	Proprietary Fund - Actual	Total Actual	Budgeted Amounts		Final to Actual Variance
				Original	Final	
RECEIPTS:						
Local sources	\$ 11,403,613	\$ 555,829	\$ 11,959,442	\$ 9,805,748	\$ 9,805,748	\$ 2,153,694
State sources	10,583,449	11,079	10,594,528	11,650,343	11,650,343	(1,055,815)
Federal sources	730,606	363,465	1,094,071	650,000	650,000	444,071
Total receipts	22,717,668	930,373	23,648,041	22,106,091	22,106,091	1,541,950
DISBURSEMENTS:						
Instruction	12,181,042	-	12,181,042	12,018,000	12,218,000	36,958
Support services	5,865,277	-	5,865,277	5,653,800	5,853,800	(11,477)
Non-instructional programs	-	904,253	904,253	762,500	862,500	(41,753)
Other expenditures	9,715,539	-	9,715,539	13,666,746	13,666,746	3,951,207
Total disbursements	27,761,858	904,253	28,666,111	32,101,046	32,601,046	3,934,935
Excess (deficiency) of receipts over (under) disbursements	(5,044,190)	26,120	(5,018,070)	(9,994,955)	(10,494,955)	5,476,885
Other financing sources, net	1,984,469	-	1,984,469	-	-	1,984,469
Excess (deficiency) of receipts and other financing sources over (under) disbursements	(3,059,721)	26,120	(3,033,601)	(9,994,955)	(10,494,955)	7,461,354
Balance beginning of year	11,709,180	19,299	11,728,479	12,784,397	12,784,397	(1,055,918)
Balance end of year	\$ 8,649,459	\$ 45,419	\$ 8,694,878	\$ 2,789,442	\$ 2,289,442	\$ 6,405,436

See accompanying independent auditor's report.

OSKALOOSA COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule – Budget to GAAP Reconciliation
 Required Supplementary Information
 Year Ended June 30, 2005

	Governmental Funds		
	Cash	Accrual	Modified
	Basis	Adjust- ments	Accrual Basis
Revenues	\$ 22,717,668	\$ 138,784	\$ 22,856,452
Expenditures	27,761,858	(281,660)	27,480,198
Net	(5,044,190)	420,444	(4,623,746)
Other financing sources (uses)	1,984,469	-	1,984,469
Beginning fund balances	11,709,180	(1,808,299)	9,900,881
Ending fund balances	<u>\$ 8,649,459</u>	<u>\$ (1,387,855)</u>	<u>\$ 7,261,604</u>

	Proprietary Fund		
	Enterprise		
	Cash	Accrual	Accrual
Basis	Adjust- ments	Basis	
Revenues	\$ 930,373	\$ 209,658	\$ 1,140,031
Expenses	904,253	31,058	935,311
Net	26,120	178,600	204,720
Beginning net assets	19,299	49,100	68,399
Ending net assets	<u>\$ 45,419</u>	<u>\$ 227,700</u>	<u>\$ 273,119</u>

See accompanying independent auditor's report.

OSKALOOSA COMMUNITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING
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 cash basis. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing budgeted disbursements by \$500,000.

During the year ended June 30, 2005, disbursements in the support services and non-instructional programs functions exceeded the amounts budgeted.

Other Supplementary Information

OSKALOOSA COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

June 30, 2005

	Special Revenue				Total
	Management Levy	Student Activity	Physical Plant and Equipment Levy	Debt Service	
Assets					
Cash and pooled investments	\$ -	\$ 270,884	\$ 29,963	\$ 39,623	\$ 340,470
Receivables:					
Property tax:					
Current year	3,481	-	4,920	-	8,401
Succeeding year	272,000	-	402,000	-	674,000
Accrued interest	-	696	123	-	819
Total assets	<u>\$ 275,481</u>	<u>\$ 271,580</u>	<u>\$ 437,006</u>	<u>\$ 39,623</u>	<u>\$ 1,023,690</u>
Liabilities and Fund Equity					
Liabilities:					
Accounts payable	\$ -	\$ 36,758	\$ -	\$ -	\$ 36,758
Interfund payable	183,970	-	304,330	-	488,300
Deferred revenue:					
Succeeding year property tax	272,000	-	402,000	-	674,000
Total liabilities	<u>455,970</u>	<u>36,758</u>	<u>706,330</u>	<u>-</u>	<u>1,199,058</u>
Fund equity:					
Fund balances:					
Reserved for:					
Debt service	-	-	-	39,623	39,623
Unreserved:					
Undesignated	(180,489)	234,822	(269,324)	-	(214,991)
Total fund equity	<u>(180,489)</u>	<u>234,822</u>	<u>(269,324)</u>	<u>39,623</u>	<u>(175,368)</u>
Total liabilities and fund equity	<u>\$ 275,481</u>	<u>\$ 271,580</u>	<u>\$ 437,006</u>	<u>\$ 39,623</u>	<u>\$ 1,023,690</u>

See accompanying independent auditor's report.

OSKALOOSA COMMUNITY SCHOOL DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2005

	Special Revenue				Total
	Management Levy	Student Activity	Physical Plant and Equipment Levy	Debt Service	
Revenues:					
Local sources:					
Local tax	\$ 300,770	\$ -	\$ 432,567	\$ -	\$ 733,337
Other	2,436	490,917	11,621	-	504,974
State sources	-	-	214	-	214
Total revenues	<u>303,206</u>	<u>490,917</u>	<u>444,402</u>	<u>-</u>	<u>1,238,525</u>
Expenditures:					
Current:					
Instruction:					
Regular instruction	321,190	-	-	-	321,190
Other instruction	-	505,522	-	-	505,522
Support services:					
Other expenditures:					
Facilities acquisition	-	-	1,800,446	-	1,800,446
Long term debt:					
Principal	-	-	-	1,315,000	1,315,000
Interest and fiscal charges	-	-	-	854,809	854,809
Total expenditures	<u>321,190</u>	<u>505,522</u>	<u>1,800,446</u>	<u>2,169,809</u>	<u>4,796,967</u>
Deficiency of revenues under expenditures	(17,984)	(14,605)	(1,356,044)	(2,169,809)	(3,558,442)
Other financing sources (uses):					
Sale of real property	-	-	68,109	-	68,109
Interfund transfers in	-	-	-	2,169,809	2,169,809
Interfund transfers out	-	-	(47,525)	-	(47,525)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>20,584</u>	<u>2,169,809</u>	<u>2,190,393</u>

OSKALOOSA COMMUNITY SCHOOL DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2005

	<u>Special Revenue</u>				<u>Total</u>
	<u>Management Levy</u>	<u>Student Activity</u>	<u>Physical Plant and Equipment Levy</u>	<u>Debt Service</u>	
Excess (deficiency) of revenues over (under) expenditures and other financing uses	\$ (17,984)	\$ (14,605)	\$ (1,335,460)	\$ -	\$ (1,368,049)
Fund balances beginning of year	<u>(162,505)</u>	<u>249,427</u>	<u>1,066,136</u>	<u>39,623</u>	<u>1,192,681</u>
Fund balances end of year	<u>\$ (180,489)</u>	<u>\$ 234,822</u>	<u>\$ (269,324)</u>	<u>\$ 39,623</u>	<u>\$ (175,368)</u>

See accompanying independent auditor's report.

OSKALOOSA COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
Year Ended June 30, 2005

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Central Office	\$ 10,737	\$ 30,560	\$ 28,075	\$ 13,222
Elementary	41,952	17,590	33,182	26,360
Junior High Athletics	(1,309)	13,047	16,646	(4,908)
Other Junior High	19,990	90,011	90,392	19,609
Senior High Athletics	99,884	149,214	136,968	112,130
Other Senior High	78,173	190,495	200,259	68,409
 Total	 \$ 249,427	 \$ 490,917	 \$ 505,522	 \$ 234,822

See accompanying independent auditor's report.

OSKALOOSA COMMUNITY SCHOOL DISTRICT
SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION

ALL GOVERNMENTAL FUNDS
FOR THE LAST FOUR YEARS

	Modified Accrual Basis Years Ended June 30,			
	2005	2004	2003	2002
Revenues:				
Local sources:				
Local tax	\$ 10,042,855	\$ 9,465,204	\$ 8,385,368	\$ 6,465,860
Tuition	326,404	444,713	283,540	279,779
Other	1,130,049	1,041,230	960,806	1,011,201
Intermediate sources	-	-	33,700	4,015
State sources	10,495,514	10,315,329	11,309,707	10,346,601
Federal sources	861,630	925,182	636,812	959,834
	<hr/>			
Total revenues	\$ <u>22,856,452</u>	\$ <u>22,191,658</u>	\$ <u>21,609,933</u>	\$ <u>19,067,290</u>
Expenditures:				
Instruction:				
Regular instruction	\$ 8,383,117	\$ 8,208,263	\$ 8,109,955	\$ 8,199,175
Special instruction	2,565,959	2,493,156	2,123,023	2,078,513
Other instruction	1,466,170	1,554,908	1,538,660	1,477,561
Support services:				
Student services	969,415	950,767	914,028	854,094
Instructional staff services	766,037	450,061	441,450	492,378
Administration services	1,589,518	1,454,979	1,536,750	1,501,823
Operation and maintenance of plant services	1,900,009	1,720,436	1,586,826	1,554,724
Transportation services	658,792	566,650	511,112	600,102
Central and other support services	-	125,895	91,032	-
Other expenditures:				
Facilities acquisition	6,316,892	14,323,925	7,653,437	1,189,916
Long-term debt:				
Principal	1,315,000	670,000	-	-
Interest and fiscal charges	854,809	611,723	200,904	-
AEA flowthrough	694,480	703,926	744,979	746,909
	<hr/>			
Total expenditures	\$ <u>27,480,198</u>	\$ <u>33,834,689</u>	\$ <u>25,452,156</u>	\$ <u>18,695,195</u>

See accompanying independent auditor's report.

OSKALOOSA COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2005

Grantor / Program	CFDA Number	Grant Number	Expenditures
Indirect:			
U. S. Department of Agriculture:			
Iowa Department of Education:			
Food Donation (non-cash)	10.550	FY 05	\$ <u>38,938</u>
School Nutrition Cluster Programs:			
School Breakfast Program	10.553	FY 05	58,228
National School Lunch Program	10.555	FY 05	<u>305,237</u>
			<u>363,465</u>
			<u>402,403</u>
U. S. Department of Human Services:			
Iowa Department of Human Services:			
Medical Assistance Program	93.778	FY 05	<u>42,232</u>
U. S. Department of Education:			
Iowa Department of Education:			
Title 1 Grants to Local Educational Agencies	84.010	5013G, FY 04	3,758
Title 1 Grants to Local Educational Agencies	84.010	5013GC, FY 05	52,083
Title 1 Grants to Local Educational Agencies	84.010	5013G, FY 05	326,764
Title 1 Assessment	84.010	FY 05	29,213
			<u>411,818</u>
Improving Teacher Quality State Grants	84.367	FY 05	<u>120,741</u>
State Grants for Innovative Programs	84.298	FY 05	<u>13,412</u>
Grants for State Assessments and Related Activities	84.369	FY 05	<u>9,755</u>
Vocational Education - Basic Grants to States	84.048	FY 05	<u>51,301</u>

OSKALOOSA COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2005

Grantor / Program	CFDA Number	Grant Number	Expenditures
Indirect (continued):			
U. S. Department of Education (continued):			
Iowa Department of Education (continued):			
Safe and Drug-Free Schools and Communities			
- State Grants	84.186	FY 04	\$ 10,356
Safe and Drug-Free Schools and Communities			
- State Grants	84.186	FY 05	<u>7,107</u>
			<u>17,463</u>
Southern Prairie AEA:			
Special Education - Grants to States	84.027	FY 05	<u>193,486</u>
			<u>817,976</u>
 Total			 <u>\$ 1,262,611</u>

Basis of Presentation –

The Schedule of Expenditures of Federal Awards includes the federal grant activity of Oskaloosa Community School District and is presented on the accrual or modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See accompanying independent auditor's report.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

To the Board of Education of
Oskaloosa Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Oskaloosa Community School District as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated July 27, 2005. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. We noted no material weaknesses during the course of our audit.

Compliance and Other Matters

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

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

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

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

Oskaloosa, Iowa
July 27, 2005

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE
TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH OMB CIRCULAR A-133

To the Board of Education of
Oskaloosa Community School District:

Compliance

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

We conducted our audit of compliance in accordance with U. S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Oskaloosa Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Oskaloosa Community School District's compliance with those requirements.

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

Internal Control Over Compliance

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

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

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 non-compliance with applicable requirements of laws, regulations, contracts and grant agreements caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. We noted no material weaknesses during the course of our audit.

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

Oskaloosa, Iowa
July 27, 2005

OSKALOOSA COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2005

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

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

OSKALOOSA COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2005

Part II: Findings Related to the General Purpose Financial Statements:

Instances of Non-Compliance:

No matters were reported.

Reportable Conditions:

II-A-05 Financial Condition – The Student Activity Fund had several deficit accounts at June 30, 2005. In addition, the non-major funds Special Revenue Fund, Management Levy and Special Revenue Fund, Physical Plant and Equipment Levy had unreserved, undesignated deficit balances of \$180,489 and \$269,324, respectively, at June 30, 2005.

Recommendation – The District should continue to monitor these accounts and investigate alternatives to eliminate these deficits.

Response – We are monitoring these situations. We are currently analyzing alternatives to reverse these deficit balances. We must also note that the overall fund balance in the Student Activity Fund is positive.

Conclusion – Response accepted.

II-B-05 Coding Errors – We noted that the District made several coding errors on receipts and disbursements. These coding errors cause difficulty in tracing specific types of revenues and expenditures through the District’s records. This does not allow the tracing of grant specific revenues and expenditures through the District’s records. We also noted an insurance reimbursement and a federal grant that were netted to expenditure codes.

Recommendation – The District should be more careful in coding receipts and disbursements. The District should also avoid netting any revenues to expenditure codes, which bypasses the budget process.

Response – We will code all receipts and disbursements more carefully in the future. We will also avoid coding any receipts to expenditure codes.

Conclusion – Response accepted.

II-C-05 Meal Revenue – The District codes all meal revenue into one account. The State requires that reimbursable lunches and breakfasts for children, ala carte items, and adults meals be coded and tracked separately.

Recommendation – The District should begin coding and tracking meal revenues by the above names classifications. This would allow the District to match total revenues for any classification to total meals or items sold.

Response – We will investigate software and coding alternatives to implement better tracking of meal revenues.

Conclusion – Response accepted.

OSKALOOSA COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2005

Part II: Findings Related to the General Purpose Financial Statements (continued):

Reportable Conditions (continued):

- II-D-05 Unrecorded Transactions – The District has several accounts at Bankers Trust associated with the bond issuances made in the current and prior years. However, the District does not record interest earned on these accounts in the records except as year end adjustments to the financial statements. The District does not include the ISJIT account balance on the monthly balance sheet or in the general ledger and does not record the interest earned on the ISJIT account except as a year end total adjustment. In addition, the District has an Athletic Trust Fund which is not recorded in the general ledger and the associated transactions are not included in the general ledger. This does not allow Board approval of any disbursements made from the Athletic Trust Fund, nor publication of the associated bills. The situation also does not allow the District to reconcile general ledger accounts to the monthly bank statements on a timely basis.

Recommendation – The District should include all bank accounts and associated transactions in the District’s accounts in the general ledger. This would allow the District to more accurately track and protect the underlying asset and reduce chances for any irregularities in the associated funds. The general ledger should also be reconciled to the monthly bank statements in a timely manner.

Response – We will set up the proper general ledger accounts and account for these transactions in a timely manner in the future.

Conclusion – Response accepted.

- II-E-05 Contract Overpayment – We noted that the District overpaid a contract by \$45,856 in November, 2004. The overpayment was caught but a refund was not received until May, 2005.

Recommendation – All support documentation should be carefully reviewed prior to making any disbursements. In any instances where a mistake is made, a full refund should be requested immediately.

Response – We will insure that we avoid this type of error in the future. If any mistake is made, we will request a timely reimbursement.

Conclusion – Response accepted.

- II-F-05 Activity Fundraisers – Several individual student activities encompassed by the Special Revenue Fund, Student Activity Fund hold fundraisers throughout the year. We noted in our testing of receipts and disbursements that the District requires no reconciliations for fundraising activities.

Recommendation – The District should require that all activity fundraisers be supported by a reconciliation showing total receipts, total disbursements, expected profit margin and actual profit margin. Total receipts should be reconciled to total sales and deposits to the bank. The reconciliation should be reviewed by a person independent of the fundraiser activity.

Response – We will investigate various procedures to accomplish fundraiser reconciliations and will require the proper support documentation in the future.

Conclusion – Response accepted.

OSKALOOSA COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2005

Part III: Findings and Questioned Costs for Federal Awards

Instances of Non-Compliance:

No matters were reported.

Reportable Conditions:

No matters were reported.

OSKALOOSA COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2005

Part IV: Other Findings Related to Statutory Reporting:

IV-A-05 Official Depositories – Official depositories have been approved by the District. The maximum deposit amounts approved were not exceeded during the year ended June 30, 2005.

IV-B-05 Certified Budget – Disbursements for the year ended June 30, 2005, exceeded the amounts budgeted in the support services and non-instructional programs functional areas.

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

Response – We will amend our budget before disbursements exceed the budget.

Conclusion – Response accepted.

IV-C-05 Questionable Expenditures – No expenditures were noted that may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979. However, we noted that the District paid sales taxes once directly and twice through reimbursements.

Recommendation – As a sales tax exempt entity, the District should avoid paying all sales taxes in the future. Employees should be made aware that if supplies are purchased personally rather than through the District, all sales taxes associated with the purchase will not be reimbursed by the District.

Response – We will not pay sales taxes either directly or indirectly in the future.

Conclusion – Response accepted.

IV-D-05 Travel Expense – No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

IV-E-05 Business Transactions – Business transactions between the District and District officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Dave Dickinson, Board Member Owner of Dickinson Company	Construction supplies	\$ 2,362

The transaction with Board Member Dickinson does not appear to represent a conflict of interest since the total amount is less than \$2,500 as allowed by section 279.7A of the Code of Iowa.

IV-F-05 Bond Coverage – Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

OSKALOOSA COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2005

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

- IV-G-05 Board Minutes – We noted no transactions requiring Board approval that had not been approved by the Board.
- IV-H-05 Certified Enrollment – The number of basic resident students reported to the Iowa Department of Education on line 7 of the Certified Enrollment Certification Form for September 2004 was understated by two students. The District’s certified enrollment count was understated by 3 students due to mathematical errors and deducting foreign exchange students twice and was overstated by 1 home school student counted also as a regular student. This resulted in understating the total and enrollment at line 7 by two students.
- Recommendation – The District should contact the Iowa Department of Education and the Department of Management to resolve this matter.
- Response – We will contact the Iowa Department of Education and the Department of Management.
- Conclusion – Response accepted.
- IV-I-05 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District’s investment policy were noted.
- IV-J-05 Certified Annual Report – The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.

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