

OLIN CONSOLIDATED SCHOOL DISTRICT

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

JUNE 30, 2007

OLIN CONSOLIDATED SCHOOL DISTRICT
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OLIN CONSOLIDATED SCHOOL DISTRICT
 Officials
 June 30, 2007

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
(Before September 2006 Election)		
Mike Hansen	Board President	2007
Randy Cress	Board Member	2006
Ned Rohwedder	Board Member	2007
Brian Bean	Board Member	2008
Margo Ahrendsen	Board Member	2008
(After September 2006 Election)		
Mike Hansen	Board President	2007
Ned Rohwedder	Board Member	2007
Brian Bean	Board Member	2008
Margo Ahrendsen	Board Member	2008
Randy Cress	Board Member	2009
School Officials		
Charles Liston	Superintendent	2007
Carrie Fortin	District Secretary/Treasurer & Business Manager	2007
Ahlers & Cooney, P.C.	Attorney	2007

KAY L. CHAPMAN, CPA PC

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

Independent Auditor's Report

To the Board of Education
Olin Consolidated School District

I have audited the accompanying financial statements of the governmental activities, business type activities, each major fund and the aggregate remaining fund information of Olin Consolidated School District, Olin, Iowa, as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. My responsibility is to express opinions on these financial statements based on my audit.

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

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of Olin Consolidated School District as of June 30, 2007, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, I have also issued my report dated February 22, 2008 on my consideration of Olin Consolidated School District's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of my audit.

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

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Olin Consolidated School District's basic financial statements. Other supplementary information included in Schedules 1 through 3, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in my audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. I 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, 2006 (which are not presented herein) and expressed unqualified opinions on those financial statements. In my opinion, the information set forth in the supplementary information for each of the four years in the period ended June 30, 2007, appearing in Schedule 4, is fairly stated, in all material respects in relation to the basic financial statements from which it has been derived.



Kay L. Chapman, CPA PC
February 22, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS

Olin Consolidated School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2007. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2007 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$2,420,126 in fiscal 2006 to \$2,520,138 in fiscal 2007, and General Fund expenditures increased from \$2,399,009 in fiscal 2006 to \$2,544,068 in fiscal 2007. The District's General Fund balance decreased from \$275,758 in fiscal 2006 to \$251,828 in fiscal 2007, an 8% decrease.
- The increase in General Fund revenues was attributable to the following: the Teacher Salary Improvement Program increased; both regular and special education tuition increased; and the district started levying \$50,000 cash reserve. The increase in expenditures was attributed to the following: open enrollment out increased and the district added an early childhood program.

USING THIS ANNUAL REPORT

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

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

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

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

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

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

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

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

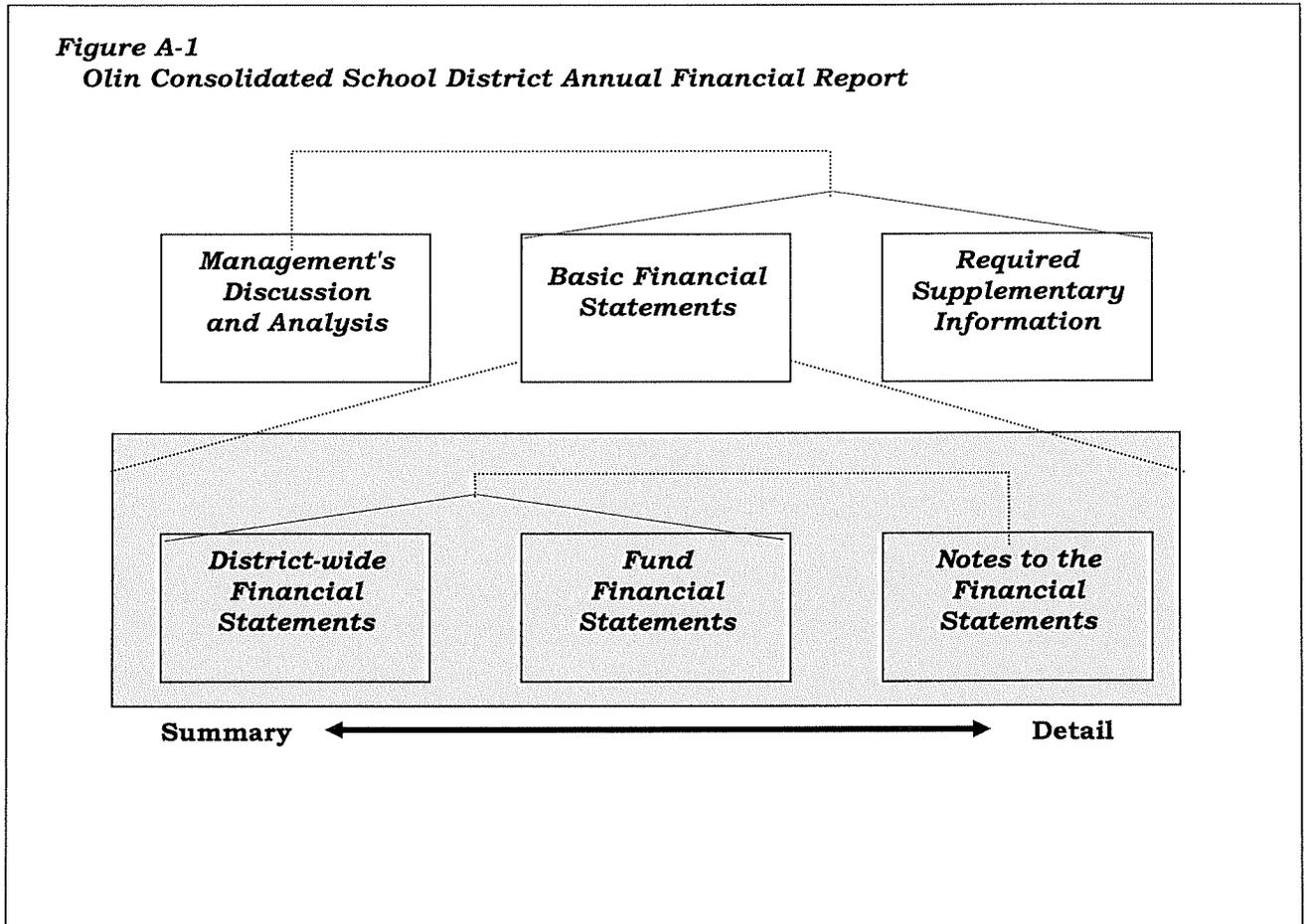


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

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

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

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

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

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

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

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

3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds consist of a Private-purpose Trust Fund.

- Private-purpose Trust Fund - The District accounts for outside donations for scholarships for individuals in this fund.

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2007 compared to June 30, 2006.

Figure A-3
Condensed Statement of Net Assets

	Governmental Activities		Business-type Activities		Total School District		Total Change
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2006-2007</u>
Current and other assets	\$ 2,488,536	\$ 2,270,538	\$ 24,476	\$ 17,643	\$ 2,513,012	\$ 2,288,181	9.83%
Capital assets	<u>1,563,119</u>	<u>1,651,272</u>	<u>7,376</u>	<u>9,152</u>	<u>1,570,495</u>	<u>1,660,424</u>	-5.42%
Total assets	<u>4,051,655</u>	<u>3,921,810</u>	<u>31,852</u>	<u>26,795</u>	<u>4,083,507</u>	<u>3,948,605</u>	3.42%
Long-term obligations	413,134	475,000	-	-	413,134	475,000	-13.02%
Other liabilities	<u>1,516,959</u>	<u>1,533,251</u>	<u>7,882</u>	<u>7,888</u>	<u>1,524,841</u>	<u>1,541,139</u>	-1.06%
Total liabilities	<u>1,930,093</u>	<u>2,008,251</u>	<u>7,882</u>	<u>7,888</u>	<u>1,937,975</u>	<u>2,016,139</u>	-3.88%
Net assets							
Invested in capital assets, net of related debt	1,158,119	1,176,272	7,376	9,152	1,165,495	1,185,424	-1.68%
Restricted	629,073	463,025	-	-	629,073	463,025	35.86%
Unrestricted	<u>334,370</u>	<u>274,262</u>	<u>16,594</u>	<u>9,755</u>	<u>350,964</u>	<u>284,017</u>	23.57%
Total net assets	<u>\$ 2,121,562</u>	<u>\$ 1,913,559</u>	<u>\$ 23,970</u>	<u>\$ 18,907</u>	<u>\$ 2,145,532</u>	<u>\$ 1,932,466</u>	11.03%

The District's combined net assets increased by approximately 11%, or \$213,066, over the prior year. The largest portion of the District's net assets is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased \$166,048, or approximately 36% over the prior year. The increase was primarily a result of increased balance in the Capital Projects Fund since the district did not do any projects during FY07.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased \$66,947, or approximately 24%. This increase in unrestricted net assets was a result of the District's increased revenue and being conservative with its resources.

Figure A-4 shows the change in net assets for the year ended June 30, 2007 compared to the year ended June 30, 2006.

	Figure A-4 Change in Net Assets						
	Governmental Activities		Business Type Activities		Total District		Change
	2007	2006	2007	2006	2007	2006	<u>2006-</u> <u>2007</u>
Revenues							
Program revenues							
Charges for service and sales	\$ 311,701	\$ 243,751	\$ 51,395	\$ 50,656	\$ 363,096	\$ 294,407	23.33%
Operating grants	329,407	318,916	71,977	68,872	401,384	387,788	3.51%
General revenues							
Property tax	1,158,352	1,110,572	-	-	1,158,352	1,110,572	4.30%
Local option sales and service tax	151,939	152,736	-	-	151,939	152,736	-0.52%
Unrestricted state grants	1,019,012	938,752	-	-	1,019,012	938,752	8.55%
Unrestricted investment earnings	57,663	47,075	718	301	58,381	47,376	23.23%
Other	5,376	-	-	-	5,376	-	100.00%
Special item - gain (loss) on sale of capital assets	(2,762)	5,717	-	-	(2,762)	5,717	-148.31%
Total revenues	<u>3,030,688</u>	<u>2,817,519</u>	<u>124,090</u>	<u>119,829</u>	<u>3,154,778</u>	<u>2,937,348</u>	7.40%
Program expenses							
Governmental activities							
Instruction	1,966,014	1,709,266	-	-	1,966,014	1,709,266	15.02%
Support services	689,117	743,812	-	-	689,117	743,812	-7.35%
Non-instructional programs	7,132	6,872	119,027	117,193	126,159	124,065	1.69%
Other expenses	160,422	209,621	-	-	160,422	209,621	-23.47%
Total expenses	<u>2,822,685</u>	<u>2,669,571</u>	<u>119,027</u>	<u>117,193</u>	<u>2,941,712</u>	<u>2,786,764</u>	5.56%
Change in net assets	<u>\$ 208,003</u>	<u>\$ 147,948</u>	<u>\$ 5,063</u>	<u>\$ 2,636</u>	<u>\$ 213,066</u>	<u>\$ 150,584</u>	41.49%

In fiscal 2007, property tax and unrestricted state grants account for approximately 71% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 99% of the revenue from business type activities.

The District's total revenues were \$3,154,778 of which \$3,030,688 was for governmental activities and \$124,090 was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 7% increase in revenues and a 6% increase in expenses.

Governmental Activities

Revenues for governmental activities were \$3,030,688 and expenses were \$2,822,685. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues.

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

Figure A-5

	Total and Net Cost of Governmental Activities					
	Total Cost of Services			Net Cost of Services		
	2007	2006	Change 2006-2007	2007	2006	Change 2006-2007
Instruction	\$ 1,966,014	\$ 1,709,266	15.0%	\$ 1,421,036	\$ 1,239,695	14.6%
Support services	689,117	743,812	-7.4%	684,368	740,108	-7.5%
Non-instructional programs	7,132	6,872	3.8%	7,132	6,872	3.8%
Other expenses	<u>160,422</u>	<u>209,621</u>	<u>-23.5%</u>	<u>69,041</u>	<u>120,229</u>	<u>-42.6%</u>
Total expenses	<u>\$ 2,822,685</u>	<u>\$ 2,669,571</u>	<u>5.7%</u>	<u>\$ 2,181,577</u>	<u>\$ 2,106,904</u>	<u>3.5%</u>

- The cost financed by users of the District's programs was \$311,701.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$329,407.
- The net cost of governmental activities was financed with \$1,310,291 in property and other taxes and \$1,019,012 in unrestricted state grants.

Business Type Activities

Revenues for business type activities were \$124,090 representing a 3% increase over the prior year while expenses totaled \$119,027, a 1% increase over the prior year. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

During the year ending June 30, 2007, the District did not increase meal prices. This district trimmed labor hours slightly which is reflected in the minimal increase of expenses.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$885,576, well above last year's ending fund

balances of \$738,783. The primary reason for the increase is the increased revenue listed on page four along with no major capitol projects.

Governmental Fund Highlights

- The District's deteriorating General Fund financial position is the result of many factors. Growth during the year in tax resulted in an increase in revenues. However, the increase in revenues was more than offset by the District's increase in General Fund expenditures requiring the District to use carryover fund balance to meet its financial obligations during the year.
- The General Fund balance decreased only slightly from \$275,758 to \$251,828, due to the reduction of some positions and conservative efforts to maintain the budget. Without these efforts, the General Fund balance would have decreased significantly.
- The Capital Projects Fund balance increased due to revenue exceeding bond payments. The District ended fiscal 2006 with a balance of \$296,581 as a result of the sale of revenue bonds in 2005. Fiscal 2007 ended with a balance of \$380,901.

Proprietary Fund Highlights

Enterprise Fund net assets increased from \$18,907 at June 30, 2006 to \$23,970 at June 30, 2007, representing an increase of approximately 26%. For fiscal 2007, the District did not increase meal prices. The District continued its ala carte options to provide students with the option of salad bar at lunch. This resulted in the related increase in revenue and net assets.

BUDGETARY HIGHLIGHTS

During the year, Olin Consolidated School District did not amend its annual budget.

The District's revenues were \$66,232 less than budgeted revenues, a variance of less than 2%. The most significant variance resulted from less state sources than projected.

Total expenditures were \$736,603 less than budgeted, due primarily to the District's budget for all funds. It is the District's practice to budget expenditures at the maximum authorized spending authority for all Funds. The District then manages or controls spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2007, the District had invested \$1,570,495, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net decrease of approximately 5% from last year. More detailed information about the District's capital assets is presented in Note 5 to the financial statements. Depreciation expense for the year was \$74,746.

The original cost of the District's capital assets was \$3,173,605. Governmental funds account for \$3,128,795, with the remainder of \$44,810 accounted for in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the land category. The District's land totaled \$83,796 at June 30, 2006 compared to \$61,296 at June 30, 2007. This decrease in the land category was due to the sale of a tract of land to the Olin Day Care during the year ended June 30, 2007.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental Activities		Business Type Activities		Total School District		Total Change
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2006-2007</u>
Land	\$ 61,296	\$ 83,796	\$ -	\$ -	\$ 61,296	\$ 83,796	-26.85%
Buildings and improvements	1,388,621	1,421,220	-	-	1,388,621	1,421,220	-2.29%
Furniture and equipment	<u>113,202</u>	<u>146,256</u>	<u>7,376</u>	<u>9,152</u>	<u>120,578</u>	<u>155,408</u>	-22.41%
Totals	<u>\$1,563,119</u>	<u>\$1,651,272</u>	<u>\$ 7,376</u>	<u>\$ 9,152</u>	<u>\$1,570,495</u>	<u>\$1,660,424</u>	-5.42%

Long-Term Debt

At June 30, 2007, the District had \$413,134 in revenue bonds and early retirement payable. This represents a decrease of approximately 13% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 6 to the financial statements.

During the year ended June 30, 2007, the District began offering an early retirement termination benefit and one individual was receiving the benefit at year-end.

Figure A-7
Outstanding Long-term Obligations

	Total School District		Total Change
	<u>2007</u>	<u>2006</u>	<u>2006-2007</u>
Revenue bonds	\$ 405,000	\$ 475,000	-14.74%
Early retirement	<u>8,134</u>	<u>-</u>	100
Totals	<u>\$ 413,134</u>	<u>\$ 475,000</u>	-13.02%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- The District experienced a large (50 students) decrease in enrollment in September 2004 which affected our budget beginning with the 2005-06 school year. Our enrollment has continued to decline. In 2005 we were down 13.6 students and in 2006 we declined 6.9 students. In September 2007 the budget enrollment increased 8.8, but the students served in-house declined. This occurred because of increased open enrollment out of the district. So even though that helps to increase revenue, that revenue does not remain in the district.
- Wage settlements with the Olin Education Association (OEA) are on an average a 4% increase. Settlements in excess of “new money” or allowable growth in state funding will have an adverse effect on the Districts General Fund budget and related fund balance.
- Kirkwood Community College is moving forward with their plans for the Jones Regional Education Center. The center will be built near Monticello. This will expand class offerings to our students and perhaps decrease some staff needs and expense.

CONTACTING THE DISTRICT’S FINANCIAL MANAGEMENT

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

Basic Financial Statements

OLIN CONSOLIDATED SCHOOL DISTRICT
Statement of Net Assets
June 30, 2007

Exhibit A

Assets	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
Cash and cash equivalents			
ISCAP	\$ 124,254	\$ -	\$ 124,254
Other	1,047,792	22,360	1,070,152
Receivables			
Property tax			
Delinquent	28,286	-	28,286
Succeeding year	1,066,827	-	1,066,827
Accounts receivable	6,882	-	6,882
Accrued interest			
ISCAP	36	-	36
Income surtax	86,940	-	86,940
Due from other governments	127,519	-	127,519
Inventories	-	2,116	2,116
Non-depreciable capital asset	61,296	-	61,296
Capital assets, net of accumulated depreciation	<u>1,501,823</u>	<u>7,376</u>	<u>1,509,199</u>
Total assets	<u>4,051,655</u>	<u>31,852</u>	<u>4,083,507</u>
 Liabilities			
Accounts payable	109,743	33	109,776
Salaries and benefits payable	215,506	6,774	222,280
Accrued interest payable	939	-	939
Deferred revenue			
Succeeding year property tax	1,066,827	-	1,066,827
Other	-	1,075	1,075
ISCAP warrants payable	123,000	-	123,000
ISCAP accrued interest payable	31	-	31
ISCAP unamortized premium	913	-	913
Long-term liabilities			
Portion due within one year			
Revenue bonds payable	75,000	-	75,000
Early retirement payable	8,134	-	8,134
Portion due after one year			
Revenue bonds payable	<u>330,000</u>	<u>-</u>	<u>330,000</u>
Total liabilities	<u>1,930,093</u>	<u>7,882</u>	<u>1,937,975</u>

See notes to financial statements.

OLIN CONSOLIDATED SCHOOL DISTRICT
Statement of Net Assets
June 30, 2007

Exhibit A

	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
Net Assets			
Invested in capital assets, net of related debt	\$1,158,119	\$ 7,376	\$1,165,495
Restricted for			
Teacher mentoring	1,372	-	1,372
Market factor pay	2,087	-	2,087
Management levy	102,156	-	102,156
Physical plant and equipment levy	89,430	-	89,430
Public education and recreation levy	16,774	-	16,774
Other special revenue purposes	36,353	-	36,353
Capital projects	380,901	-	380,901
Unrestricted	<u>334,370</u>	<u>16,594</u>	<u>350,964</u>
Total net assets	<u><u>\$2,121,562</u></u>	<u><u>\$ 23,970</u></u>	<u><u>\$2,145,532</u></u>

See notes to financial statements.

OLIN CONSOLIDATED SCHOOL DISTRICT
Statement of Activities
For the Year Ended June 30, 2007

Exhibit B

<u>Functions/Programs</u> Primary Government	Program Revenues		Net (Expense) Revenue and Changes in Net Assets	
Governmental activities	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Primary Government
Instruction	<u>Expenses</u>	<u>for Services</u>	<u>Interest</u>	<u>Activities</u>
Regular instruction	\$ 1,089,177	\$ 142,356	\$ 157,572	\$ (789,249)
Special instruction	445,043	63,331	72,716	(308,996)
Other instruction	431,794	101,265	7,738	(322,791)
Support services	<u>1,966,014</u>	<u>306,952</u>	<u>238,026</u>	<u>(1,421,036)</u>
Student	31,315	-	-	(31,315)
Instructional staff	39,805	-	-	(39,805)
Administration	264,211	-	-	(264,211)
Operation and maintenance of plant	224,360	2,779	-	(221,581)
Transportation	129,426	1,970	-	(127,456)
Non-instructional programs	<u>689,117</u>	<u>4,749</u>	<u>-</u>	<u>(684,368)</u>
Other expenditures	<u>7,132</u>	<u>-</u>	<u>-</u>	<u>(7,132)</u>
Facilities acquisition	19,136	-	-	(19,136)
Long-term debt interest	12,023	-	-	(12,023)
AEA flowthrough	91,381	-	91,381	-
Depreciation (unallocated) *	37,882	-	-	(37,882)
Total governmental activities	<u>2,822,685</u>	<u>311,701</u>	<u>329,407</u>	<u>(2,181,577)</u>

See notes to financial statements.

OLIN CONSOLIDATED SCHOOL DISTRICT
Statement of Activities
For the Year Ended June 30, 2007

Exhibit B

	Program Revenues		Net (Expense) Revenue and Changes in Net Assets	
	Charges for Services	Operating Grants, Contributions and Restricted Interest	Primary Government	Total
<u>Functions/Programs (continued)</u>				
Primary Government (continued)				
Business type activities				
Non-instructional programs				
Food service operations	\$ 119,027	\$ 71,977	\$ 4,345	\$ 4,345
Total primary government	\$ 2,941,712	\$ 401,384	\$ 4,345	\$ (2,177,232)
<u>General Revenues</u>				
Property tax levied for				
General purposes				1,082,896
Public education and recreation				8,975
Capital outlay				66,481
Local option sales and services tax				151,939
Unrestricted state grants				1,019,012
Unrestricted investment earnings			718	58,381
Other				5,376
Special item - loss on sale of real property				(2,762)
Total general revenues and special items				2,389,580
Change in net assets			718	213,066
Net assets, beginning of year			18,907	1,932,466
Net assets, end of year			\$ 23,970	\$ 2,145,532

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

See notes to financial statements.

OLIN CONSOLIDATED SCHOOL DISTRICT

Exhibit C

Balance Sheet
Governmental Funds
June 30, 2007

Assets	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor Special Revenue Funds</u>	<u>Total</u>
Cash and pooled investments				
ISCAP	\$ 124,254	\$ -	\$ -	\$ 124,254
Other	464,193	333,387	250,212	1,047,792
Receivables				
Property tax				
Delinquent	24,254	-	4,032	28,286
Succeeding year	922,389	-	144,438	1,066,827
Accounts receivable	4,524	1,435	923	6,882
Accrued interest				
ISCAP	36	-	-	36
Income surtax	86,940	-	-	86,940
Due from other governments	81,440	46,079	-	127,519
Total assets and other debits	<u>\$1,708,030</u>	<u>\$380,901</u>	<u>\$399,605</u>	<u>\$2,488,536</u>
 Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 108,097	\$ -	\$ 1,646	\$ 109,743
Salaries and benefits payable	214,832	-	674	215,506
ISCAP warrants payable	123,000	-	-	123,000
ISCAP accrued interest payable	31	-	-	31
ISCAP unamortized premium	913	-	-	913
Deferred revenue				
Succeeding year property tax	922,389	-	144,438	1,066,827
Income surtax	86,940	-	-	86,940
Total liabilities	<u>1,456,202</u>	<u>-</u>	<u>146,758</u>	<u>1,602,960</u>
 Fund balances				
Reserved for				
Market factor pay program	2,087	-	-	2,087
Teacher mentoring	1,372	-	-	1,372
Unreserved, governmental funds	248,369	380,901	-	629,270
Unreserved, special revenue funds	-	-	252,847	252,847
Total fund balances	<u>251,828</u>	<u>380,901</u>	<u>252,847</u>	<u>885,576</u>
Total liabilities and fund balances	<u>\$1,708,030</u>	<u>\$380,901</u>	<u>\$399,605</u>	<u>\$2,488,536</u>

See notes to financial statements.

OLIN CONSOLIDATED SCHOOL DISTRICT
Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Assets
June 30, 2007

Exhibit D

Total fund balances of governmental funds	\$ 885,576
 Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	1,563,119
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	86,940
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.	(939)
Long-term liabilities, including notes payable and early retirement, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(413,134)</u>
Net assets of governmental activities	<u><u>\$2,121,562</u></u>

See notes to financial statements.

OLIN CONSOLIDATED SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2007

Exhibit E

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Revenues				
Local sources				
Local tax	\$ 928,843	\$151,939	\$140,333	\$1,221,115
Tuition	195,140	-	-	195,140
Other	47,105	14,961	119,034	181,100
State sources	1,238,288	-	105	1,238,393
Federal sources	110,762	-	-	110,762
Total revenues	<u>2,520,138</u>	<u>166,900</u>	<u>259,472</u>	<u>2,946,510</u>
 Expenditures				
Current				
Instruction				
Regular	1,085,453	-	-	1,085,453
Special	445,043	-	-	445,043
Other	326,896	-	101,393	428,289
	<u>1,857,392</u>	<u>-</u>	<u>101,393</u>	<u>1,958,785</u>
Support services				
Student	27,735	-	-	27,735
Instructional staff	39,805	-	-	39,805
Administration	249,204	-	5,357	254,561
Operation and maintenance of plant	177,270	-	53,201	230,471
Transportation	101,281	-	6,850	108,131
	<u>595,295</u>	<u>-</u>	<u>65,408</u>	<u>660,703</u>
Non-instructional programs	<u>-</u>	<u>-</u>	<u>7,132</u>	<u>7,132</u>
Other expenditures				
Facilities acquisition	-	-	19,136	19,136
Long-term debt				
Principal	-	-	70,000	70,000
Interest and fiscal charges	-	-	12,580	12,580
AEA flowthrough	91,381	-	-	91,381
	<u>91,381</u>	<u>-</u>	<u>101,716</u>	<u>193,097</u>
Total expenditures	<u>2,544,068</u>	<u>-</u>	<u>275,649</u>	<u>2,819,717</u>

See notes to financial statements.

OLIN CONSOLIDATED SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2007

Exhibit E

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Excess (deficiency) of revenues over (under) expenditures	\$ (23,930)	\$166,900	\$ (16,177)	\$ 126,793
Other financing sources (uses)				
Sale of land	-	-	20,000	20,000
Interfund operating transfers (out)	-	(82,580)	82,580	-
Total other financing sources (uses)	<u>-</u>	<u>(82,580)</u>	<u>102,580</u>	<u>20,000</u>
Net change in fund balances	(23,930)	84,320	86,403	146,793
Fund balance, beginning of year	<u>275,758</u>	<u>296,581</u>	<u>166,444</u>	<u>738,783</u>
Fund balance, end of year	<u>\$ 251,828</u>	<u>\$380,901</u>	<u>\$252,847</u>	<u>\$ 885,576</u>

See notes to financial statements.

OLIN CONSOLIDATED SCHOOL DISTRICT
 Reconciliation of the Statement of Revenues, Expenditures and
 Changes in Fund Balances - Governmental Funds
 to the Statement of Activities
 For the Year Ended June 30, 2007

Exhibit F

Net change in fund balances - total governmental funds \$146,793

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

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures and depreciation expense are as follows:

Expenditures for capital assets	\$ 7,580	
Loss on disposal of capital assets	(22,762)	
Depreciation expense	<u>(72,971)</u>	(88,153)

Certain revenues not collected for several months after year-end are not considered available revenue and are deferred in the governmental funds. 86,940

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. 70,000

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

Early retirement	(8,134)
------------------	---------

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. 557

Change in net assets of governmental activities \$208,003

OLIN CONSOLIDATED SCHOOL DISTRICT
Statement of Net Assets
Proprietary Fund
June 30, 2007

Exhibit G

	<u>Nonmajor Enterprise School Nutrition</u>
Assets	
Cash and pooled investments	\$ 22,360
Inventories	2,116
Capital assets, net of accumulated depreciation	<u>7,376</u>
Total assets	<u>31,852</u>
 Liabilities	
Accounts payable	33
Salaries and benefits payable	6,774
Deferred revenue	<u>1,075</u>
Total liabilities	<u>7,882</u>
 Net Assets	
Invested in capital assets	7,376
Unrestricted	<u>16,594</u>
Total net assets	<u><u>\$ 23,970</u></u>

See notes to financial statements.

OLIN CONSOLIDATED SCHOOL DISTRICT
Statement of Revenues, Expenses and Changes in Net Assets
Proprietary Fund
For the Year Ended June 30, 2007

Exhibit H

	<u>Nonmajor Enterprise School Nutrition</u>
Operating revenue	
Local sources	
Charges for service	<u>\$ 51,395</u>
 Operating expenses	
Non-instructional programs	
Food service operations	
Salaries and benefits	42,665
Benefits	5,781
Purchased services	375
Supplies	68,431
Depreciation	<u>1,775</u>
Total operating expenses	<u>119,027</u>
 Operating loss	<u>(67,632)</u>
 Non-operating revenues	
Interest income	718
State sources	1,650
Federal sources	<u>70,327</u>
Total non-operating revenues	<u>72,695</u>
 Net income	5,063
Net assets, beginning of year	<u>18,907</u>
 Net assets, end of year	<u>\$ 23,970</u>

See notes to financial statements.

OLIN CONSOLIDATED SCHOOL DISTRICT
Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2007

Exhibit I

	Nonmajor Enterprise <u>School Nutrition</u>
Cash flows from operating activities	
Cash received from sale of services	\$ 51,410
Cash payments to employees for services	(48,468)
Cash payments to suppliers for goods and services	(61,543)
Net cash used in operating activities	<u>(58,601)</u>
Cash flows from non-capital financing activities	
State grants received	1,650
Federal grants received	63,448
Net cash provided by non-capital financing activities	<u>65,098</u>
Cash flows from capital and related financing activities	<u>-</u>
Cash flows from investing activities	
Interest on investments	785
Net increase in cash and cash equivalents	7,282
Cash and cash equivalents, beginning of year	15,078
Cash and cash equivalents, end of year	<u>\$ 22,360</u>
Reconciliation of operating loss to net cash used in operating activities	
Operating loss	\$ (67,632)
Adjustments to reconcile operating loss to net cash used in operating activities	
Depreciation	1,775
Commodities used	6,879
Decrease in inventory	383
Increase in accounts payable	2
Increase in deferred revenue	14
Decrease in accrued salaries and benefits	(22)
Net cash used in operating activities	<u>\$ (58,601)</u>

Non-cash investing, capital and financing activities

During the year ended June 30, 2007, the District received \$6,879 of federal commodities.

See notes to financial statements.

OLIN CONSOLIDATED SCHOOL DISTRICT
Statement of Fiduciary Net Assets
Fiduciary Fund
June 30, 2007

Exhibit J

	<u>Private Purpose Trust Scholarships</u>
Assets	
Cash and pooled investments	\$2,837
Liabilities	
	<u>-</u>
Net assets	
Reserved for scholarships	<u>\$2,837</u>

See notes to financial statements.

OLIN CONSOLIDATED SCHOOL DISTRICT
Statement of Changes in Fiduciary Net Assets
Fiduciary Fund
For the Year Ended June 30, 2007

Exhibit K

	Private Purpose Trust <u>Scholarships</u>
Additions	
Local sources	
Interest	\$ 126
Deductions	-
Change in net assets	126
Net assets, beginning of year	<u>2,711</u>
Net assets, end of year	<u>\$ 2,837</u>

See notes to financial statements.

OLIN CONSOLIDATED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2007

Note 1. Summary of Significant Accounting Policies

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

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

A. Reporting Entity

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

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

B. Basis of Presentation

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

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

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

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

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

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

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

The District reports the following major governmental funds:

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

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

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

The District also reports a fiduciary fund which focuses on net assets and changes in net assets. The District's fiduciary fund consisting of the following:

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

D. Assets, Liabilities and Fund Equity

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

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

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½ % per month penalty for delinquent payments; is based on January 1, 2005 assessed property valuations; is for the tax accrual period July 1, 2006 through June 30, 2007 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2006.

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

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

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

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

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

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

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

Early Retirement Termination Benefits - District employees meeting certain requirements are eligible for early retirement benefits. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental fund financial statements only for employees that have resigned or retired. The early retirement liability has been computed based on rates of pay in effect at June 30, 2007. The early retirement liability attributable to the governmental activities will be paid primarily from the Management Fund.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the

governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of property tax and income surtax receivables not collected within sixty days after year-end and payments from students for meals not yet served.

Deferred revenue on the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied and payments from students for meals not yet served.

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

Fund Balance - 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.

Net Assets - Invested in capital assets, net of related debt consists of capital assets net of accumulated depreciation and reduced by the outstanding balance of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net assets consist of net assets with constraints placed on the use either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The government-wide statement of net assets reports \$102,156 of restricted net assets which is restricted by enabling legislation.

E. Budgeting and Budgetary Accounting

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

Note 2. Cash and Pooled Investments

The District's deposits in banks at June 30, 2007 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

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

At June 30, 2007, the District had investments in the IPAS education as follows:

	Amortized Cost
Institutional Money Market Fund	\$1,052,584

At June 30, 2007, the District had investments in the IPASeducation Program (the Fund) which invests in liquid investments that are placed in an SEC-registered money market fund in accordance with 17 C.F.R Section 270. 2a-7. The investments are valued at fair market value, which approximates amortized cost. At June 30, 2007, the District had invested \$1,052,584 in the IPASeducation Institutional Money Market Fund.

Interest rate risk. Because the Fund invests in short-term securities, a decline in interest rates will affect the Fund's yields as these securities mature or are sold and the Fund purchases new short-term securities with lower yields. Generally, an increase in interest rates causes the value of a debt instrument to decrease. The change in value for shorter-term securities is usually smaller than for securities with longer maturities.

Credit risk. This is the risk that a security's credit rating will be downgraded or that the issuer of a security or a guarantor will default (fail to make scheduled interest and principal payments or fail to fulfill its promise to repurchase securities). The Fund invests in securities issued by the Federal National Mortgage Association ("Fannie Mae"), the Federal Home Loan Mortgage Corporation ("Freddie Mac"). The entities, while chartered or sponsored by the U.S. Congress, are not funded by appropriations from the U.S. Congress and the debt or mortgage related securities issued by them are neither guaranteed nor insured by the United States Government. Nevertheless, the Fund will invest in only highly rated securities to minimize credit risk.

Note 3. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2007 is as follows:

Fund	Transfers In	Transfers Out
Non-major governmental funds	\$ 82,580	\$ -
Capital Projects Fund	-	82,580
Total	\$ 82,580	\$ 82,580

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources. The transfers from Capital Projects Fund to the Debt Service Fund were for payment of principal and interest on general long-term debt of the District.

Note 4. Iowa Schools Cash Anticipation Program (ISCAP)

The District participates in the Iowa Schools Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings, and amounts available for withdrawal for each outstanding series of warrants. Bankers Trust Co. NA is the trustee for the program. A summary of the District's participation in ISCAP as of June 30, 2007, is as follows:

<u>Series</u>	<u>Warrant Date</u>	<u>Final Warrant Maturity</u>	<u>Investments</u>	<u>Accrued Interest Receivable</u>	<u>Warrants Payable</u>	<u>Accrued Interest Payable</u>	<u>Unamortized Premium</u>
2006-07A	6/28/06	6/28/07	\$ 1,448	\$ -	\$ -	\$ -	\$ -
2007-08A	6/27/07	6/27/08	<u>122,806</u>	<u>36</u>	<u>123,000</u>	<u>31</u>	<u>913</u>
			<u>\$ 124,254</u>	<u>\$ 36</u>	<u>\$ 123,000</u>	<u>\$ 31</u>	<u>\$ 913</u>

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts. In additions, the District must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. There was no ISCAP advance activity for the year ended June 30, 2007.

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

<u>Series</u>	<u>Interest Rates on Warrants</u>	<u>Interest Rates on Investments</u>
2006-07A	4.500%	5.6760%
2006-07B	4.250%	5.3150%
2007-08A	4.500%	5.4550%

Note 5. Capital Assets

Capital assets activity for the year ended June 30, 2007 was as follows:

	Balance, Beginning of Year	Additions	Deletions	Balance, End of Year
<u>Governmental activities</u>				
Capital assets not being depreciated:				
Land and improvements	\$ 83,796	\$ -	\$ (22,500)	\$ 61,296
Capital assets being depreciated:				
Buildings and improvements	2,044,880	-	-	2,044,880
Site improvements	75,400	-	-	75,400
Furniture and equipment	982,049	7,580	(42,410)	947,219
Total capital assets being depreciated	<u>3,102,329</u>	<u>7,580</u>	<u>(42,410)</u>	<u>3,067,499</u>
Less accumulated depreciation for:				
Buildings and improvements	623,660	32,599	-	656,259
Site improvements	75,400	-	-	75,400
Furniture and equipment	835,793	40,372	(42,148)	834,017
Total accumulated depreciation	<u>1,534,853</u>	<u>72,971</u>	<u>(42,148)</u>	<u>1,565,676</u>
Total capital assets being depreciated, net	<u>1,567,476</u>	<u>(65,391)</u>	<u>(262)</u>	<u>1,501,823</u>
Governmental activities capital assets, net	<u>\$ 1,651,272</u>	<u>\$ (65,391)</u>	<u>\$ (22,762)</u>	<u>\$ 1,563,119</u>
<u>Business type activities</u>				
Furniture and equipment	\$ 44,810	\$ -	\$ -	\$ 44,810
Less accumulated depreciation	<u>35,659</u>	<u>1,775</u>	<u>-</u>	<u>37,434</u>
Business type activities capital assets, net	<u>\$ 9,151</u>	<u>\$ (1,775)</u>	<u>\$ -</u>	<u>\$ 7,376</u>

Depreciation expense was charged to the following functions:

Governmental activities

Instruction	
Regular	\$ 3,724
Other	3,505
Support services	
Student support	3,580
Adminstration	1,516
Operation and maintenance	1,469
Transportation	21,295
Unallocated depreciation	<u>37,882</u>
Total governmental activities depreciation expense	<u>\$ 72,971</u>

Business type activities

Food services	<u>\$ 1,775</u>
---------------	-----------------

Note 6. Long-term Liabilities

Changes in long-term liabilities for the year ended June 30, 2007 are summarized as follows:

	Balance, Beginning of Year	Additions	Reductions	Balance, End of Year	Due Within One Year
Revenue bonds	\$ 475,000	\$ -	\$(70,000)	\$ 405,000	\$ 75,000
Early retirement	-	8,134	-	8,134	8,134
Totals	<u>\$ 475,000</u>	<u>\$ 8,134</u>	<u>\$(70,000)</u>	<u>\$ 413,134</u>	<u>\$ 83,134</u>

Interest costs incurred and charged to expense on all long-term debt was \$12,023 for the year ended June 30, 2007. During the year ended June 30, 2007, the District made principal payments on total long-term debt of \$70,000.

Early Retirement Termination Benefit

The District offered a voluntary early retirement plan to its certified employees. Eligible employees were required to be at least 55 years of age and have completed 20 years of consecutive service to the District. Employees must have completed an application, which was required to be approved by the Board of Education. The early retirement incentive for each eligible employee is 80 days of pay at the employee's annual base salary in effect during the year of the early requirement request. Payment of the benefit will be made in full within 90 days of the July 1st of the year of separation.

At June 30, 2007, the District had obligations to one participant with a total liability of \$8,134. There were no expenditures for early retirement during the year ended June 30, 2007.

Revenue Bonds

On April 1, 2003, the District issued School Infrastructure Sales and Services Tax Revenue Bonds. The proceeds of the bonds were used to construct and furnish the Olin Attendance Center, specifically a new library and multi-purpose activity center. The bonds are payable solely from the proceeds of the local option sales and services tax for school infrastructure. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District.

The resolution providing the issuance of the local option sales and services tax revenue bonds includes the following provisions:

- a. \$61,000 of the proceeds from the issuance of the revenue bonds shall be deposited to a 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. The District is required to maintain an amount on deposit in the Reserve Fund equal to the lesser of (a) the sum of 10% of the bond proceeds, (b) 125% of the average annual debt service on such bonds and (c) the maximum annual debt service on such bonds.

Details of the District's June 30, 2007 revenue anticipation bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of April 1, 2003			
	Interest Rates	Principal	Interest	Total
2008	2.400	\$ 75,000	\$ 10,493	\$ 85,493
2009	2.600	80,000	8,552	88,552
2010	2.750	80,000	6,412	86,412
2011	3.020	85,000	4,016	89,016
2012	3.200	<u>85,000</u>	<u>1,360</u>	<u>86,360</u>
Totals		<u>\$ 405,000</u>	<u>\$ 30,833</u>	<u>\$ 435,833</u>

Note 7. Pension and Retirement Benefits

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

Plan members are required to contribute 3.70% of their annual covered salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2007, 2006 and 2005. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2007, 2006 and 2005 were \$86,735, \$84,157 and \$88,382 respectively, equal to the required contributions for each year.

Note 8. Risk Management

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

Note 9. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media, and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$91,381 for the year ended June 30, 2007 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Note 10. Contingencies

Grant Funding - The District participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants were subjected to local audit but still remain open to audit by the appropriate grantor government. If expenditures are disallowed by the grantor government due to noncompliance with grant program regulations, the District may be required to reimburse the grantor government. As of June 30, 2007, significant amounts of grant expenditures have not been audited by granting authorities but the District believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual governmental funds or the overall financial position of the District.

Required Supplementary Information

OLIN CONSOLIDATED SCHOOL DISTRICT
Budgetary Comparison Schedule of Revenues, Expenditures and Changes in Balances - Budget and Actual
All Governmental Funds and Proprietary Fund
Required Supplementary Information
For the Year Ended June 30, 2007

	Governmental Funds		Proprietary Fund	Total	Budgeted Amounts		Final to Actual Variance
	Actual	Actual	Actual	Actual	Original	Final	
Revenues							
Local sources	\$1,597,355	\$52,113	\$1,649,468	\$1,649,468	\$1,665,995	\$1,665,995	\$ (16,527)
State sources	1,238,393	1,650	1,240,043	1,240,043	1,306,837	1,306,837	(66,794)
Federal sources	110,762	70,327	181,089	181,089	164,000	164,000	17,089
Total revenues	<u>2,946,510</u>	<u>124,090</u>	<u>3,070,600</u>	<u>3,070,600</u>	<u>3,136,832</u>	<u>3,136,832</u>	<u>(66,232)</u>
Expenditures							
Instruction	1,958,785	-	1,958,785	1,958,785	1,999,602	1,999,602	40,817
Support services	660,703	-	660,703	660,703	954,149	954,149	293,446
Non-instructional programs	7,132	119,027	126,159	126,159	187,373	187,373	61,214
Other expenditures	193,097	-	193,097	193,097	534,223	534,223	341,126
Total expenditures	<u>2,819,717</u>	<u>119,027</u>	<u>2,938,744</u>	<u>2,938,744</u>	<u>3,675,347</u>	<u>3,675,347</u>	<u>736,603</u>
Excess (deficiency) of revenues over (under) expenditures	126,793	5,063	131,856	131,856	(538,515)	(538,515)	670,371
Net other financing sources	<u>20,000</u>	-	<u>20,000</u>	<u>20,000</u>	-	-	<u>20,000</u>
Net change in fund balance	146,793	5,063	151,856	151,856	(538,515)	(538,515)	690,371
Balance, beginning of year	738,783	18,907	757,690	757,690	607,973	607,973	149,717
Balance, end of year	<u>\$ 885,576</u>	<u>\$23,970</u>	<u>\$ 909,546</u>	<u>\$ 909,546</u>	<u>\$ 69,458</u>	<u>\$ 69,458</u>	<u>\$840,088</u>

See accompanying Independent Auditor's Report.

OLIN CONSOLIDATED SCHOOL DISTRICT
Notes to Required Supplementary Information – Budgetary Reporting
For the Year Ended June 30, 2007

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 Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. 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 function level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District did not adopt any budget amendments.

Other Supplementary Information

OLIN CONSOLIDATED SCHOOL DISTRICT
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2007

Schedule 1

	Special Revenue				<u>Total</u>
	<u>Management Levy</u>	<u>Student Activity</u>	<u>Physical Plant and Equipment Levy</u>	<u>Public Education & Recreation Levy</u>	
Assets					
Cash and pooled investments	\$107,956	\$36,353	\$ 88,366	\$17,537	\$250,212
Receivables					
Property tax					
Current year delinquent	1,866	-	1,909	257	4,032
Succeeding year	68,000	-	67,346	9,092	144,438
Accounts receivable	468	-	380	75	923
Total assets	<u>\$178,290</u>	<u>\$36,353</u>	<u>\$158,001</u>	<u>\$26,961</u>	<u>\$399,605</u>
Liabilities and Fund Balances					
Liabilities					
Accounts payable	\$ -	\$ -	\$ 1,225	\$ 421	\$ 1,646
Salaries and benefits payable	-	-	-	674	674
Deferred revenue					
Succeeding year property tax	<u>68,000</u>	<u>-</u>	<u>67,346</u>	<u>9,092</u>	<u>144,438</u>
Total liabilities	68,000	-	68,571	10,187	146,758
Fund balances					
Unreserved fund balances	<u>110,290</u>	<u>36,353</u>	<u>89,430</u>	<u>16,774</u>	<u>252,847</u>
Total liabilities and fund balances	<u>\$178,290</u>	<u>\$36,353</u>	<u>\$158,001</u>	<u>\$26,961</u>	<u>\$399,605</u>

See accompanying Independent Auditor's Report.

OLIN CONSOLIDATED SCHOOL DISTRICT
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2007

Schedule 2

	Special Revenue					Debt Service	Total
	Management Levy	Student Activity	Physical Equipment Levy	Public Plant and Recreation Levy	Education &		
Revenues							
Local sources							
Local taxes	\$ 64,934	\$ -	\$ 66,431	\$ 8,968	\$ -	\$ -	\$ 140,333
Other	9,121	104,710	4,381	822	-	-	119,034
State sources	48	-	50	7	-	-	105
Total revenues	<u>74,103</u>	<u>104,710</u>	<u>70,862</u>	<u>9,797</u>	<u>-</u>	<u>-</u>	<u>259,472</u>
Expenditures							
Current							
Instruction							
Other	-	101,153	-	240	-	-	101,393
Total instruction	<u>-</u>	<u>101,153</u>	<u>-</u>	<u>240</u>	<u>-</u>	<u>-</u>	<u>101,393</u>
Support services							
Administration	5,357	-	-	-	-	-	5,357
Operation and maintenance of plant	42,195	-	11,006	-	-	-	53,201
Transportation	6,850	-	-	-	-	-	6,850
Total support services	<u>54,402</u>	<u>-</u>	<u>11,006</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>65,408</u>
Non-instructional programs	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,132</u>	<u>-</u>	<u>-</u>	<u>7,132</u>
Other expenditures							
Facilities acquisition	-	-	19,136	-	-	-	19,136
Long-term debt							
Principal	-	-	-	-	70,000	-	70,000
Interest and fiscal charges	-	-	-	-	12,580	-	12,580
Total other expenditures	<u>-</u>	<u>-</u>	<u>19,136</u>	<u>-</u>	<u>82,580</u>	<u>-</u>	<u>101,716</u>
Total expenditures	<u>54,402</u>	<u>101,153</u>	<u>30,142</u>	<u>7,372</u>	<u>82,580</u>	<u>-</u>	<u>275,649</u>
Excess (deficiency) of revenues over (under) expenditures	<u>19,701</u>	<u>3,557</u>	<u>40,720</u>	<u>2,425</u>	<u>(82,580)</u>	<u>-</u>	<u>(16,177)</u>
Other financing sources							
Sale of real property	-	-	20,000	-	-	-	20,000
Interfund operating transfers in	-	-	-	-	82,580	-	82,580
Total other financing sources	<u>-</u>	<u>-</u>	<u>20,000</u>	<u>-</u>	<u>82,580</u>	<u>-</u>	<u>102,580</u>
Net change in fund balances	19,701	3,557	60,720	2,425	-	-	86,403
Fund balances, beginning of year	90,589	32,796	28,710	14,349	-	-	166,444
Fund balances, end of year	<u>\$110,290</u>	<u>\$36,353</u>	<u>\$ 89,430</u>	<u>\$16,774</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 252,847</u>

See accompanying Independent Auditor's Report.

OLIN CONSOLIDATED SCHOOL DISTRICT
Schedule of Changes in Special Revenue Fund, Student Activity Accounts
For the Year Ended June 30, 2007

Schedule 3

Account	Balance, Beginning of Year	Revenues	Expenditures	Balance, End of Year
General athletics	\$ 600	\$ 1,487	\$ 2,087	\$ -
Boys basketball	1,400	2,760	2,337	1,823
Boys football	1,562	11,267	9,182	3,647
Boys baseball	-	1,958	1,958	-
Boys track	-	2,041	2,041	-
Boys golf	-	22	20	2
Girls basketball	1,400	2,017	1,812	1,605
Girls volleyball	355	1,152	1,032	475
Girls softball	-	3,859	3,859	-
Girls track	-	530	530	-
Drama	1,600	627	730	1,497
Thespians	-	691	691	-
Bank/vocal	18	-	-	18
PE super sport	246	-	-	246
ELP fundraising	178	-	-	178
Title I fundraising	151	55	65	141
HS SCI club	319	-	-	319
Elementary SCI club	576	47	176	447
Interest	3,957	5,108	5,679	3,386
Concession stand	1,000	8,727	9,558	169
Annual 2004-2005	1,265	1,040	2,305	-
Annual 2005-2007	-	3,664	2,026	1,638
Cheerleading	391	650	970	71
FFA	2,553	16,584	14,992	4,145
Pom-pon	73	5,014	3,503	1,584
HS student council	3,544	8,211	7,162	4,593
JH student council	55	-	-	55
Spanish club	25	-	25	-
Athletic resale	599	252	360	491
Music resale	11	19	13	17
Activity resale	1,908	14,537	15,260	1,185
I.A. resale	33	342	150	225

See accompanying Independent Auditor's Report.

OLIN CONSOLIDATED SCHOOL DISTRICT
 Schedule of Changes in Special Revenue Fund, Student Activity Accounts
 For the Year Ended June 30, 2007

Schedule 3

Account	Balance, Beginning <u>of Year</u>	<u>Revenues</u>	<u>Expenditures</u>	Balance, End of <u>Year</u>
Class of 2007	\$ 835	\$ 2,875	\$ 3,666	\$ 44
Class of 2008	378	6,241	5,581	1,038
Class of 2009	241	117	-	358
Class of 2010	255	59	43	271
Class of 2011	84	10	-	94
Candy resale/industrial arts	2	24	-	26
Field trips	2,129	1,197	1,389	1,937
Wapsi League	3,420	642	540	3,522
Pools PTO donation	1,546	-	475	1,071
Library books fund	87	884	936	35
Totals	<u>\$ 32,796</u>	<u>\$ 104,710</u>	<u>\$ 101,153</u>	<u>\$ 36,353</u>

See accompanying Independent Auditor's Report.

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

Schedule 4

	Modified Accrual Basis			
	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Revenues				
Local sources				
Local tax	\$1,221,115	\$1,261,054	\$1,103,347	\$ 985,865
Tuition	195,140	135,211	141,631	138,923
Other	181,100	157,115	127,149	176,713
State sources	1,238,393	1,149,570	1,404,505	1,252,588
Federal sources	110,762	108,852	134,412	675,155
Total revenues	<u>\$2,946,510</u>	<u>\$2,811,802</u>	<u>\$2,911,044</u>	<u>\$3,229,244</u>
Expenditures				
Current				
Instruction				
Regular	\$1,085,453	\$1,006,400	\$1,055,238	\$1,125,376
Special	445,043	334,170	272,467	370,646
Other	428,289	358,926	357,999	297,112
Support services				
Student	27,735	73,773	90,110	67,945
Instructional staff	39,805	51,793	70,641	50,089
Administration	254,561	268,665	331,405	318,802
Operation and maintenance of plant	230,471	221,176	238,578	179,969
Transportation	108,131	181,567	84,847	90,244
Non-instructional programs	7,132	6,872	1,383	44,829
Other expenditures				
Facilities acquisition	19,136	71,692	77,892	1,187,281
Long-term debt				
Principal	70,000	70,000	65,000	-
Interest and other charges	12,580	14,015	15,231	18,267
AEA flowthrough	91,381	89,392	92,552	88,481
Total expenditures	<u>\$2,819,717</u>	<u>\$2,748,441</u>	<u>\$2,753,343</u>	<u>\$3,839,041</u>

See accompanying Independent Auditor's Report.

KAY L. CHAPMAN, CPA PC

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Muscatine, Iowa 52761
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Independent Auditor's Report on Internal Control
over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance
with Government Auditing Standards

To the Board of Education
Olin Consolidated School District

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Olin Consolidated School District as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued my report thereon dated February 22, 2008. I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Olin Consolidated School District's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing my opinion on the effectiveness of Olin Consolidated School District's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of Olin Consolidated School District's internal control over financial reporting.

My consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as described below, I identified certain deficiencies in internal control over financial reporting that I consider to be significant deficiencies and other deficiencies I consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Olin Consolidated School District's ability to initiate, authorize, record process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Olin Consolidated School District's financial statements that is more than inconsequential will not be prevented or detected by Olin Consolidated School District's internal control. I consider the deficiencies in internal control described in Part I of

the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Olin Consolidated School District's internal control.

My consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, I believe items A, B and C are material weaknesses.

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2007 are based exclusively on knowledge obtained from procedures performed during my audit of the financial statements of the District. Since my audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Olin Consolidated School District's responses to findings identified in my audit are described in the accompanying Schedule of Findings. While I have expressed my conclusions in the District's responses, I did not audit Olin Consolidated School District's responses and, accordingly, I express no opinion on them.

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

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

Kay L. Chapman, CPA PC

Kay L. Chapman, CPA PC
February 22, 2008

OLIN CONSOLIDATED SCHOOL DISTRICT
Schedule of Findings
For the Year Ended June 30, 2007

Part I. Findings Related to the Financial Statements

INSTANCES OF NON-COMPLIANCE

No matters were reported.

SIGNIFICANT DEFICIENCIES

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

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

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

Conclusion - Response accepted.

- B. Financial Reporting - Reporting financial data reliably in accordance with generally accepted accounting principles (GAAP) requires the business manager or district management to possess sufficient knowledge and expertise to select and apply accounting principles and prepare year-end financial statements, including footnote disclosures. The business manager is able to perform the duties required in the normal course of business and to prepare the CAR in accordance with the Department of Education requirements. However, the business manager presently lacks the qualifications and training to appropriately prepare the annual financial statements and footnote disclosures in compliance with GAAP. This is a common situation in small entities where accounting personnel typically do not have four-year accounting degrees and do not receive annual training in order to stay current on new accounting and reporting standards and requirements.

OLIN CONSOLIDATED SCHOOL DISTRICT
Schedule of Findings
For the Year Ended June 30, 2007

Recommendation - The business manager should consider obtaining GAAP knowledge through reading relevant accounting literature and/or attending professional education courses to help her significantly improve in her ability to prepare reliable GAAP financial statements, including footnote disclosures.

Response - We believe that the business manager has sufficient knowledge to perform her daily duties and take responsibility for the annual financial statements and footnote disclosure in compliance with GAAP, as prepared by the auditor. We will investigate alternatives to our controls, but believe that it would not be an efficient use of District funds to get the necessary training for the business manager to comply with this recommendation.

Conclusion - Response accepted.

- C. Material Misstatement not Detected - During the course of my audit, I discovered material misstatements on the District's Certified Annual Report (CAR) that were not detected by the District's internal controls. The CAR contained incorrect amounts for succeeding year property taxes and income surtaxes.

Recommendation - An effective system of internal control should detect material misstatements in the District's financial records and financial reporting. The District should review their control procedures and make appropriate changes to improve their internal controls to help eliminate this deficiency.

Response - We feel that our business manager has the knowledge needed to adequately perform her duties. The superintendent reviews some, but not all of the work performed and reports prepared by the business manager. We would like to hire additional office personnel to help with the business manager's workload and to provide some oversight and cross-checking of her work. However, with a limited budget, it is difficult to hire enough adequately-trained office personnel to review each other's work. We will review our procedures and consider making changes we deem necessary.

Conclusion - Response accepted.

Part II. Other Findings Related to Statutory Reporting:

1. Certified Budget - Expenditures for the year ended June 30, 2007 did not exceed the amounts budgeted.
2. Questionable Expenditures - I noted no expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

OLIN CONSOLIDATED SCHOOL DISTRICT
Schedule of Findings
For the Year Ended June 30, 2007

3. 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.
4. Business Transactions - No business transactions between the District and District officials or employees were noted.
5. 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.
6. Board Minutes - I noted no transactions requiring Board approval which had not been approved by the Board and minutes were timely published.
7. Certified Enrollment - No variances in the basic enrollment data certified to the Iowa Department of Education were noted.
8. Deposits and Investments - I noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
9. Certified Annual Reports - The Certified Annual Report was certified with the Department of Education timely; however, I noted some material errors in the amounts reported for succeeding year property taxes and income surtaxes.

Recommendation - The District should ensure that the correct amounts are reported on subsequent year CARs. Since these errors did not affect fund balances, corrections to the current year CAR are not necessary.

Response - We will ensure that the correct amounts are reported on subsequent year CARs.

Conclusion - Response accepted.

OLIN CONSOLIDATED SCHOOL DISTRICT
Audit Staff
June 30, 2007

This audit was performed by

Kay Chapman, CPA
Tammy Calvert, staff accountant