

OLIN CONSOLIDATED SCHOOL DISTRICT

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

JUNE 30, 2008

OLIN CONSOLIDATED SCHOOL DISTRICT  
Table of Contents  
June 30, 2008

		<u>Page</u>
<b>Officials</b>		1
<b>Independent Auditor's Report</b>		2-3
<b>Management's Discussion and Analysis</b>		4-13
<b>Basic Financial Statements</b>	<u>Exhibit</u>	
Government-wide Financial Statements		
Statement of Net Assets	A	15-16
Statement of Activities	B	17-18
Governmental Fund Financial Statements		
Balance Sheet	C	19
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets	D	20
Statement of Revenues, Expenditures and Changes in Fund Balances	E	21-22
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	F	23
Proprietary Fund Financial Statements		
Statement of Net Assets	G	24
Statement of Revenues, Expenses and Changes in Net Assets	H	25
Statement of Cash Flows	I	26
Fiduciary Fund Financial Statements		
Statement of Fiduciary Net Assets	J	27
Statement of Changes in Fiduciary Net Assets	K	28
<b>Notes to Financial Statements</b>		29-40
<b>Required Supplementary Information</b>		
Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances - Budget and Actual - All Governmental Funds and Proprietary Fund		42
Notes to Required Supplementary Information - Budgetary Reporting		43

OLIN CONSOLIDATED SCHOOL DISTRICT  
Table of Contents  
June 30, 2008

	<u>Schedule</u>	<u>Page</u>
<b>Other Supplementary Information</b>		
Nonmajor Governmental Funds		
Combining Balance Sheet	1	45
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	2	46
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	3	47-48
Schedule of Revenues by Source and Expenditures by Function - All Governmental Funds	4	49
<b>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 <u>Government Auditing Standards</u></b>		50-52
<b>Schedule of Findings</b>		53-55
<b>Audit Staff</b>		56

OLIN CONSOLIDATED SCHOOL DISTRICT  
 Officials  
 June 30, 2008

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education</b>		
(Before September 2007 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
(After September 2007 Election)		
Mike Hansen	Board President	2010
Brian Bean	Board Member	2008
Margo Ahrendsen	Board Member	2008
Randy Cress	Board Member	2009
Martin Francksen	Board Member	2010
<b>School Officials</b>		
Charles Liston	Superintendent	2008
Carrie Fortin	District Secretary/Treasurer & Business Manager	2008
Ahlers & Cooney, P.C.	Attorney	2008

# 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, 2008, 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, 2008, 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 March 17, 2009 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, 2007 (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, 2008, 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*

Kay L. Chapman, CPA PC  
March 17, 2009

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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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, 2008. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### **2008 FINANCIAL HIGHLIGHTS**

- General Fund revenues increased from \$2,520,138 in fiscal 2007 to \$2,665,763 in fiscal 2008, and General Fund expenditures increased from \$2,544,068 in fiscal 2007 to \$2,638,402 in fiscal 2008. The District's General Fund balance increased from \$251,828 in fiscal 2007 to \$279,189 in fiscal 2008, an 11% increase.
- The increase in General Fund revenues was attributable to the following: the Teacher Salary Improvement Program increased; and the district increased the cash reserve levy by \$73,500. The increase in expenditures was attributed to the following: open enrollment out increased; the Teacher Salary Improvement Program increased; and salary negotiation increases.

### **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.

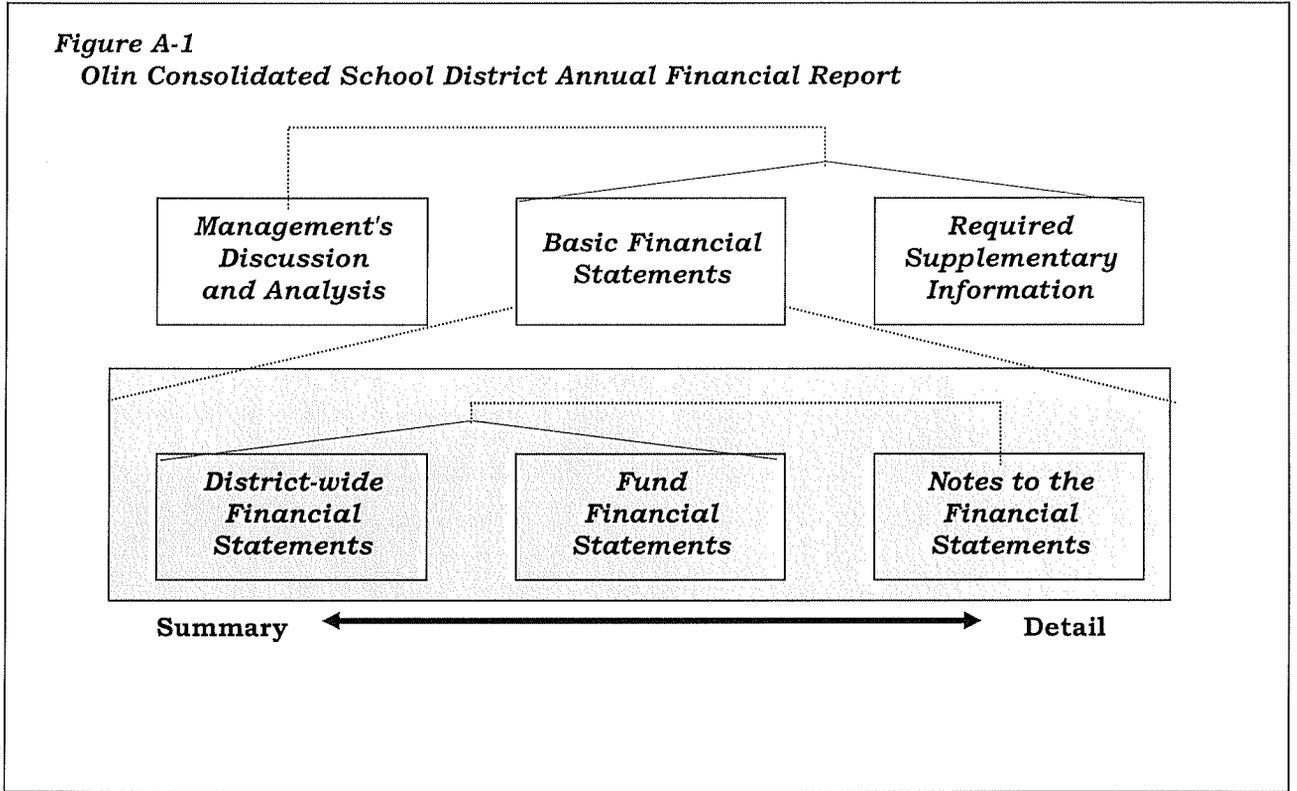


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

<b>Figure A-2</b> <b>Major Features of the Government-wide and Fund Financial Statements</b>				
	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"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of revenues, expenses and changes in fund net assets</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net assets</li> <li>• Statement of changes in fiduciary net assets</li> </ul>
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 fund:* 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 fund, one type of proprietary fund, is the same as its business type activity, 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 net assets, a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

3) *Fiduciary fund*: The District is the trustee, or fiduciary, for assets that belong to others. This fund consists 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 fund 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, 2008 compared to June 30, 2007.

Figure A-3

Condensed Statement of Net Assets

	Governmental Activities		Business Type Activities		Total School District		Total Change 2007-2008
	2008	2007	2008	2007	2008	2007	
Current and other assets	\$ 2,736,753	\$ 2,488,536	\$ 29,490	\$ 24,476	\$ 2,766,243	\$ 2,513,012	10.08%
Capital assets	1,525,021	1,563,119	6,019	7,376	1,531,040	1,570,495	-2.51%
Total assets	4,261,774	4,051,655	35,509	31,852	4,297,283	4,083,507	5.24%
Long-term liabilities	330,000	413,134	-	-	330,000	413,134	-20.12%
Other liabilities	1,620,218	1,516,959	10,651	7,882	1,630,869	1,524,841	6.95%
Total liabilities	1,950,218	1,930,093	10,651	7,882	1,960,869	1,937,975	1.18%
Net assets							
Invested in capital assets, net of related debt	1,195,021	1,158,119	6,019	7,376	1,201,040	1,165,495	3.05%
Restricted	753,635	629,073	-	-	753,635	629,073	19.80%
Unrestricted	362,900	334,370	18,839	16,594	381,739	350,964	8.77%
Total net assets	\$ 2,311,556	\$ 2,121,562	\$ 24,858	\$ 23,970	\$ 2,336,414	\$ 2,145,532	8.90%

The District's combined net assets increased by approximately 9%, or \$190,882, 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 \$124,562, or approximately 20% 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 FY08.

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 \$30,775, or approximately 9%. 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 changes in net assets for the year ended June 30, 2008 compared to the year ended June 30, 2007.

Figure A-4

Figure A-4 Change in Net Assets

	Governmental Activities		Business Type Activities		Total District		Change 2007-2008
	2008	2007	2008	2007	2008	2007	
Revenues							
Program revenues							
Charges for service	\$ 345,365	\$ 311,701	\$ 47,092	\$ 51,395	\$ 392,457	\$ 363,096	8.09%
Operating grants and contributions	379,410	329,407	64,298	71,977	443,708	401,384	10.54%
General revenues							
Property tax	1,144,914	1,158,352	-	-	1,144,914	1,158,352	-1.16%
Local option sales and service tax	143,975	151,939	-	-	143,975	151,939	-5.24%
Unrestricted state grants	1,030,118	1,019,012	-	-	1,030,118	1,019,012	1.09%
Unrestricted investment earnings	44,744	57,663	870	718	45,614	58,381	-21.87%
Other	7,150	5,376	-	-	7,150	5,376	33.00%
Special item - (loss) on sale of capital assets	-	(2,762)	-	-	-	(2,762)	100.00%
Total revenues	<u>3,095,676</u>	<u>3,030,688</u>	<u>112,260</u>	<u>124,090</u>	<u>3,207,936</u>	<u>3,154,778</u>	1.68%
Program expenses							
Governmental activities							
Instruction	2,026,989	1,966,014	-	-	2,026,989	1,966,014	3.10%
Support services	697,544	689,117	-	-	697,544	689,117	1.22%
Non-instructional programs	10,504	7,132	111,372	119,027	121,876	126,159	-3.39%
Other	170,645	160,422	-	-	170,645	160,422	6.37%
Total expenses	<u>2,905,682</u>	<u>2,822,685</u>	<u>111,372</u>	<u>119,027</u>	<u>3,017,054</u>	<u>2,941,712</u>	2.56%
Change in net assets	<u>\$ 189,994</u>	<u>\$ 208,003</u>	<u>\$ 888</u>	<u>\$ 5,063</u>	<u>\$ 190,882</u>	<u>\$ 213,066</u>	-10.41%

In fiscal 2008, property tax and unrestricted state grants account for approximately 70% 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 \$3,207,936 of which \$3,095,676 was for governmental activities and \$112,260 was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 2% increase in revenues and a 3% increase in expenses.

**Governmental Activities**

Revenues for governmental activities were \$3,095,676 and expenses were \$2,905,682 for the year ended June 30, 2008. 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, for the year ended June 30, 2008 compared to June 30, 2007.

Figure A-5

	Total and Net Cost of Governmental Activities					
	Total Cost of Services			Net Cost of Services		
	2008	2007	Change 2007-2008	2008	2007	Change 2007-2008
Instruction	\$ 2,026,989	\$ 1,966,014	3.1%	\$ 1,432,099	\$ 1,421,036	0.8%
Support services	697,544	689,117	1.2%	690,951	684,368	1.0%
Non-instructional programs	10,504	7,132	47.3%	(19,346)	7,132	-371.3%
Other	<u>170,645</u>	<u>160,422</u>	6.4%	<u>77,203</u>	<u>69,041</u>	11.8%
Total	<u>\$ 2,905,682</u>	<u>\$ 2,822,685</u>	2.9%	<u>\$ 2,180,907</u>	<u>\$ 2,181,577</u>	0.0%

For the year ended June 30, 2008:

- The cost financed by users of the District's programs was \$345,365.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$379,410.
- The net cost of governmental activities was financed with \$1,288,889 in property and other taxes and \$1,030,118 in unrestricted state grants.

**Business Type Activities**

Revenues for business type activities during the year ended June 30, 2008 were \$112,260 representing a 10% decrease from the prior year while expenses totaled \$111,372, a 6% decrease from the prior year. The District's business type activities include the School Nutrition Fund. Revenues of this activity were comprised of charges for service, federal and state reimbursements and investment income.

During the year ending June 30, 2008, the District did not increase meal prices. The District trimmed labor hours which is reflected in the decrease 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 \$1,032,824, well above last year's ending fund balances of \$885,576. The primary reason for the increase is there were no major capital projects done in fiscal year 2007-08.

### **Governmental Fund Highlights**

- The District's improving General Fund financial position is the result of increasing our cash reserve and reducing expenditures were possible. This increase in fund balance should not be confused when it come to spending authority. Increasing cash reserve does not increase spending authority. Even though our general fund balance increased by \$27,361, our spending authority decreased by \$46,000.
- The General Fund balance increased from \$251,828 to \$279,189, 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 from \$380,901 to \$434,802 due to revenue exceeding bond payments.

### **Proprietary Fund Highlights**

Enterprise Fund net assets increased from \$23,970 at June 30, 2007 to \$24,858 at June 30, 2008, representing an increase of approximately 4%. For fiscal 2008, 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. The district also replaced the walk-in freezer this fiscal year.

## **BUDGETARY HIGHLIGHTS**

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

The District's revenues were \$6,440 less than budgeted revenues, a variance of less than 1%. The most significant variance resulted from less state sources than projected.

Total expenditures were \$1,040,253 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, 2008, the District had invested \$1,531,040, 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 3% 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 \$55,350.

The original cost of the District's capital assets was \$3,189,502. Governmental funds account for \$3,144,691, with the remainder of \$44,811 accounted for in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the furniture and equipment category. The District's furniture and equipment category totaled \$120,577 at June 30, 2007 compared to \$111,404 at June 30, 2008. This decrease was due to depreciation during the year ended June 30, 2008.

Figure A-6

	Capital Assets, Net of Depreciation						
	Governmental		Business Type		Total		Total
	Activities		Activities		School District		
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2007-2008</u>
Land and improvements	\$ 61,296	\$ 61,296	\$ -	\$ -	\$ 61,296	\$ 61,296	0.00%
Buildings and improvements	1,358,340	1,388,621	-	-	1,358,340	1,388,621	-2.18%
Furniture and equipment	<u>105,385</u>	<u>113,202</u>	<u>6,019</u>	<u>7,375</u>	<u>111,404</u>	<u>120,577</u>	-7.61%
Totals	<u>\$1,525,021</u>	<u>\$1,563,119</u>	<u>\$ 6,019</u>	<u>\$ 7,375</u>	<u>\$1,531,040</u>	<u>\$1,570,494</u>	-2.51%

### Long-Term Debt

At June 30, 2008, the District had \$330,000 in revenue bonds payable. This represents a decrease of approximately 20% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 6 to the financial statements.

Figure A-7

	Outstanding Long-term Obligations		
	Total		Total
	School District		
	<u>2008</u>	<u>2007</u>	<u>2007-2008</u>
Revenue bonds	\$ 330,000	\$ 405,000	-18.52%
Early retirement	-	8,134	-100%
Totals	<u>\$ 330,000</u>	<u>\$ 413,134</u>	-20.12%

## **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 (36.3 students) decrease in enrollment in September 2008 which affects our budget beginning with the 2009-10 school year. Our enrollment has continued to decline. For 2009-10 we will be on the 101% budget guarantee. Which mean for 2010-11 we will go back to the budget guarantee phase out which will result in a large drop in revenue during that fiscal year of approximately \$133,000.
- Wage settlements with the Olin Education Association (OEA) are on an average a 4% to 5% 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.

## **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, 2008

Exhibit A

<b>Assets</b>	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
Cash and cash equivalents			
ISCAP	\$ 200,622	\$ -	\$ 200,622
Other	1,218,831	27,399	1,246,230
Receivables			
Property tax			
Delinquent	26,248	-	26,248
Succeeding year	1,089,382	-	1,089,382
Accounts receivable	4,747	79	4,826
Accrued interest			
ISCAP	76	-	76
Other	973	-	973
Income surtax	84,510	-	84,510
Due from other governments	111,364	49	111,413
Inventories	-	1,963	1,963
Non-depreciable capital asset	61,296	-	61,296
Capital assets, net of accumulated depreciation	<u>1,463,725</u>	<u>6,019</u>	<u>1,469,744</u>
Total assets	<u>4,261,774</u>	<u>35,509</u>	<u>4,297,283</u>
 <b>Liabilities</b>			
Accounts payable	88,725	755	89,480
Salaries and benefits payable	238,841	8,846	247,687
Accrued interest payable	799	-	799
Deferred revenue			
Succeeding year property tax	1,089,382	-	1,089,382
Other	-	1,050	1,050
ISCAP warrants payable	199,000	-	199,000
ISCAP accrued interest payable	58	-	58
ISCAP unamortized premium	3,413	-	3,413
Long-term liabilities			
Portion due within one year			
Revenue bonds payable	80,000	-	80,000
Portion due after one year			
Revenue bonds payable	<u>250,000</u>	<u>-</u>	<u>250,000</u>
Total liabilities	<u>1,950,218</u>	<u>10,651</u>	<u>1,960,869</u>

See notes to financial statements.

OLIN CONSOLIDATED SCHOOL DISTRICT  
Statement of Net Assets  
June 30, 2008

Exhibit A

	Governmental Activities	Business Type Activities	Total
<b>Net Assets</b>			
Invested in capital assets, net of related debt	\$1,195,021	\$ 6,019	\$1,201,040
Restricted for			
Management levy	129,244	-	129,244
Physical plant and equipment levy	132,909	-	132,909
Public education and recreation levy	15,804	-	15,804
Other special revenue purposes	40,876	-	40,876
Capital projects	434,802	-	434,802
Unrestricted	362,900	18,839	381,739
Total net assets	\$2,311,556	\$ 24,858	\$2,336,414

See notes to financial statements.

OLIN CONSOLIDATED SCHOOL DISTRICT  
Statement of Activities  
For the Year Ended June 30, 2008

Exhibit B

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Business Type Activities Activities	Total
<b>Functions/Programs</b>						
Governmental activities						
Instruction						
Regular instruction	\$ 1,214,442	\$ 268,137	\$ 207,629	\$ -	\$ (738,676)	\$ (738,676)
Special instruction	373,021	40,785	70,843	-	(261,393)	(261,393)
Other instruction	439,526	-	7,496	-	(432,030)	(432,030)
	<u>2,026,989</u>	<u>308,922</u>	<u>285,968</u>	<u>-</u>	<u>(1,432,099)</u>	<u>(1,432,099)</u>
Support services						
Student	31,858	-	-	-	(31,858)	(31,858)
Instructional staff	32,795	-	-	-	(32,795)	(32,795)
Administration	261,832	-	-	-	(261,832)	(261,832)
Operation and maintenance of plant	237,189	2,606	-	-	(234,583)	(234,583)
Transportation	133,870	3,987	-	-	(129,883)	(129,883)
	<u>697,544</u>	<u>6,593</u>	<u>-</u>	<u>-</u>	<u>(690,951)</u>	<u>(690,951)</u>
Non-instructional programs	10,504	29,850	-	-	19,346	19,346
Other expenses						
Facilities acquisition	34,216	-	-	-	(34,216)	(34,216)
Long-term debt interest	10,753	-	-	-	(10,753)	(10,753)
AEA flowthrough	93,442	-	93,442	-	-	-
Depreciation (unallocated) *	32,234	-	-	-	(32,234)	(32,234)
	<u>170,645</u>	<u>-</u>	<u>93,442</u>	<u>-</u>	<u>(77,203)</u>	<u>(77,203)</u>
Total governmental activities	<u>2,905,682</u>	<u>345,365</u>	<u>379,410</u>	<u>-</u>	<u>(2,180,907)</u>	<u>(2,180,907)</u>

See notes to financial statements.

OLIN CONSOLIDATED SCHOOL DISTRICT  
Statement of Activities  
For the Year Ended June 30, 2008

Exhibit B

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Business Type Activities	Total
<b><u>Functions/Programs (continued)</u></b>					
Business type activities					
Non-instructional programs					
Food service operations	\$ 111,372	\$ 64,298	\$ -	\$ 18	\$ 18
Total	<u>\$ 3,017,054</u>	<u>\$ 443,708</u>	<u>\$ -</u>	<u>\$ (2,180,907)</u>	<u>\$ (2,180,889)</u>
<b><u>General Revenues</u></b>					
Property tax levied for					
General purposes				1,067,095	1,067,095
Public education and recreation				9,071	9,071
Capital outlay				68,748	68,748
Local option sales and services tax				143,975	143,975
Unrestricted state grants				1,030,118	1,030,118
Unrestricted investment earnings				44,744	45,614
Other				7,150	7,150
Total general revenues				<u>2,370,901</u>	<u>2,371,771</u>
Change in net assets				189,994	190,882
Net assets, beginning of year				2,121,562	2,145,532
Net assets, end of year				<u>\$ 2,311,556</u>	<u>\$ 2,336,414</u>

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

See notes to financial statements.

OLIN CONSOLIDATED SCHOOL DISTRICT  
Balance Sheet  
Governmental Funds  
June 30, 2008

Exhibit C

<b>Assets</b>	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Cash and pooled investments				
ISCAP	\$ 200,622	\$ -	\$ -	\$ 200,622
Other	511,320	389,316	318,195	1,218,831
Receivables				
Property tax				
Delinquent	22,695	-	3,553	26,248
Succeeding year	956,573	-	132,809	1,089,382
Accounts receivable	3,253	701	793	4,747
Accrued interest				
ISCAP	76	-	-	76
Other	973	-	-	973
Income surtax	84,510	-	-	84,510
Due from other governments	66,579	44,785	-	111,364
Total assets and other debits	<u>\$1,846,601</u>	<u>\$434,802</u>	<u>\$455,350</u>	<u>\$2,736,753</u>
 <b>Liabilities and Fund Balances</b>				
<b>Liabilities</b>				
Accounts payable	\$ 86,931	\$ -	\$ 1,794	\$ 88,725
Salaries and benefits payable	236,927	-	1,914	238,841
ISCAP warrants payable	199,000	-	-	199,000
ISCAP accrued interest payable	58	-	-	58
ISCAP unamortized premium	3,413	-	-	3,413
Deferred revenue				
Succeeding year property tax	956,573	-	132,809	1,089,382
Income surtax	84,510	-	-	84,510
Total liabilities	<u>1,567,412</u>	<u>-</u>	<u>136,517</u>	<u>1,703,929</u>
<b>Fund balances</b>				
Reserved for				
Teacher Mentoring program	715	-	-	715
Market Factor Pay program	4,218	-	-	4,218
Professional Development program	482	-	-	482
Unreserved, governmental funds	273,774	434,802	-	708,576
Unreserved, special revenue funds	-	-	318,833	318,833
Total fund balances	<u>279,189</u>	<u>434,802</u>	<u>318,833</u>	<u>1,032,824</u>
Total liabilities and fund balances	<u>\$1,846,601</u>	<u>\$434,802</u>	<u>\$455,350</u>	<u>\$2,736,753</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, 2008

Exhibit D

<b>Total fund balances of governmental funds</b>	\$1,032,824
<b>Amounts reported for governmental activities in the Statement of Net Assets are different because:</b>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	1,525,021
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	84,510
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.	(799)
Long-term liabilities, including notes payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(330,000)</u>
<b>Net assets of governmental activities</b>	<u><u>\$1,981,556</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, 2008

Exhibit E

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Revenues				
Local sources				
Local tax	\$1,000,980	\$143,975	\$144,112	\$1,289,067
Tuition	196,107	-	-	196,107
Other	58,499	13,463	130,691	202,653
State sources	1,294,922	-	101	1,295,023
Federal sources	115,255	-	-	115,255
Total revenues	<u>2,665,763</u>	<u>157,438</u>	<u>274,904</u>	<u>3,098,105</u>
 Expenditures				
Current				
Instruction				
Regular	1,208,849	-	-	1,208,849
Special	373,021	-	-	373,021
Other	329,931	-	109,595	439,526
	<u>1,911,801</u>	<u>-</u>	<u>109,595</u>	<u>2,021,396</u>
Support services				
Student	26,210	-	-	26,210
Instructional staff	32,795	-	-	32,795
Administration	256,678	-	13,288	269,966
Operation and maintenance of plant	191,102	-	44,618	235,720
Transportation	126,374	-	14,341	140,715
	<u>633,159</u>	<u>-</u>	<u>72,247</u>	<u>705,406</u>
Non-instructional programs	-	-	10,504	10,504
Other expenditures				
Facilities acquisition	-	17,644	16,572	34,216
Long-term debt				
Principal	-	-	75,000	75,000
Interest and fiscal charges	-	-	10,893	10,893
AEA flowthrough	93,442	-	-	93,442
	<u>93,442</u>	<u>17,644</u>	<u>102,465</u>	<u>213,551</u>
Total expenditures	<u>2,638,402</u>	<u>17,644</u>	<u>294,811</u>	<u>2,950,857</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, 2008

Exhibit E

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 27,361</u>	<u>\$139,794</u>	<u>\$ (19,907)</u>	<u>\$ 147,248</u>
Other financing sources (uses)				
Interfund operating transfers in	-	-	85,893	85,893
Interfund operating transfers (out)	-	<u>(85,893)</u>	<u>-</u>	<u>(85,893)</u>
Total other financing sources (uses)	<u>-</u>	<u>(85,893)</u>	<u>85,893</u>	<u>-</u>
Net change in fund balances	27,361	53,901	65,986	147,248
Fund balance, beginning of year	<u>251,828</u>	<u>380,901</u>	<u>252,847</u>	<u>885,576</u>
Fund balance, end of year	<u><u>\$ 279,189</u></u>	<u><u>\$434,802</u></u>	<u><u>\$318,833</u></u>	<u><u>\$1,032,824</u></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, 2008

Exhibit F

**Net change in fund balances - total governmental funds** \$147,248

**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	\$15,896	
Depreciation expense	<u>(53,994)</u>	(38,098)

Certain revenues not collected for several months after year-end are not considered available revenue and are deferred in the governmental funds. (2,430)

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. 75,000

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. 140

**Change in net assets of governmental activities** \$189,994

OLIN CONSOLIDATED SCHOOL DISTRICT  
Statement of Net Assets  
Proprietary Fund  
June 30, 2008

Exhibit G

	Nonmajor Enterprise <u>School Nutrition</u>
<b>Assets</b>	
Cash and pooled investments	\$ 27,399
Accounts receivable	79
Due from other governments	49
Inventories	1,963
Capital assets, net of accumulated depreciation	<u>6,019</u>
Total assets	<u>35,509</u>
 <b>Liabilities</b>	
Accounts payable	755
Salaries and benefits payable	8,846
Deferred revenue	<u>1,050</u>
Total liabilities	<u>10,651</u>
 <b>Net Assets</b>	
Invested in capital assets	6,019
Unrestricted	<u>18,839</u>
Total net assets	<u><u>\$ 24,858</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, 2008

Exhibit H

	<u>Nonmajor Enterprise School Nutrition</u>
Operating revenue	
Local sources	
Charges for service	<u>\$ 47,092</u>
 Operating expenses	
Non-instructional programs	
Food service operations	
Salaries and benefits	41,502
Benefits	5,742
Purchased services	375
Supplies	62,397
Depreciation	<u>1,356</u>
Total operating expenses	<u>111,372</u>
 Operating loss	 <u>(64,280)</u>
 Non-operating revenues	
Interest income	870
State sources	1,494
Federal sources	<u>62,804</u>
Total non-operating revenues	<u>65,168</u>
 Net income	 888
Net assets, beginning of year	<u>23,970</u>
 Net assets, end of year	 <u><u>\$ 24,858</u></u>

See notes to financial statements.

OLIN CONSOLIDATED SCHOOL DISTRICT  
Statement of Cash Flows  
Proprietary Fund  
For the Year Ended June 30, 2008

Exhibit I

	<u>Nonmajor Enterprise School Nutrition</u>
Cash flows from operating activities	
Cash received from sale of services	\$ 46,939
Cash payments to employees for services	(45,172)
Cash payments to suppliers for goods and services	<u>(60,540)</u>
Net cash used in operating activities	<u>(58,773)</u>
Cash flows from non-capital financing activities	
State grants received	1,494
Federal grants received	<u>61,448</u>
Net cash provided by non-capital financing activities	<u>62,942</u>
Cash flows from capital and related financing activities	<u>-</u>
Cash flows from investing activities	
Interest on investments	<u>870</u>
Net increase in cash and cash equivalents	5,039
Cash and cash equivalents, beginning of year	<u>22,360</u>
Cash and cash equivalents, end of year	<u>\$ 27,399</u>

**Reconciliation of operating loss to net cash**

**used in operating activities**

Operating loss	\$(64,280)
Adjustments to reconcile operating loss to net cash used in operating activities	
Depreciation	1,356
Commodities used	6,266
(Increase) in accounts receivable	(79)
(Increase) in due from other government	(49)
Decrease in inventory	153
Increase in accounts payable	722
(Decrease) in deferred revenue	(25)
(Decrease) in accrued salaries and benefits	<u>(2,837)</u>
Net cash used in operating activities	<u>\$(58,773)</u>

**Non-cash investing, capital and financing activities**

During the year ended June 30, 2008, the District received \$6,266 of federal commodities.

See notes to financial statements.

OLIN CONSOLIDATED SCHOOL DISTRICT  
 Statement of Fiduciary Net Assets  
 Fiduciary Fund  
 June 30, 2008

Exhibit J

	Private Purpose Trust <u>Scholarships</u>
<b>Assets</b>	
Cash and pooled investments	\$ 2,952
Accrued interest receivable	<u>5</u>
Total assets	2,957
<b>Liabilities</b>	
	<u>-</u>
<b>Net assets</b>	
Reserved for scholarships	<u><u>\$ 2,957</u></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, 2008

Exhibit K

	Private Purpose Trust <hr/> Scholarships
Additions	
Local sources	
Interest	\$ 120
Deductions	<u>          -</u>
Change in net assets	120
Net assets, beginning of year	<u>2,837</u>
Net assets, end of year	<u><u>\$2,957</u></u>

See notes to financial statements.

OLIN CONSOLIDATED SCHOOL DISTRICT  
Notes to Financial Statements  
June 30, 2008

**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 consists 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 are 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 financial statements:

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

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½ % per month penalty for delinquent payments; is based on January 1, 2006 assessed property valuations; is for the tax accrual period July 1, 2007 through June 30, 2008 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2007.

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, 2008. 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 \$262,153 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, 2008 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, 2008, the District had investments in the IPAS education as follows:

	Amortized Cost
Institutional Money Market Fund	\$1,237,070

At June 30, 2008, the District had investments in the IPAS education 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.

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. This investment was not rated by Moody's Investor or Standard and Poor's Services.

**Note 3. Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2008 is as follows:

Fund	Transfers In	Transfers Out
Non-major governmental funds	\$ 85,893	\$ -
Capital Projects Fund	-	85,893
Total	\$ 85,893	\$ 85,893

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, 2008, 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>
2008-09A	6/26/08	6/25/09	\$ 200,622	\$ 76	\$ 199,000	\$ 58	\$3,413

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, 2008.

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>
2007-08A	4.50%	5.455%
2007-08B	3.75%	3.451%
2008-09A	3.50%	3.469%

## Note 5. Capital Assets

Capital assets activity for the year ended June 30, 2008 was as follows:

<u>Governmental activities</u>	Balance, Beginning of Year	Additions	Deletions	Balance, End of Year
Capital assets not being depreciated:				
Land and improvements	\$ 61,296	\$ -	\$ -	\$ 61,296
Capital assets being depreciated:				
Buildings and improvements	2,044,880	-	-	2,044,880
Site improvements	75,400	-	-	75,400
Furniture and equipment	947,219	15,896	-	963,115
Total capital assets being depreciated	<u>3,067,499</u>	<u>15,896</u>	<u>-</u>	<u>3,083,395</u>
Less accumulated depreciation for:				
Buildings and improvements	656,259	30,281	-	686,540
Site improvements	75,400	-	-	75,400
Furniture and equipment	834,017	23,713	-	857,730
Total accumulated depreciation	<u>1,565,676</u>	<u>53,994</u>	<u>-</u>	<u>1,619,670</u>
Total capital assets being depreciated, net	<u>1,501,823</u>	<u>(38,098)</u>	<u>-</u>	<u>1,463,725</u>
Governmental activities capital assets, net	<u>\$ 1,563,119</u>	<u>\$ (38,098)</u>	<u>\$ -</u>	<u>\$ 1,525,021</u>
<u>Business type activities</u>				
Furniture and equipment	\$ 44,811	\$ -	\$ -	\$ 44,811
Less accumulated depreciation	37,436	1,356	-	38,792
Business type activities capital assets, net	<u>\$ 7,375</u>	<u>\$ (1,356)</u>	<u>\$ -</u>	<u>\$ 6,019</u>

Depreciation expense was charged to the following functions:

### **Governmental activities**

Instruction	
Regular	\$ 5,592
Support services	
Student support	5,648
Operation and maintenance	1,469
Transportation	9,051
Unallocated depreciation	<u>32,234</u>
Total governmental activities depreciation expense	<u>\$ 53,994</u>

### **Business type activities**

Food services	<u>\$ 1,356</u>
---------------	-----------------

**Note 6. Long-term Liabilities**

Changes in long-term liabilities for the year ended June 30, 2008 are summarized as follows:

	Balance, Beginning <u>of Year</u>	<u>Additions</u>	<u>Reductions</u>	Balance, End <u>of Year</u>	Due Within <u>One Year</u>
Revenue bonds	\$ 405,000	\$ -	\$(75,000)	\$ 330,000	\$ 80,000
Early retirement	<u>8,134</u>	<u>-</u>	<u>(8,134)</u>	<u>-</u>	<u>-</u>
Totals	<u>\$ 413,134</u>	<u>\$ -</u>	<u>\$(83,134)</u>	<u>\$ 330,000</u>	<u>\$ 80,000</u>

Interest costs incurred and charged to expense on all long-term debt was \$10,753 for the year ended June 30, 2008.

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 1<sup>st</sup> of the year of separation.

At June 30, 2008, the District had no outstanding obligations for this benefit. There were expenditures for early retirement of \$8,134 during the year ended June 30, 2008.

Revenue Bonds

The District has pledged future local option sales and services tax revenues to repay the \$610,000 bonds issued on April 1, 2003. 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 revenues received by the District and are payable through 2012. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require approximately 65 percent of the local option sales and services tax revenues. The total principal and interest remaining to be paid on the bonds is \$350,340. For the current year, \$85,692 of principal and interest was paid on the bonds and total local option sales and services tax revenues were \$143,975.

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, 2008 revenue anticipation bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of April 1, 2003			
	Interest Rates	Principal	Interest	Total
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>\$ 330,000</u>	<u>\$ 20,340</u>	<u>\$ 350,340</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 were required to contribute 3.90% of their annual covered salary and the District was required to contribute 6.05% of annual covered payroll for the year ended June 30, 2008. Plan members were required to contribute 3.70% of their annual covered salary and the District was required to contribute 5.75% of annual covered payroll for the years ended June 30, 2007 and 2006. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2008, 2007 and 2006 were \$89,820, \$86,735 and \$84,157 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 \$93,442 for the year ended June 30, 2008 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, 2008, 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/Expenses and Changes in Balances - Budget and Actual**  
**All Governmental Funds and Proprietary Fund**  
**Required Supplementary Information**  
**For the Year Ended June 30, 2008**

	Governmental Funds		Proprietary Fund	Total Actual	Budgeted Amounts		Final to Actual Variance
	Actual	Actual	Actual		Original	Final	
<b>Revenues</b>							
Local sources	\$ 1,687,827	\$47,962	\$1,735,789	\$1,710,994	\$1,710,994	\$ 24,795	
State sources	1,295,023	1,494	1,296,517	1,320,811	1,320,811	(24,294)	
Federal sources	115,255	62,804	178,059	185,000	185,000	(6,941)	
Total revenues	<u>3,098,105</u>	<u>112,260</u>	<u>3,210,365</u>	<u>3,216,805</u>	<u>3,216,805</u>	<u>(6,440)</u>	
<b>Expenditures/Expenses</b>							
Instruction	2,021,396	-	2,021,396	2,171,593	2,171,593	150,197	
Support services	705,406	-	705,406	971,669	971,669	266,263	
Non-instructional programs	10,504	111,372	121,876	311,191	311,191	189,315	
Other expenditures	213,551	-	213,551	648,029	648,029	434,478	
Total expenditures/expenses	<u>2,950,857</u>	<u>111,372</u>	<u>3,062,229</u>	<u>4,102,482</u>	<u>4,102,482</u>	<u>1,040,253</u>	
Net change in fund balance	147,248	888	148,136	(885,677)	(885,677)	1,033,813	
Balance, beginning of year	885,576	23,970	909,546	885,677	885,677	23,869	
Balance, end of year	<u>\$ 1,032,824</u>	<u>\$24,858</u>	<u>\$1,057,682</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$1,057,682</u>	

See accompanying Independent Auditor's Report.

OLIN CONSOLIDATED SCHOOL DISTRICT  
Notes to Required Supplementary Information – Budgetary Reporting  
For the Year Ended June 30, 2008

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, 2008

Schedule 1

	Special Revenue					<u>Debt Service</u>	<u>Total</u>
	<u>Management Levy</u>	<u>Student Activity</u>	<u>Physical Plant and Equipment Levy</u>	<u>Public Education &amp; Recreation Levy</u>			
<b>Assets</b>							
Cash and pooled investments	\$127,343	\$40,582	\$132,557	\$17,713	\$ -		\$318,195
Receivables							
Property tax							
Delinquent	1,673	-	1,657	223	-		3,553
Succeeding year	55,000	-	68,554	-	9,255		132,809
Accounts receivable	228	294	239	32	-		793
Total assets	<u>\$184,244</u>	<u>\$40,876</u>	<u>\$203,007</u>	<u>\$17,968</u>	<u>\$9,255</u>		<u>\$455,350</u>
<b>Liabilities and Fund Balances</b>							
Liabilities							
Accounts payable	\$ -	\$ -	\$ 1,544	\$ 250	\$ -		\$ 1,794
Salaries and benefits payable	-	-	-	1,914	-		1,914
Deferred revenue							
Succeeding year property tax	55,000	-	68,554	-	9,255		132,809
Total liabilities	55,000	-	70,098	2,164	9,255		136,517
Fund balances							
Unreserved fund balances	129,244	40,876	132,909	15,804	-		318,833
Total liabilities and fund balances	<u>\$184,244</u>	<u>\$40,876</u>	<u>\$203,007</u>	<u>\$17,968</u>	<u>\$9,255</u>		<u>\$455,350</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, 2008

Schedule 2

	Special Revenue					Total
	Management <u>Levy</u>	Student <u>Activity</u>	Physical Plant and Equipment <u>Levy</u>	Public Education & Recreation <u>Levy</u>	Debt Service	
Revenues						
Local sources						
Local taxes	\$ 67,847	\$ -	\$ 67,194	\$ 9,071	\$ -	\$144,112
Other	10,576	113,918	5,540	657	-	130,691
State sources	48	-	47	6	-	101
Total revenues	<u>78,471</u>	<u>113,918</u>	<u>72,781</u>	<u>9,734</u>	<u>-</u>	<u>274,904</u>
Expenditures						
Current						
Instruction						
Other	-	109,395	-	200	-	109,595
Support services						
Administration	13,288	-	-	-	-	13,288
Operation and maintenance of plant	39,836	-	4,782	-	-	44,618
Transportation	6,393	-	7,948	-	-	14,341
Total support services	<u>59,517</u>	<u>-</u>	<u>12,730</u>	<u>-</u>	<u>-</u>	<u>72,247</u>
Non-instructional programs	-	-	-	10,504	-	10,504
Other expenditures						
Facilities acquisition	-	-	16,572	-	-	16,572
Long-term debt						
Principal	-	-	-	-	75,000	75,000
Interest and fiscal charges	-	-	-	-	10,893	10,893
Total other expenditures	<u>-</u>	<u>-</u>	<u>16,572</u>	<u>-</u>	<u>85,893</u>	<u>102,465</u>
Total expenditures	<u>59,517</u>	<u>109,395</u>	<u>29,302</u>	<u>10,704</u>	<u>85,893</u>	<u>294,811</u>
Excess (deficiency) of revenues over (under) expenditures	18,954	4,523	43,479	(970)	(85,893)	(19,907)
Other financing sources						
Interfund operating transfers in	-	-	-	-	85,893	85,893
Net change in fund balances	18,954	4,523	43,479	(970)	-	65,986
Fund balances, beginning of year	110,290	36,353	89,430	16,774	-	252,847
Fund balances, end of year	<u>\$129,244</u>	<u>\$40,876</u>	<u>\$132,909</u>	<u>\$15,804</u>	<u>\$ -</u>	<u>\$318,833</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, 2008

Schedule 3

Account	Balance, Beginning of Year	Revenues	Expenditures	Balance, End of Year
General athletics	\$ -	\$ 2,286	\$ 2,286	\$ -
Boys basketball	1,823	3,612	4,485	950
Boys football	3,647	10,147	8,568	5,226
Boys baseball	-	3,438	3,438	-
Boys track	-	3,698	2,858	840
Boys golf	2	29	31	-
Girls basketball	1,605	3,210	3,765	1,050
Girls volleyball	475	5,734	6,209	-
Girls softball	-	3,436	3,436	-
Girls track	-	894	894	-
Drama	1,497	-	17	1,480
Thespians	-	-	-	-
Bank/vocal	18	5,444	3,191	2,271
PE super sport	246	1,054	1,194	106
ELP fundraising	178	-	-	178
Title I fundraising	141	11	8	144
HS SCI club	319	937	207	1,049
Elementary SCI club	447	150	597	-
Interest	3,386	3,021	3,582	2,825
Concession stand	169	7,602	7,571	200
Annual 2007-2008	-	3,474	-	3,474
Annual 2005-20076	1,638	480	2,118	-
Cheerleading	71	201	272	-
FFA	4,145	17,103	15,669	5,579
Pom-pon	1,584	6,655	5,724	2,515
HS student council	4,593	6,273	8,096	2,770
JH student council	55	-	55	-
Spanish club	-	6,198	4,745	1,453
Athletic resale	491	1,485	1,407	569
Music resale	17	54	47	24
Activity resale	1,185	405	405	1,185
I.A. resale	225	274	424	75
School cents	-	1,150	1,150	-

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, 2008

Schedule 3

Account	Balance, Beginning of Year	<u>Revenues</u>	<u>Expenditures</u>	Balance, End of Year
Class of 2007	\$ 44	\$ -	\$ 44	\$ -
Class of 2008	1,038	1,902	2,863	77
Class of 2009	358	7,670	6,255	1,773
Class of 2010	271	446	-	717
Class of 2011	94	374	-	468
Candy resale/industrial arts	26	38	-	64
Field trips	1,937	2,291	2,488	1,740
Wapsi League	3,522	561	2,598	1,485
Pools PTO donation	1,071	-	500	571
Library books fund	35	2,181	2,198	18
Totals	<u>\$ 36,353</u>	<u>\$ 113,918</u>	<u>\$ 109,395</u>	<u>\$ 40,876</u>

See accompanying Independent Auditor's Report.

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

Schedule 4

	Modified Accrual Basis			
	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Revenues				
Local sources				
Local tax	\$1,289,067	\$1,221,115	\$1,261,054	\$1,103,347
Tuition	196,107	195,140	135,211	141,631
Other	202,653	181,100	157,115	127,149
State sources	1,295,023	1,238,393	1,149,570	1,404,505
Federal sources	115,255	110,762	108,852	134,412
Total revenues	<u>\$3,098,105</u>	<u>\$2,946,510</u>	<u>\$2,811,802</u>	<u>\$2,911,044</u>
Expenditures				
Current				
Instruction				
Regular	\$1,208,849	\$1,085,453	\$1,006,400	\$1,055,238
Special	373,021	445,043	334,170	272,467
Other	439,526	428,289	358,926	357,999
Support services				
Student	26,210	27,735	73,773	90,110
Instructional staff	32,795	39,805	51,793	70,641
Administration	269,966	254,561	268,665	331,405
Operation and maintenance of plant	235,720	230,471	221,176	238,578
Transportation	140,715	108,131	181,567	84,847
Non-instructional programs	10,504	7,132	6,872	1,383
Other expenditures				
Facilities acquisition	34,216	19,136	71,692	77,892
Long-term debt				
Principal	75,000	70,000	70,000	65,000
Interest and other charges	10,893	12,580	14,015	15,231
AEA flowthrough	93,442	91,381	89,392	92,552
Total expenditures	<u>\$2,950,857</u>	<u>\$2,819,717</u>	<u>\$2,748,441</u>	<u>\$2,753,343</u>

See accompanying Independent Auditor's Report.

# KAY L. CHAPMAN, CPA PC

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

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, 2008, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued my report thereon dated March 17, 2009. 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, including 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 and B 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, 2008 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 on 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, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

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  
March 17, 2009

OLIN CONSOLIDATED SCHOOL DISTRICT  
Schedule of Findings  
For the Year Ended June 30, 2008

**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 Statement Preparation - Financial statement preparation is the responsibility of the District. At the present time, District personnel do not have the skills necessary to prepare the District's financial statements and related note disclosures in compliance with generally accepted accounting principles (GAAP). This is not an unusual situation for small governmental entities.

Recommendation - The business manager should consider obtaining additional GAAP training through reading relevant accounting literature and/or attending professional education courses. Since GAAP reporting and disclosures change constantly, the business manager should consider taking training annually to stay up-to-date on GAAP reporting and disclosure requirements. The District should also obtain current governmental accounting, reporting and disclosure reference materials and update them as new pronouncements become effective.

OLIN CONSOLIDATED SCHOOL DISTRICT  
Schedule of Findings  
For the Year Ended June 30, 2008

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 certainly understand the need for continuing education classes for all of our staff, including the business manager. However, we have a limited budget and must continually prioritize needs. We will investigate alternatives, but believe that it would not be an efficient use of District funds to get and maintain the necessary training for the business manager to comply with this recommendation. Nor do we consider hiring additional staff possessing these skills to be a feasible option.

Conclusion - Response accepted.

**Part II. Other Findings Related to Statutory Reporting:**

1. Certified Budget - Expenditures for the year ended June 30, 2008 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.
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. However, on one occasion the minutes were not published within two weeks of the board meeting as required by the Code of Iowa.

Recommendation - Chapter 279.35 of the Code of Iowa requires that minutes be made available to the publisher within two weeks of the board meeting. The District should ensure that the minutes are submitted to the newspaper on a timely basis in order to comply with the Code of Iowa.

OLIN CONSOLIDATED SCHOOL DISTRICT  
Schedule of Findings  
For the Year Ended June 30, 2008

Response - This was an oversight; the Business Manager thought she had submitted the minutes to the publisher and discovered later that she had not. We will be more attentive of this in the future.

Conclusion - Response accepted.

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 and I noted no material errors in the amounts reported.

OLIN CONSOLIDATED SCHOOL DISTRICT  
Audit Staff  
June 30, 2008

This audit was performed by

Kay Chapman, CPA  
Tammy Calvert, staff accountant