

OSAGE COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2009

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Osage Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September 2008 Election)		
Angela Nasstrom	President	2008
Rae Anne Havig	Vice President	2008
Konnie Snider	Board Member	2011
Neil Wubben	Board Member	2009
Karla Mitchell	Board Member	2009
Board of Education (After September 2008 Election)		
Konnie Snider	President	2011
Karla Mitchell	Vice President	2009
Neil Wubben	Board Member	2009
Herb Wright	Board Member	2011
Jerry Brandau	Board Member	2011
School Officials		
Stephen Williams	Superintendent	2009
Helen Burrington	District Board Secretary	2009
Connie Jensen	District Treasurer	2009
Aaron Murphy	Attorney	2009

NOLTE, CORNMAN & JOHNSON P.C.
Certified Public Accountants
(a professional corporation)
117 West 3rd Street North, Newton, Iowa 50208-3060
Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the
Osage Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the discretely presented component unit and the aggregate remaining fund information of Osage Community School District, Osage, Iowa, as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

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

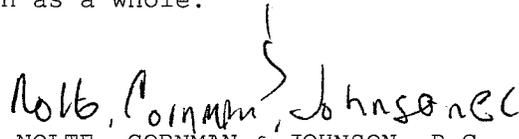
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund, the discretely presented component unit and the aggregate remaining fund information of Osage Community School District at June 30, 2009, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated March 3, 2010 on our consideration of Osage Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 13 and 40 through 41 are not required parts of the basic financial statements, but are supplementary

information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Osage Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the two years ended June 30, 2008 (not presented herein) and expressed an unqualified opinion on those financial statements. Another firm previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2006 (none of which are presented herein) and expressed an unqualified opinion on those financial statements. Other supplementary information included in Schedules 1 through 10, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.


NOLTE, CORNMAN & JOHNSON, P.C.

March 3, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

Osage Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2009. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2009 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$8,385,764 in fiscal 2008 to \$9,023,319 in fiscal 2009, while General Fund expenditures increased from \$8,549,803 in fiscal 2008 to \$9,098,516 in fiscal 2009. This resulted in a decrease in the District's General Fund balance from a deficit \$8,304 in fiscal 2008 to a deficit \$199,884 in fiscal 2009, a 2307.081% decrease from the prior year.
- The increase in General Fund revenues was attributable to an increase in property taxes and state grant revenues in fiscal 2009. The increase in expenditures was due primarily to an increase in negotiated salaries and benefits.
- The District received \$574,456 in statewide sales and service tax during the year.

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 Osage Community 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 Osage Community 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 Osage Community School District acts solely as an agent or custodial for the benefit of those outside of the School District.

Notes to the 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 funds.

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

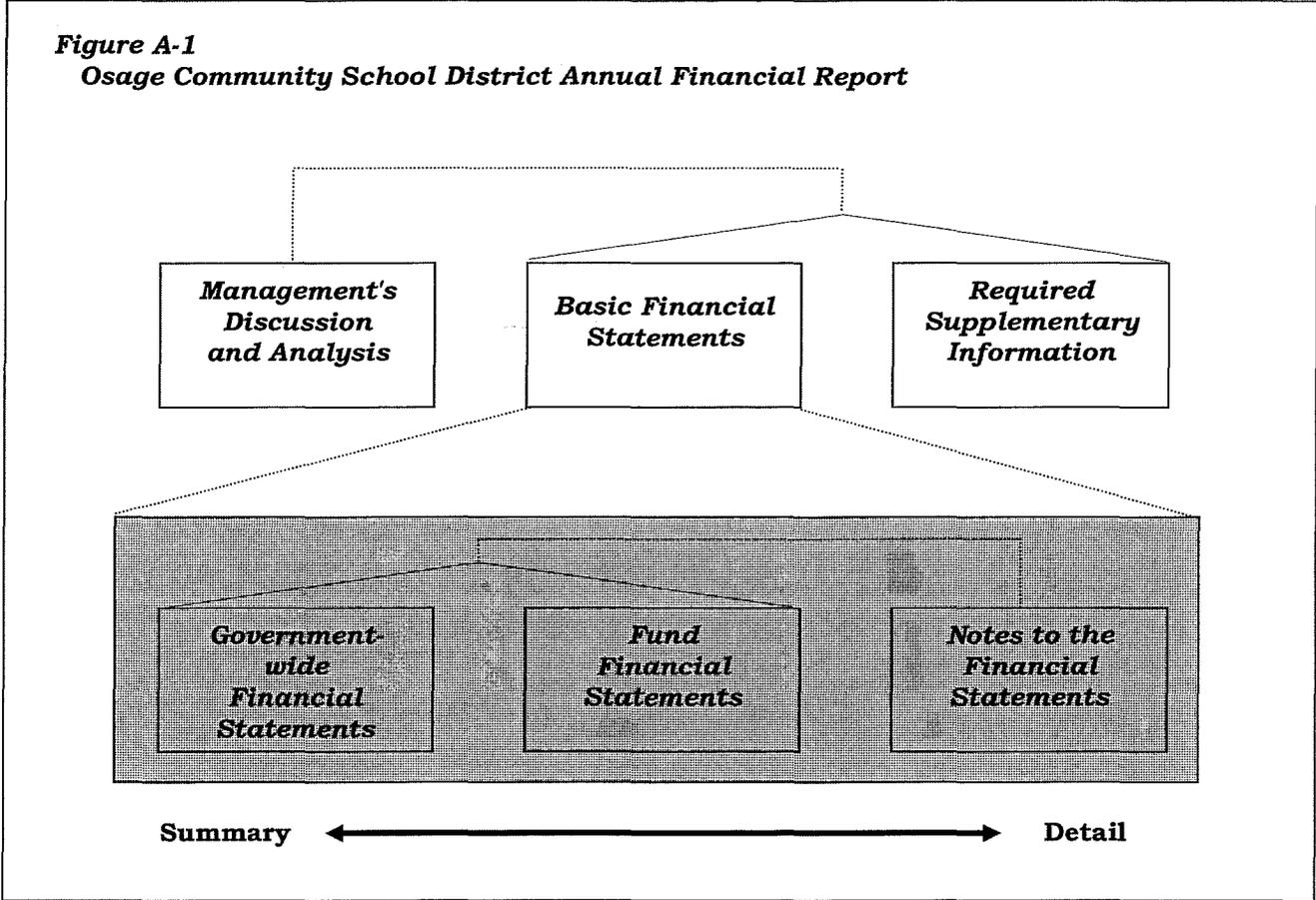


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2
Major Features of the Government-Wide and Fund Financial Statements

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

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 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 and Capital Projects.

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

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

3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. This fund is the Private-Purpose Trust Fund.

a. Private-Purpose Trust Fund - The District accounts for outside donations for scholarships for individual students in this fund.

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

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

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

Reconciliation 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 total net assets at June 30, 2009 compared to June 30, 2008.

Figure A-3
Condensed Statement of Net Assets

	Governmental Activities		Business Type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2009	2008	2009	2008	2009	2008	2008-09
Current and other assets	\$ 8,197,587	8,265,886	86,696	48,555	8,284,283	8,314,441	-0.36%
Capital assets	8,897,888	8,121,631	44,171	49,624	8,942,059	8,171,255	9.43%
Total assets	17,095,475	16,387,517	130,867	98,179	17,226,342	16,485,696	4.49%
Long-term liabilities	2,832,823	3,054,607	0	0	2,832,823	3,054,607	-7.26%
Other liabilities	7,023,323	6,167,123	21,870	20,534	7,045,193	6,187,657	13.86%
Total liabilities	9,856,146	9,221,730	21,870	20,534	9,878,016	9,242,264	6.88%
Net assets:							
Invested in capital assets, net of related debt	6,568,924	6,071,980	44,171	49,624	6,613,095	6,121,604	8.03%
Restricted	1,186,363	1,561,965	0	0	1,186,363	1,561,965	-24.05%
Unrestricted	(515,958)	(468,158)	64,826	28,021	(451,132)	(440,137)	2.50%
Total net assets	\$ 7,239,329	7,165,787	108,997	77,645	7,348,326	7,243,432	1.45%

The District's combined net assets increased by 1.45% or \$104,894 over the prior year. The largest portion of the District's net assets is the invested in capital assets, 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 decreased \$375,602 or 24.05% over the prior year.

Unrestricted net assets - the part of net assets that can be used to finance day-to-day operations without constraint established by debt covenants, enabling legislation, or the legal requirement - decreased \$10,995 or 2.50%.

Figure A-4 shows the changes in net assets for the year ended June 30, 2009 compared to the year ended June 30, 2008.

Figure A-4
Changes of Net Assets

	Governmental Activities		Business Type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2009	2008	2009	2008	2009	2008	2008-09
Revenues:							
Program revenues:							
Charges for services	\$ 760,766	757,915	297,319	264,371	1,058,085	1,022,286	3.50%
Operating grants and contributions and restricted interest	1,317,504	1,072,595	164,833	156,465	1,482,337	1,229,060	20.61%
Capital grants and contributions and restricted interest	5,000	5,000	0	0	5,000	5,000	0.00%
General revenues:							
Property tax	3,246,167	2,928,402	0	0	3,246,167	2,928,402	10.85%
Income surtax	144,387	125,921	0	0	144,387	125,921	14.66%
Statewide sales and service tax	574,456	556,887	0	0	574,456	556,887	3.15%
Unrestricted state grants	4,005,180	3,996,383	0	0	4,005,180	3,996,383	0.22%
Other	446,735	302,436	303	452	447,038	302,888	47.59%
Transfers	0	(1,500)	0	1,500	0	0	0.00%
Total revenues	10,500,195	9,744,039	462,455	422,788	10,962,650	10,166,827	7.83%
Program expenses:							
Governmental activities:							
Instructional	6,903,152	6,393,640	0	0	6,903,152	6,393,640	7.97%
Support services	2,620,886	1,875,059	0	272	2,620,886	1,875,331	39.76%
Non-instructional programs	0	0	431,103	430,655	431,103	430,655	0.10%
Other expenses	902,615	650,600	0	0	902,615	650,600	38.74%
Total expenses	10,426,653	8,919,299	431,103	430,927	10,857,756	9,350,226	16.12%
Change in net assets	73,542	824,740	31,352	(8,139)	104,894	816,601	-87.15%
Net assets beginning of year	7,165,787	6,341,047	77,645	85,784	7,243,432	6,426,831	12.71%
Net assets end of year	\$ 7,239,329	7,165,787	108,997	77,645	7,348,326	7,243,432	1.45%

In fiscal 2009, property tax and unrestricted state grants account for 69.06% of the revenue from governmental activities while charges for services and operating grants and contributions account for 99.93% of the revenue from business type activities.

The District's total revenues were approximately \$10.96 million of which approximately \$10.50 million was for governmental activities and \$0.46 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced an increase of 7.83% in revenues and a 16.12% increase in expenses.

Governmental Activities

Revenues for governmental activities were \$10,500,195 and expenses were \$10,426,653.

The following table presents the total and net cost of the District’s major governmental activities: instruction, support services and other expenses.

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2009	2008	Change 2008-09	2009	2008	Change 2008-09
	Instruction	\$ 6,903,152	6,393,640	7.97%	5,191,737	4,902,158
Support services	2,620,886	1,875,331	39.76%	2,609,348	1,869,842	39.55%
Other expenses	902,615	650,600	38.74%	542,298	311,789	73.93%
Totals	\$ 10,426,653	8,919,571	16.90%	8,343,383	7,083,789	17.78%

- The cost financed by users of the District’s programs was \$760,766.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,322,504.
- The net cost of governmental activities was financed with \$3,390,554 in local tax, \$574,456 in statewide sales and service tax, \$4,005,180 in unrestricted state grants, \$159,538 in interest income and \$287,197 in other general revenues.

Business Type Activities

Revenues of the District’s business type activities were \$462,455 and expenses were \$431,103. The District’s business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

As previously noted, the Osage Community 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 combined fund balance of \$1,010,991, below last year’s ending fund balances of \$1,934,898. This increase is primarily due to the proceeds of the revenue bonds being placed in the Capital Projects Fund.

Governmental Fund Highlights

- The District’s General Fund balance decreased from a deficit \$8,304 on June 30, 2008 to a deficit \$199,884 on June 30, 2009. The fluctuation in the District’s General Fund financial position is the product of many factors. Increases in the state grant and tax revenues during the year resulted in an increase in total revenues. Revenues were exceeded by expenditures ensuring the decrease in the Districts financial position.
- The Capital Projects fund balance decreased during the current year, from \$1,502,916 to \$500,617.

Proprietary Fund Highlights

The Enterprise Funds net assets increased from \$77,645 at June 30, 2008 to \$108,997 at June 30, 2009, representing an increase of approximately 40.38%.

BUDGETARY HIGHLIGHTS

The District's revenues were \$1,673 more than budgeted revenues, a variance of .02%. The most significant variance resulted from the District receiving more in state sources than originally anticipated.

Initially, total expenditures were less than budgeted, primarily to the District's budget for the General Fund. It is not the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District's budget is developed utilizing realistic projections of revenues and expenditures. The district then manages or controls General Fund spending through its line-item budget. In situations where revenues exceed projections, and expenditures do not exceed spending authority, the Board may take action to amend the budget authorizing additional expenditures.

During the year ended June 30, 2009, the District amended its budget one time increasing total expenditures by \$418,009. In spite of the District's budgetary practice and budget amendment, the certified budget was exceeded in the instructional and non-instructional programs functions due to timing of expenditures at year end.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2009, the District had invested \$8,942,059, 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 amount represents a net increase of 9.43% from last year. More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$438,970.

The original cost of the District's capital assets was \$13,907,026. Governmental funds account for \$13,741,153 with the remainder of \$165,873 in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the construction in progress category. Construction in progress totaled \$1,906,544 at June 30, 2008, compared to \$1,037,598 reported at June 30, 2009. This decrease is due to the following projects that were either completed or almost completed during the fiscal year.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental Activities		Business-Type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2009	2008	2009	2008	2009	2008	2008-09
Land	\$ 422,000	422,000	0	0	422,000	422,000	0.00%
Construction in progress	1,037,598	1,906,544	0	0	1,037,598	1,906,544	-45.58%
Buildings	6,546,793	4,934,567	0	0	6,546,793	4,934,567	32.67%
Improvements other than buildings	102,500	108,734	0	0	102,500	108,734	-5.73%
Machinery and equipment	788,997	749,786	44,171	49,620	833,168	799,406	4.22%
Total	\$ 8,897,888	8,121,631	44,171	49,620	8,942,059	8,171,251	9.43%

Long-Term Debt

At June 30, 2009, the District had \$2,832,823 in other long-term debt outstanding. This represents a decrease of 7.30% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 6 to the financial statements.

Figure A-7
Outstanding Long-Term Obligations

	Total School District		Total Change
	June 30,		June 30,
	2009	2008	2008-09
General obligation bonds	\$ 155,000	300,000	-48.3%
Revenue bonds	1,545,000	1,620,000	-4.6%
Energy loan notes	755,000	835,000	-9.6%
Compensated absences	0	2,601	-100.0%
Early retirement	377,823	297,006	27.2%
Total	\$ 2,832,823	3,054,607	-7.3%

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:

- Low allowable growth over several years and enrollment fluctuations may negatively impact the District's spending authority. Contractual increases and program changes cannot be made without thorough consideration of our unspent authorized budget. The district's cash balance will support short term funding shortfalls from the state.
- The 10% across the board cuts by the legislature in the 2009-2010 school year has greatly impacted the District's financial situation. The District has developed a plan for reducing expenditures which includes closing the Washington building and reducing staff and expenses. The District will continue to explore all options to further reduce expenditures.
- Continued budget concerns at state level will affect future projections. After the appropriation of State Aid (and after the adoption of the District's budget for a particular fiscal year), the Governor and the General Assembly have the ability to rescind all or a portion of the appropriation. Certain areas of the State's budget are exempt from these potential cuts; however, K-12 and community college funding are not exempt from rescission. Historically,

rescissions were imposed in an “across-the-board” fashion, and all state funding was reduced in a percentage format. This had the potential to impact schools with low valuation per pupil much greater than schools with high per pupil valuations. In the 2002 General Assembly, the formula for rescission was altered for K-12 funding, such that all future rescissions, if any, would be applied to K-12 education on a “per-pupil” basis.

- All District employees qualify for participation in the Iowa Public Employees Retirement System(IPERS). Both the District and its employees contribute to this fund. IPERS has an unfunded actuarial liability and unrecognized actuarial loss. Given this fact, additional contributions have been required by the General Assembly. The legislation increased IPERS contribution rates 0.5 percent per year for four years and restricts certain practices and benefits to control benefit costs. The increases begin July 1, 2008.
- As student enrollment projections for the District are accurate the District will have a major decline in enrollment over the next three years. This decline will have a negative impact on the financial health of the District.

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 Helen Burrington, District Board Secretary, Osage Community School District, 820 Sawyer Drive, Osage, Iowa, 50461.

BASIC FINANCIAL STATEMENTS

OSAGE COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2009

	Primary Government		Total	Component Unit
	Governmental Activities	Business type Activities		Osage Education Foundation
Assets				
Cash and cash equivalents:				
ISCAP	\$ 2,234,642	0	2,234,642	0
Other	2,196,715	64,853	2,261,568	266,952
Receivables:				
Property tax:				
Delinquent	39,555	0	39,555	0
Succeeding year	3,265,969	0	3,265,969	0
Income surtax	196,600	0	196,600	0
Interfund	12,250	0	12,250	0
Accounts	71,872	0	71,872	0
Accrued ISCAP interest	7,097	0	7,097	0
Due from other governments	172,887	0	172,887	0
Inventories	0	21,843	21,843	0
Capital assets, net of accumulated depreciation	8,897,888	44,171	8,942,059	0
Total Assets	17,095,475	130,867	17,226,342	266,952
Liabilities				
Interfund Payable	12,250	0	12,250	0
Accounts payable	213,973	1,690	215,663	0
Salaries and benefits payable	1,208,845	5,246	1,214,091	0
Accrued interest payable	36,556	0	36,556	0
ISCAP warrants payable	2,202,000	0	2,202,000	0
ISCAP interest payable	10,207	0	10,207	0
ISCAP unamortized premiums payable	36,392	0	36,392	0
Deferred revenue:				
Succeeding year property tax	3,265,969	0	3,265,969	0
Other	37,131	0	37,131	0
Unearned revenues	0	14,934	14,934	0
Long-term liabilities:				
Portion due within one year:				
General obligation bonds	155,000	0	155,000	0
Revenue bonds	285,000	0	285,000	0
Energy loan notes	80,000	0	80,000	0
Early retirement	80,817	0	80,817	0
Portion due after one year:				
Revenue bonds	1,260,000	0	1,260,000	0
Energy loan notes	675,000	0	675,000	0
Early retirement	297,006	0	297,006	0
Total Liabilities	9,856,146	21,870	9,878,016	0
Net Assets				
Invested in capital assets, net of related debt	6,568,924	44,171	6,613,095	0
Restricted for:				
Scholarships	0	0	0	124,326
Categorical funding	219,298	0	219,298	0
Physical plant and equipment levy	32,819	0	32,819	0
Capital projects	374,581	0	374,581	0
Debt service	348,022	0	348,022	0
Other special revenue purposes	211,643	0	211,643	0
Unrestricted	(515,958)	64,826	(451,132)	142,626
Total Net Assets	\$ 7,239,329	108,997	7,348,326	266,952

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

OSAGE COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2009

	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	Primary Government		Total	Component Unit Osage Education Foundation
					Govern- mental Activities	Business Type Activities		
Functions/Programs								
Governmental activities:								
Instruction:								
Regular	\$ 4,149,185	156,617	900,015	0	(3,092,553)	0	(3,092,553)	0
Special	1,258,610	153,989	50,634	0	(1,053,987)	0	(1,053,987)	0
Other	1,495,357	450,160	0	0	(1,045,197)	0	(1,045,197)	0
	<u>6,903,152</u>	<u>760,766</u>	<u>950,649</u>	<u>0</u>	<u>(5,191,737)</u>	<u>0</u>	<u>(5,191,737)</u>	<u>0</u>
Support services:								
Student	178,236	0	0	0	(178,236)	0	(178,236)	0
Instructional staff	370,255	0	0	0	(370,255)	0	(370,255)	0
Administration	930,113	0	0	0	(930,113)	0	(930,113)	0
Operation and maintenance of plant	691,174	0	0	0	(691,174)	0	(691,174)	0
Transportation	451,108	0	11,538	0	(439,570)	0	(439,570)	0
	<u>2,620,886</u>	<u>0</u>	<u>11,538</u>	<u>0</u>	<u>(2,609,348)</u>	<u>0</u>	<u>(2,609,348)</u>	<u>0</u>
Other expenditures:								
Facilities acquisitions	156,324	0	0	5,000	(151,324)	0	(151,324)	0
Long-term debt interest	124,871	0	0	0	(124,871)	0	(124,871)	0
AEA flowthrough	355,317	0	355,317	0	0	0	0	0
Depreciation(unallocated)*	266,103	0	0	0	(266,103)	0	(266,103)	0
	<u>902,615</u>	<u>0</u>	<u>355,317</u>	<u>5,000</u>	<u>(542,298)</u>	<u>0</u>	<u>(542,298)</u>	<u>0</u>
Total governmental activities	10,426,653	760,766	1,317,504	5,000	(8,343,383)	0	(8,343,383)	0
Business-Type activities:								
Non-instructional programs:								
Nutrition services	431,103	297,319	164,833	0	0	31,049	31,049	0
Total business-type activities	<u>431,103</u>	<u>297,319</u>	<u>164,833</u>	<u>0</u>	<u>0</u>	<u>31,049</u>	<u>31,049</u>	<u>0</u>
Total primary government	\$ 10,857,756	1,058,085	1,482,337	5,000	(8,343,383)	31,049	(8,312,334)	0
Total component unit	\$ 351,385	0	92,002	260,344				961
General Revenues and Transfers:								
Property tax levied for:								
General purposes					\$ 3,143,279	0	3,143,279	0
Debt service					15,504	0	15,504	0
Capital outlay					87,384	0	87,384	0
Income surtax					144,387	0	144,387	0
Statewide sales and services					574,456	0	574,456	0
Unrestricted state grants					4,005,180	0	4,005,180	0
Unrestricted investment earnings					159,538	303	159,841	6,022
Other					287,197	0	287,197	25,801
Total general revenues and transfers					<u>8,416,925</u>	<u>303</u>	<u>8,417,228</u>	<u>31,823</u>
Changes in net assets					73,542	31,352	104,894	32,784
Net assets beginning of year					<u>7,165,787</u>	<u>77,645</u>	<u>7,243,432</u>	<u>234,168</u>
Net assets end of year					<u>\$ 7,239,329</u>	<u>108,997</u>	<u>7,348,326</u>	<u>266,952</u>

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

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

OSAGE COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2009

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
Assets				
Cash and pooled investments:				
ISCAP	\$ 2,234,642	0	0	2,234,642
Other	1,042,433	436,028	702,776	2,181,237
Receivables:				
Property tax:				
Delinquent	36,648	0	2,907	39,555
Succeeding year	3,004,923	0	261,046	3,265,969
Income surtax	117,960	0	78,640	196,600
Interfund	12,250	0	0	12,250
Accounts	71,872	0	0	71,872
Accrued ISCAP interest	7,097	0	0	7,097
Due from other governments	60,085	108,226	4,575	172,886
Total Assets	\$ 6,587,910	544,254	1,049,944	8,182,108
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 170,336	43,637	0	213,973
Salaries and benefits payable	1,208,845	0	0	1,208,845
ISCAP warrants payable	2,202,000	0	0	2,202,000
ISCAP interest payable	10,207	0	0	10,207
ISCAP unamortized premiums payable	36,392	0	0	36,392
Deferred revenue:				
Succeeding year property tax	3,004,923	0	261,046	3,265,969
Income surtax	117,960	0	78,640	196,600
Other	37,131	0	0	37,131
Total liabilities	6,787,794	43,637	339,686	7,171,117
Fund balances:				
Reserved for:				
Debt service	0	0	348,022	348,022
Construction	0	126,036	0	126,036
Categorical funding	219,298	0	0	219,298
Unreserved fund balances	(419,182)	374,581	362,236	317,635
Total fund balances	(199,884)	500,617	710,258	1,010,991
Total Liabilities and Fund Balances	\$ 6,587,910	544,254	1,049,944	8,182,108

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

OSAGE COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET ASSETS
 JUNE 30, 2009

Total fund balances of governmental funds (page 16)	\$ 1,010,991
 <i>Amounts reported for governmental activities in the statement of net assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in in the governmental funds.	8,897,888
Blending of the Internal Service Fund to be reflected on an entity-wide basis.	3,229
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.	(36,556)
Accounts receivable income surtax, is not yet available to finance expenditures of the current fiscal period.	196,600
Long-term liabilities including general obligation bonds payable, revenue bonds payable, capital loan notes payable, early retirement payable and compensated absences are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(2,832,823)</u>
Net assets of governmental activities (page 14)	<u><u>\$ 7,239,329</u></u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

OSAGE COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2009

	General	Capital Projects	Nonmajor Special Revenue Funds	Total
REVENUES:				
Local sources:				
Local tax	\$ 3,056,789	574,456	319,204	3,950,449
Tuition	310,603	0	0	310,603
Other	337,817	73,885	489,844	901,546
State sources	5,009,633	0	0	5,009,633
Federal sources	308,477	0	4,575	313,052
Total revenues	9,023,319	648,341	813,623	10,485,283
EXPENDITURES:				
Current:				
Instruction:				
Regular	3,983,617	0	123,182	4,106,799
Special	1,258,870	0	0	1,258,870
Other	1,037,897	0	462,196	1,500,093
	6,280,384	0	585,378	6,865,762
Support services:				
Student	191,890	0	0	191,890
Instructional staff	316,816	0	0	316,816
Administration	894,923	0	37,989	932,912
Operation and maintenance of plant	651,809	0	38,478	690,287
Transportation	405,377	0	80,265	485,642
	2,460,815	0	156,732	2,617,547
Other expenditures:				
Facilities acquisitions	2,000	1,148,689	5,349	1,156,038
Long-term debt:				
Principal	0	0	300,000	300,000
Interest	0	0	114,878	114,878
AEA flowthrough	355,317	0	0	355,317
	357,317	1,148,689	420,227	1,926,233
Total expenditures	9,098,516	1,148,689	1,162,337	11,409,542
Deficiency of revenues under expenditures	(75,197)	(500,348)	(348,714)	(924,259)
Other financing sources(uses):				
Transfer in	0	0	618,686	618,686
Transfer out	(116,735)	(501,951)	0	(618,686)
Sale of equipment	352	0	0	352
Total other financing sources(uses)	(116,383)	(501,951)	618,686	352
Net change in fund balances	(191,580)	(1,002,299)	269,972	(923,907)
Fund balance beginning of year	(8,304)	1,502,916	440,286	1,934,898
Fund balance end of year	\$ (199,884)	500,617	710,258	1,010,991

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

OSAGE COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 JUNE 30, 2009

Net change in fund balances - total governmental funds (page 18) \$ (923,907)

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

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

Capital outlays	\$ 1,211,363	
Depreciation expense	(431,671)	
Loss on disposal of capital assets	(3,435)	776,257

Net change in Internal Service Funds charged back against expenditures made for self-funded insurance at an entity-wide basis. (5,159)

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term liabilities in an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year issues exceeded repayments, as follows:

Repaid		300,000
--------	--	---------

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. (9,993)

Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds. 14,560

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 the governmental funds.

Compensated absences	\$ 2,601	
Early retirement	(80,817)	(78,216)

Changes in net assets of governmental activities (page 15) \$ 73,542

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

OSAGE COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2009

	Business Type	
	Enterprise Fund	Governmental
	School	Internal
	Nutrition	Service
Assets		
Cash and pooled investments	\$ 64,853	15,479
Inventories	21,843	0
Capital assets, net of accumulated depreciation	44,171	0
Total Assets	130,867	15,479
Liabilities		
Accounts payable	1,690	0
Interfund payable	0	12,250
Salaries and benefits payable	5,246	0
Unearned revenue	14,934	0
Total Liabilities	21,870	12,250
Net Assets		
Invested in capital assets	44,171	0
Unrestricted	64,826	3,229
Total Net Assets	\$ 108,997	3,229

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

OSAGE COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2009

	Business Type	
	Enterprise Fund School Nutrition	Governmental Activities: Internal Service
Operating revenues:		
Local sources:		
Charges for services	\$ 297,319	55,400
Operating expenses:		
Non-instructional programs:		
Salaries	148,045	0
Benefits	76,745	60,559
Services	5,256	0
Supplies	193,526	0
Other	232	0
Depreciation	7,299	0
Total operating expenses	431,103	60,559
Operating loss	(133,784)	(5,159)
Non-operating revenues:		
State sources	4,868	0
Federal sources	159,965	0
Interest income	303	0
Total non-operating revenues	165,136	0
Change in net assets	31,352	(5,159)
Net assets beginning of year	77,645	8,388
Net assets end of year	\$ 108,997	3,229

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

OSAGE COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2009

	Business Type	
	Enterprise Fund School Nutrition	Governmental Activities Internal Service
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 301,604	0
Cash received from miscellaneous operating activities	0	55,400
Cash payments to employees for services	(229,407)	(60,559)
Cash payments to suppliers for goods or services	(161,315)	12,250
Net cash provided by (used in) operating activities	<u>(89,118)</u>	<u>7,091</u>
Cash flows from non-capital financing activities:		
State grants received	4,868	0
Federal grants received	120,185	0
Net cash provided by non-capital financing activities	<u>125,053</u>	<u>0</u>
Cash flows from capital and related financing activities:		
Purchase of capital assets	(1,850)	0
Cash flows from investing activities:		
Interest on investments	303	0
Net increase in cash and cash equivalents	34,388	7,091
Cash and cash equivalents at beginning of year	30,465	8,388
Cash and cash equivalents at end of year	<u>\$ 64,853</u>	<u>15,479</u>
Reconciliation of operating loss to net cash provided by (used in) operating activities:		
Operating loss	\$ (133,784)	(5,159)
Adjustments to reconcile operating loss to net cash provided used in operating activities:		
Commodities consumed	39,780	0
Depreciation	7,299	0
Increase in inventories	(3,771)	0
Decrease in accounts receivable	18	0
Increase in accounts payable	1,690	12,250
Decrease in salaries and benefits payable	(4,617)	0
Increase in unearned revenue	4,267	0
Net cash provided used in operating activities	<u>\$ (89,118)</u>	<u>7,091</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:		
Current assets:		
Cash and pooled investments	<u>\$ 64,853</u>	<u>15,479</u>
NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:		

During the year ended June 30, 2009, the District received Federal commodities valued at \$39,780.

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

OSAGE COMMUNITY SCHOOL DISTRICT
 STATEMENT OF FIDUCIARY NET ASSETS
 FIDUCIARY FUND
 JUNE 30, 2009

	<u>Private- Purpose Trust</u>
ASSETS	
Cash and pooled investments	\$ 826,815
LIABILITIES	<u>0</u>
NET ASSETS	
Reserved for scholarships	816,300
Unreserved	<u>10,515</u>
TOTAL NET ASSETS	<u>\$ 826,815</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

OSAGE COMMUNITY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUND
YEAR ENDED JUNE 30, 2009

	<u>Private- Purpose Trust</u>
Additions:	
Local sources:	
Interest income	<u>\$ 27,011</u>
Deductions:	
Instruction:	
Scholarships awarded	<u>26,850</u>
Change in net assets	161
Net assets beginning of year	<u>826,654</u>
Net assets end of year	<u><u>\$ 826,815</u></u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

OSAGE COMMUNITY SCHOOL DISTRICT
 STATEMENT OF ASSETS, LIABILITIES AND NET ASSETS - CASH BASIS
 COMPONENT UNIT
 JUNE 30, 2009

	Osage Education Foundation
Assets	
Cash and cash equivalents	\$ 175,473
Certificates of deposit	91,479
	266,952
Total Assets	\$ 266,952
Total Liabilities	\$ 0
Net Assets	
Reserved for scholarships	124,326
Unreserved net assets	142,626
Total net assets	266,952
Total Liabilities Net Assets	\$ 266,952

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

OSAGE COMMUNITY SCHOOL DISTRICT
STATEMENT OF SUPPORT AND REVENUE, EXPENSES AND
CHANGES IN NET ASSETS - CASH BASIS
COMPONENT UNIT
YEAR ENDED JUNE 30, 2009

	<u>Osage Education Foundation</u>
Support and Revenue:	
Interest	\$ 6,022
Construction contributions	260,344
Scholarship contributions	92,002
Other	25,801
Total support and revenue	<u>384,169</u>
Expenses:	
Supplies	125
Scholarships	9,650
Grants	9,366
Construction services	258,881
Postage	38
Other	73,325
Total expenses	<u>351,385</u>
Excess of support and revenue over expenses	32,784
Net assets beginning of year	<u>234,168</u>
Net assets end of year	<u>\$ 266,952</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

OSAGE COMMUNITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2009

(1) Summary of Significant Accounting Policies

The Osage Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the district either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the cities of Osage, Orchard and Mitchell, Iowa and the predominate agricultural territory in Mitchell and Floyd Counties. 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, Osage Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District.

These government financial statements present the Osage Community School District (the primary government) and the Osage Education Foundation (its component unit). The component unit discussed below is included in the District's reporting entity because of the significance of its operational or financial relationship with the District.

Discretely Presented Component Unit - The Osage Education Foundation is a legally separate not-for-profit foundation. The Foundation was established for the purpose of giving financial assistance to the Osage Community School District and granting scholarships to its students who will attend community colleges and universities. The Foundation is governed by a Board of Directors approved by the Osage Community School Board.

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 Mitchell and Floyd County Assessors' 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 support.

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 assets use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

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

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

Fund Financial Statements - Separate financial statements are provided for governmental and proprietary 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 receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The Capital Projects Fund is utilized to account for all resources used in the acquisition and construction of capital facilities, with the exception of those that are financed through enterprise funds.

The District reports the following nonmajor proprietary fund:

The District's proprietary funds is the Enterprise, School Nutrition Fund. The Nutrition Fund 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 is as follows:

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

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

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

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

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net

assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise funds 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 nonoperating 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 Balances

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 the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

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

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

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following

fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the Government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied. Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2007 assessed property valuations; is for the tax accrual period July 1, 2008 through June 30, 2009 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2008.

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, machinery 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.

Asset Class	Amount
Land	\$ 500
Buildings	500
Land improvements	500
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	500

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

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Land improvements	20-50 years
Machinery and equipment	5-15 years

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

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

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

Unearned Revenue - Unearned revenues in the School Nutrition Fund are monies collected for lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The revenue will be considered earned when services are provided. The lunch account balances are reflected on the Statement of Net Assets in the Proprietary Funds.

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death, or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations or retirements. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2009. The compensated absences liability attributable to the governmental activities will be paid by the General Fund.

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

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

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

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2009, expenditures in the instructional programs function and the non-instructional programs function exceeded the amount budgeted.

(2) Cash and Pooled Investments

The District's deposits at June 30, 2009 were entirely covered by federal depository insurance or 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, 2009, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	Amortized Cost
Diversified portfolio	\$ 35,340

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

Credit risk. The investments in the Iowa Schools Joint Investment Trust were rated Aaa by Moody's Investors Service.

(3) Interfund Transfers

The detail of transfers for the year ended June 30, 2009 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Local Option Sales and Service Tax	\$ 501,946
Debt Service	General	116,740
Total		<u>\$ 618,686</u>

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

(4) Iowa School Cash Anticipation Program (ISCAP)

The District participates in the Iowa Schools Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is

based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings, and amounts available for withdrawal

for each outstanding series of warrants. These accounts are reflected as restricted assets on the balance sheet. Bankers Trust Co. NA is the trustee for the program. A summary of the District's participation in ISCAP as of June 30, 2009 is as follows:

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable
2008-09B	1/21/09	1/21/10	\$ 747,461	6,913	738,000	9,705
2009-10A	6/25/09	6/22/10	1,487,181	184	1,464,000	502
Total			\$ 2,234,642	7,097	2,202,000	10,207

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, and must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. ISCAP advance activity in the General Fund for the year ended June 30, 2009 is as follows:

Series	Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
2008-09A	\$ 0	150,000	150,000	0

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

Series	Interest Rates on Warrants	Interest Rates on Investments
2008-09B	3.000%	2.110%
2009-10A	2.500%	0.902%

(5) Capital Assets

Capital assets activity for the year ended June 30, 2009 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 422,000	0	0	422,000
Construction in progress	1,906,544	889,056	1,758,002	1,037,598
Total capital assets not being depreciated	<u>2,328,544</u>	<u>889,056</u>	<u>1,758,002</u>	<u>1,459,598</u>
Capital assets being depreciated:				
Buildings	7,630,285	1,872,095	0	9,502,380
Improvements other than buildings	122,533	0	0	122,533
Machinery and equipment	2,630,017	208,214	181,589	2,656,642
Total capital assets being depreciated	<u>10,382,835</u>	<u>2,080,309</u>	<u>181,589</u>	<u>12,281,555</u>
Less accumulated depreciation for:				
Buildings	2,695,718	259,869	0	2,955,587
Improvements other than buildings	13,799	6,234	0	20,033
Machinery and equipment	1,880,231	165,568	178,154	1,867,645
Total accumulated depreciation	<u>4,589,748</u>	<u>431,671</u>	<u>178,154</u>	<u>4,843,265</u>
Total capital assets being depreciated, net	<u>5,793,087</u>	<u>1,648,638</u>	<u>3,435</u>	<u>7,438,290</u>
Governmental activities capital assets, net	<u>\$ 8,121,631</u>	<u>2,537,694</u>	<u>1,761,437</u>	<u>8,897,888</u>

	Balance Beginning of Year	Increases	Decreases	Balance End Of Year
Business-type activities:				
Machinery and equipment	\$ 164,023	1,850	0	165,873
Less accumulated depreciation	114,403	7,299	0	121,702
Business-type activities capital assets, net	<u>\$ 49,620</u>	<u>(5,449)</u>	<u>0</u>	<u>44,171</u>

Depreciation expense was charged by the District as follows:

Governmental activities:			
Instruction:			
Regular			\$ 36,536
Support services:			
Instructional staff			53,439
Administration			10,059
Operation and maintenance of plant services			887
Transportation services			64,647
			<u>165,568</u>
Unallocated depreciation			<u>266,103</u>
Total governmental activities depreciation expense			<u>\$ 431,671</u>
Business-type activities:			
Food services			<u>\$ 7,299</u>

(6) Long-Term Liabilities

A summary of changes in long-term debt for the year ended June 30, 2009 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
General Obligation Bonds	\$ 300,000	0	145,000	155,000	155,000
Revenue Bonds	1,620,000	0	75,000	1,545,000	285,000
Energy Loan Notes	835,000	0	80,000	755,000	80,000
Compensated Absences	2,601	0	2,601	0	0
Early Retirement	297,006	147,070	66,253	377,823	80,817
Total	\$ 3,054,607	147,070	368,854	2,832,823	600,817

General Obligation Bonds

Details of the District's June 30, 2009 general obligation bonds indebtedness is as follows:

Year	Bond issue dated April 1, 1996			
Ending June 30,	Interest Rate	Principal	Interest	Total
2010	5.25 %	\$ 155,000	5,503	160,503

Revenue Bonds

During the year ended June 30, 2008, the District issued \$1,100,000 in revenue bonds dated December 6, 2007 for construction costs associated with improvements at the school.

Details of the District's June 30, 2009 revenue bond indebtedness is as follows:

Year	Bond issue dated March 1, 2007			Bond issue dated December 6, 2007			Total		
Ending June 30,	Interest Rate	Principal	Interest	Interest Rate	Principal	Interest	Principal	Interest	Total
2010	4.35 %	\$ 80,000	265,511	4.30 %	\$ 205,000	42,893	\$ 285,000	308,404	345,511
2011	4.35	85,000	257,999	4.30	210,000	33,970	295,000	291,969	342,999
2012	4.35	90,000	254,948	4.30	220,000	24,725	310,000	279,673	344,948
2013	4.35	95,000	251,249	4.30	230,000	15,050	325,000	266,299	346,249
2014	4.35	95,000	242,118	4.30	235,000	5,052	330,000	247,170	337,118
Total		\$ 445,000	1,271,825		\$ 1,100,000	121,690	\$ 1,545,000	1,393,515	1,716,825

The District has pledged future local option sales and services tax revenues to repay the \$1,545,000 bonds issued March 1, 2007 and December 6, 2007. The bonds were issued for the purpose of defraying a portion of the cost of renovations at the school. 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 2014. The bonds are not a general

and are payable through 2014. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional limitation of the District. Annual principal and interest payments on the bonds are expected to require approximately 45 percent of the local option sales and service tax revenues. The total principal and interest remaining to be paid on the notes is \$2,938,515. For the current year \$67,160 in interest was paid on the bonds and total statewide sales and services tax revenues were \$616,738.

The resolution providing for the \$1,545,000 issuance of the statewide sales and services tax revenue bonds includes the following provisions:

- a) The bonds will only be redeemed from the future earnings of the statewide sales and services tax revenues received by the District and the bond holders hold a lien on the future revenues received.
- b) Sufficient monthly deposits amounting to one sixth of the next interest payment and one twelfth of the next principal payment shall be made to the Statewide Sales and Service Tax Sinking Fund for the purpose of making the bond principal and interest payments when due.
- c) A separate bond reserve fund will be maintained to be used solely for the purpose of paying principal and interest in the event the revenue fund does not have sufficient funds for that purpose. This fund is called the Statewide Sales and Services Tax Reserve Fund.

Energy Loan Notes

Details of the District's June 30, 2009 energy loan notes indebtedness is as follows:

Year Ending June 30,	Energy Loan Notes dated March 1, 2007				
	Interest Rate	Principal	Interest	Total	
2010	4.40	% \$ 80,000	33,220	113,220	
2011	4.40	85,000	29,700	114,700	
2012	4.40	90,000	25,960	115,960	
2013	4.40	90,000	22,000	112,000	
2014	4.40	95,000	18,040	113,040	
2015	4.40	100,000	13,860	113,860	
2016	4.40	105,000	9,460	114,460	
2017	4.40	110,000	4,840	114,840	
Total		\$ 755,000	157,080	912,080	

Early Retirement

The District offers a voluntary early retirement plan to certified employees only. Eligible employees must be at least age fifty-five and must have completed fifteen years of continuous service or twenty years of noncontinuous service to the District. Employees must complete an application for early retirement benefits not later than January 13 of the calendar year in which the first year of early retirement is to commence. Each application submitted is subject to approval by the Board of Education.

Employees that have been granted early retirement benefits may elect to continue participation in the District's group health insurance plan until eligible for Medicare benefits whether or not the employee actually applies for Medicare benefits. The District will continue to pay up to \$536.75 monthly towards the premium for group single health insurance until the employee is eligible for Medicare, dies or fails to pay the balance of the premium that is due to continue coverage whichever is first to occur. A liability has been recorded in the Statement of Net Assets representing the District's commitment to fund non-current early retirement. Early retirement expenditures for the year ended June 30, 2009 totaled \$66,253.

(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, Iowa, 50306-9117.

Plan members are required to contribute 4.10% of their annual salary and the District is required to contribute 6.35% of annual covered payroll for the years ended June 30, 2009, 2008 and 2007. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2009, 2008, and 2007 were \$345,635, \$309,507 and \$287,139 respectively, equal to the required contributions for each year.

(8) Risk Management

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

(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 \$355,317 for the year ended June 30, 2009 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(10) Construction Commitment

As of June 30, 2009, costs of \$1,037,598 had been incurred on various construction contracts for District improvements. When construction is completed, the final cost of the projects will be added to the capital assets.

(11) Deficit Fund Balance/Net Assets

The General Fund had a deficit unreserved undesignated fund balance of \$419,182. The District also had a deficit unrestricted net assets balance in the governmental activities of \$515,958.

(12) Budget Overexpenditure

Per the Code of Iowa, expenditures may not legally exceed budgeted appropriations at the functional area level. During the year ended June 30, 2009, expenditures in the instructional programs function and the non-instructional programs function exceeded the budgeted amount.

(13) Other Post-employment Benefits (OPEB)

GASB Statement No. 45, Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions, issued June 2004, will be effective for the District beginning with its year ending June 30, 2010. This Statement establishes standards for the measurement, recognition and display of other post-employment benefits expenses and related liabilities or assets, note disclosures and, if applicable, required supplementary information in the financial reports. The District is in the process of obtaining an actuarial opinion to be in compliance with GASB No. 45.

(14) Categorical Funding

The District's ending reserved balances for categorical funding as of June 30, 2009 are broken out by the following projects:

Project	Amount
LEP Weighting	\$ 7,396
Supplemental Weighting	19,924
Gifted and Talanted	94,725
Dropout Prevention	12,712
Early Intervention	26,501
Teacher Quality	2,302
Professional Development	20,894
Teacher Mentoring	5,538
Market Factor 07	2,809
Market Factor 08	6,912
Core Curruculum	14,368
Non Public Transportation	5,217
Total Reserved for Categorical Funding	<u>\$ 219,298</u>

REQUIRED SUPPLEMENTARY INFORMATION

OSAGE COMMUNITY SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENDITURES/EXPENSES AND
 CHANGES IN BALANCES -
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
 AND PROPRIETARY FUNDS
 REQUIRED SUPPLEMENTARY INFORMATION
 YEAR ENDED JUNE 30, 2009

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to Actual Variance
	Funds	Funds		Original	Final	
	Actual	Actual				
Revenues:						
Local sources	\$ 5,162,598	297,622	5,460,220	5,631,936	5,631,936	(171,716)
Intermediate sources	0	0	0	5,319	5,319	(5,319)
State sources	5,009,633	4,868	5,014,501	4,535,052	4,535,052	479,449
Federal sources	313,052	159,965	473,017	773,758	773,758	(300,741)
Total revenues	10,485,283	462,455	10,947,738	10,946,065	10,946,065	1,673
Expenditures/Expenses:						
Instruction	6,865,762	0	6,865,762	6,757,855	6,757,855	(107,907)
Support services	2,617,547	0	2,617,547	2,664,057	2,664,057	46,510
Non-instructional programs	0	431,103	431,103	392,000	410,000	(21,103)
Other expenditures	1,926,233	0	1,926,233	1,625,991	2,026,000	99,767
Total expenditures/expenses	11,409,542	431,103	11,840,645	11,439,903	11,857,912	17,267
Excess(Deficiency) of revenues over(under) expenditures/expenses	(924,259)	31,352	(892,907)	(493,838)	(911,847)	18,940
Other financing sources, net	352	0	352	(358,467)	(358,467)	358,819
Excess(deficiency) of revenues and other financing sources over(under) expenditures/expenses	(923,907)	31,352	(892,555)	(852,305)	(1,270,314)	377,759
Balance beginning of year	1,934,898	77,645	2,012,543	1,928,473	1,928,473	84,070
Balance end of year	\$ 1,010,991	108,997	1,119,988	1,076,168	658,159	461,829

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

OSAGE COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2009

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

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

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year ended June 30, 2009, the District amended its budget one time increasing total expenditures by \$418,009.

During the year ended June 30, 2009, District expenditures in the instructional programs function and non-instructional programs function exceeded the amount budgeted.

OTHER SUPPLEMENTARY INFORMATION

OSAGE COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2009

	Special Revenue Funds						Total
	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Expendable Trust	Total Special Revenue Funds	Debt Service	Other Nonmajor Governmental Funds
Assets							
Cash and pooled investments	\$ 115,065	135,906	28,234	75,737	354,942	347,834	702,776
Receivables:							
Property tax:							
Current year delinquent	2,709	0	10	0	2,719	188	2,907
Succeeding year	243,000	0	4,521	0	247,521	13,525	261,046
Income surtax	0	0	78,640	0	78,640	0	78,640
Due from other governments	0	0	4,575	0	4,575	0	4,575
Total Assets	\$ 360,774	135,906	115,980	75,737	688,397	361,547	1,049,944
Liabilities and Fund Balances							
Liabilities:							
Succeeding year property tax	\$ 243,000	0	4,521	0	247,521	13,525	261,046
Income surtax	0	0	78,640	0	78,640	0	78,640
Total Liabilities	243,000	0	83,161	0	326,161	13,525	339,686
Fund balances:							
Reserved for debt service	0	0	0	0	0	348,022	348,022
Unreserved fund balances	117,774	135,906	32,819	75,737	362,236	0	362,236
Total fund balances	117,774	135,906	32,819	75,737	362,236	348,022	710,258
Total Liabilities and Fund Balances	\$ 360,774	135,906	115,980	75,737	688,397	361,547	1,049,944

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

OSAGE COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2009

	Special Revenue Funds						Total
	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Expendable Trust	Total Special Revenue Funds	Debt Service	Total Other Nonmajor Governmental Funds
REVENUES:							
Local sources:							
Local tax	\$ 216,316	0	87,384	0	303,700	15,503	319,203
Other	17,181	450,160	1,616	16,895	485,852	3,993	489,845
State sources	0	0	0	0	0	0	0
Federal sources	0	0	4,575	0	4,575	0	4,575
TOTAL REVENUES	233,497	450,160	93,575	16,895	794,127	19,496	813,623
EXPENDITURES:							
Current:							
Instruction:							
Regular	123,182	0	0	0	123,182	0	123,182
Other	0	462,196	0	0	462,196	0	462,196
Support services:							
Administration	10,310	0	27,679	0	37,989	0	37,989
Operation and maintenance of plant	38,478	0	0	0	38,478	0	38,478
Transportation	6,270	0	73,995	0	80,265	0	80,265
Other expenditures:							
Facilities acquisitions	0	0	5,349	0	5,349	0	5,349
Long-term debt:							
Principal	0	0	0	0	0	300,000	300,000
Interest and fiscal charges	0	0	0	0	0	114,878	114,878
TOTAL EXPENDITURES	178,240	462,196	107,023	0	747,459	414,878	1,162,337
Excess(Deficiency) of revenues over(under) expenditures	55,257	(12,036)	(13,448)	16,895	46,668	(395,382)	(348,714)
Other financing sources:							
Transfers in	0	0	0	0	0	618,686	618,686
Change in net assets	55,257	(12,036)	(13,448)	16,895	46,668	223,304	269,972
Fund balances beginning of year	62,517	147,942	46,267	58,842	315,568	124,718	440,286
Fund balances end of year	\$ 117,774	135,906	32,819	75,737	362,236	348,022	710,258

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

OSAGE COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2009

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
H.S. Booster Club	\$ (373)	373	0	0
SADD	391	39	41	389
Dramatics	0	4,640	4,640	0
Speech	777	0	295	482
Pop Machine	14,581	5,707	20,288	0
Project Prom	5,813	5,024	6,757	4,080
Band Trip	11,412	6,609	7,730	10,291
Chorus Trip	35,052	74,512	83,398	26,166
Cheerleaders	5,133	3,665	1,540	7,258
Magazine Sales	0	18,466	18,220	246
Class of 2008	205	0	0	205
Class of 2009	0	3,182	2,919	263
Class of 2010	0	3,719	3,006	713
Class of 2011	1,327	0	0	1,327
FFA	12,289	87,673	77,610	22,352
Future Teachers	92	108	0	200
Boys Cross Country Camp	471	652	858	265
Annual	121	5,312	5,433	0
Spanish	9,140	0	0	9,140
Student Council	743	12,752	10,571	2,924
Boys Basketball Camp	981	2,130	588	2,523
Football Camp	3,135	6,245	7,648	1,732
Baseball Camp	3,171	4,945	1,795	6,321
Wrestling Camp	36	19,137	19,173	0
Girls Basketball Camp	3,246	2,110	4,715	641
Volleyball Camp	2,103	25,543	24,096	3,550
Softball Camp	8,901	11,565	17,916	2,550
Athletic fund deposit	0	6,393	6,393	0
Concession Stand	0	33,862	33,862	0
Girls Tennis Camp	50	2,238	1,348	940
National Honor Society	0	32	32	0
Computer	739	0	450	289
Girls Track Camp	(1,772)	3,483	0	1,711
Boys Track Camp	(650)	7,227	6,330	247
Pepsi Money	558	1,753	2,311	0
Football Activity Tickets	2,444	2,798	3,295	1,947
FCCLA	1,018	2,470	1,724	1,764
Golf Camp	1,053	1,678	1,229	1,502
Girls Cross Country Camp	220	2,485	2,062	643
Athletics	9,343	65,607	65,828	9,122
Lincoln Pop	918	733	1,651	0
Lincoln Special Projects	0	3,132	3,132	0
Washington Special Projects	0	1,869	1,869	0
Washington Pop	1,658	308	1,966	0
M.S. Student Council	3,666	4,833	4,400	4,099
M.S. Special Olympics	9,950	5,151	5,077	10,024
Total	\$ 147,942	450,160	462,196	135,906

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

OSAGE COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF FIDUCIARY NET ASSETS
 PRIVATE PURPOSE TRUST - SCHOLARSHIP FUNDS
 JUNE 30, 2009

	Private-Purpose Trust				
	Raub Scholarship	Heiden Scholarship	Neuwohner Scholarship	Alchon Scholarship	Total
ASSETS					
Cash and pooled investments	\$ 783,587	6,007	2,221	35,000	826,815
NET ASSETS					
Reserved for scholarships	774,300	5,000	2,000	35,000	816,300
Unreserved	9,287	1,007	221	0	10,515
TOTAL NET ASSETS	\$ 783,587	6,007	2,221	35,000	826,815

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

OSAGE COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 PRIVATE PURPOSE TRUST - SCHOLARSHIP FUNDS
 YEAR ENDED JUNE 30, 2009

	Raub Scholarship	Heiden Scholarship	Neuwohner Scholarship	Alchon Scholarship	Total
ADDITIONS:					
Local sources:					
Interest income	\$ 25,953	906	152	0	27,011
DEDUCTIONS:					
Instruction:					
Scholarships awarded	26,000	750	100	0	26,850
Change in net assets	(47)	156	52	0	161
Net assets beginning of year	783,634	5,851	2,169	35,000	826,654
Net assets end of year	\$ 783,587	6,007	2,221	35,000	826,815

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

OSAGE COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET FOR CAPITAL PROJECTS FUND
 JUNE 30, 2009

	Capital Projects Fund		
	Building Projects	Local Option Sales Tax	Total
Assets			
Cash and pooled investments	\$ 126,036	309,992	436,028
Receivables:			
Accounts	0	108,226	108,226
Total Assets	\$ 126,036	418,218	544,254
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 0	43,637	43,637
Fund balances:			
Reserved for construction	126,036	0	126,036
Unreserved fund balance	0	374,581	374,581
Total fund balances	126,036	374,581	500,617
Total Liabilities and Fund Balances	\$ 126,036	418,218	544,254

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

OSAGE COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE
 CAPITAL PROJECTS FUND
 YEAR ENDED JUNE 30, 2009

	Capital Projects Fund		
	Building	Local Option	Total
	Projects	Sales Tax	
Revenues:			
Local sources:			
Statewide sales and service tax	\$ 0	574,456	574,456
Donations	0	5,000	5,000
Other	0	44,366	44,366
Interest on investments	10,434	14,085	24,519
Total revenues	10,434	637,907	648,341
Expenditures:			
Current:			
Other expenditures:			
Facilities acquisitions	589,747	558,942	1,148,689
Total expenditures	589,747	558,942	1,148,689
Excess(Deficiency) of revenues over(under) expenditures	(579,313)	78,965	(500,348)
Other financing uses:			
Transfer out to debt service	0	(501,951)	(501,951)
Total other financing uses	0	(501,951)	(501,951)
Deficiency of revenues under expenditures and other financing uses	(579,313)	(422,986)	(1,002,299)
Fund balance beginning of year	705,349	797,567	1,502,916
Fund balance end of year	\$ 126,036	374,581	500,617

OSAGE COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET FOR DEBT SERVICE FUND
 JUNE 30, 2009

	Debt Service Fund			
		Debt	Debt	
		Sinking	Sinking	
	Debt Service	\$520,000 Bond	\$1,100,000 Bond	Total
Assets				
Cash and pooled investments	\$ 24,050	92,380	231,404	347,834
Receivables:				
Property tax				
Current year delinquent	188	0	0	188
Succeeding year	13,525	0	0	13,525
Total Assets	\$ 37,763	92,380	231,404	361,547
Liabilities and Fund Balances				
Liabilities:				
Deferred revenue				
Succeeding year property tax	13,525	0	0	13,525
Total liabilities	13,525	0	0	13,525
Fund balances:				
Reserved for debt	24,238	92,380	231,404	348,022
Total fund balances	24,238	92,380	231,404	348,022
Total Liabilities and Fund Balances	\$ 37,763	92,380	231,404	361,547

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

OSAGE COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE
 DEBT SERVICE FUND
 YEAR ENDED JUNE 30, 2009

	Debt Service Fund			
	Debt		Debt	
	Sinking		Sinking	
	Debt Service	\$520,000 Bond	\$1,100,000 Bond	Total
Revenues:				
Local sources:				
Local tax	\$ 15,503	0	0	15,503
Interest on investments	0	1,247	2,746	3,993
Total revenues	15,503	1,247	2,746	19,496
Expenditures:				
Long-term debt:				
Principal	225,000	75,000	0	300,000
Interest and fiscal charges	47,717	20,912	46,249	114,878
Total expenditures	272,717	95,912	46,249	414,878
Deficiency of revenues under expenditures	(257,214)	(94,665)	(43,503)	(395,382)
Other financing uses:				
Transfer in to debt service	267,029	99,357	252,300	618,686
Total other financing uses	267,029	99,357	252,300	618,686
Deficiency of revenues under expenditures and other financing uses	9,815	4,692	208,797	223,304
Fund balance beginning of year	14,423	87,688	22,607	124,718
Fund balance end of year	\$ 24,238	92,380	231,404	348,022

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

OSAGE COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
 ALL GOVERNMENTAL FUND TYPES
 FOR THE LAST SIX YEARS

	Modified Accrual Basis					
	Years Ended June 30,					
	2009	2008	2007	2006	2005	2004
Revenues:						
Local sources:						
Local tax	\$ 3,950,449	3,603,586	3,701,018	3,329,036	3,128,088	3,130,230
Tuition	310,603	284,780	269,587	356,273	335,005	351,671
Other	901,546	796,975	896,666	805,274	790,760	640,956
Intermediate sources	0	13,500	5,320	60,393	61,346	62,442
State sources	5,009,633	4,809,155	4,481,766	4,236,604	4,126,057	3,776,755
Federal sources	313,052	229,919	294,409	276,208	166,592	177,334
Total	\$ 10,485,283	9,737,915	9,648,766	9,063,788	8,607,848	8,139,388
Expenditures:						
Current:						
Instruction:						
Regular	\$ 4,106,799	3,825,992	3,577,442	3,247,202	3,062,556	3,224,960
Special	1,258,870	1,183,503	1,170,500	1,166,899	1,114,163	1,236,387
Other	1,500,093	1,335,884	1,470,359	1,296,333	1,194,772	913,930
Support services:						
Student	191,890	241,288	259,527	277,336	282,087	250,492
Instructional staff	316,816	299,352	506,278	294,270	312,190	303,819
Administration	932,912	917,423	658,137	799,481	707,799	643,447
Operation and maintenance of plant	690,287	653,128	640,493	631,683	544,878	522,112
Transportation	485,642	388,917	478,265	469,451	291,496	288,899
Non-instructional programs	0	0	0	0	1,830	9,607
Other expenditures:						
Facilities acquisitions	1,156,038	1,222,873	817,998	347,813	280,178	412,623
Long-term debt:						
Principal	300,000	145,000	140,000	130,000	125,000	115,000
Interest	114,878	74,558	24,295	37,493	44,079	49,558
AEA flow-through	355,317	333,811	318,582	298,926	293,352	290,290
Total	\$ 11,409,542	10,621,729	10,061,876	8,996,887	8,254,380	8,261,124

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

To the Board of Education of the
Osage Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the discretely presented component unit and the aggregate remaining fund information of Osage Community School District as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 3, 2010. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our 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 discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we 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 Osage Community 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 Osage Community School District's financial statements that is more than inconsequential will not be prevented or detected by Osage Community School District's internal control. We consider the deficiencies in internal control described in Part I of the Findings Related to the Basic Financial Statements 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 Osage Community School District's internal control.

Our 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, we believe item I-A-09 is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Osage Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part 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, 2009 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Osage Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit Osage Community School District's responses and, accordingly, we 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 Osage Community School District and other parties to whom Osage Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

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


NOLTE, CORNMAN & JOHNSON, P.C.

March 3, 2010

OSAGE COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2009

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

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

SIGNIFICANT DEFICIENCIES:

I-A-09 Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Cash receipts are issued and bank deposits are prepared by the same person. An independent person does not open the mail and prepare an initial listing of the checks received and later compare the listing to the receipts issued. Also, vouchers are processed, disbursements are recorded and checks are prepared by the same person.

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

Response - We will continue to review our procedures and implement additional controls where possible.

Conclusion - Response accepted.

I-B-09 Student Activity Fund - During our audit issues arose about the properness of certain accounts or certain receipts and expenditures collected/paid from the Student Activity Fund. Inappropriate expenditures would include any expenditure more appropriate to other funds. Per Chapter 9 of the LEA Financial Accounting Manual, "The student activity fund shall not be used as a clearing account for any other fund. This is not an appropriate fund to use for public tax funds, trust funds, state and federal grants or aids, textbook/library book fines, fees, rents, or sales, textbook/library book purchases, sales of school supplies, curricular activities, or any other revenues or expenditures more properly included in another fund. Moneys in this fund shall be used to support only the cocurricular program defined in department of education administrative rules (298A.8)." Fundraisers and donations made to the school should be recorded in the fund in which they could be expended.

Recommendation - The purpose of the Student Activity Fund is to account for financial transactions related to the cocurricular and extracurricular activities offered as a part of the education program for the students established under Iowa Administrative Code 281-12.6(1). More specific examples of these instances of questioned items and recommendations are as follows:

We noted during our audit that sponsors do not receive receipts for monies turned into the office. Also, sponsors are not always counting money turned in. Sponsors are not receiving monthly statements of his/her account. The sponsors should count the money turned in. The sponsor should be given a receipt for monies turned into the office. The district office should also be giving all sponsors a monthly statement of his/her account.

There are Class of 2008 and 2009 accounts. Upon graduation old class accounts should be redistributed to other accounts within the Student Activity Fund or used as starting cash for future class accounts.

We noted during our audit that the District does not use a signoff sheet or other method

to keep track of which students receive cash at state tournaments and trips. We recommend that the District use a signoff sheet or some other method as a way track the cash given out.

We noted during our audit that the District maintains fundraisers in the Student Activity Fund. These fundraisers are not being approved by the board. The board should be approving all fundraisers within the district.

Response - Sponsors will receive regular statements on their accounts. Sponsors will count the money turned in and will be given a receipt for monies turned into the office. Upon graduation old class accounts will be redistributed to the other class accounts within the Student Activity Fund. Cash signoff sheets have been developed and will be used to keep track of the cash given out during trips. The Board will approve fundraisers within the District.

Conclusion - Response accepted.

I-C-09 Gate Admissions - Pre-numbered tickets are being used for performances and athletic events held on District grounds. However, during our audit we noted that the prenumbered tickets are not reconciled the night of the event.

Recommendation - The District should adopt a Board policy addressing internal control procedures for handling cash for all performances and athletic events. The policy, at a minimum, should include the following:

- a. Change boxes should be established with a specified amount.
- b. The District should use pre-numbered tickets.
- c. Two or more individuals should be involved in ticket sales/cash collecting process. The individuals responsible for ticket sales/cash collecting during the event should be instructed not to leave the change box unattended under any circumstances.
- d. Upon completion of the event, cash should be reconciled by two or more individuals to the number of pre-numbered tickets sold during the event and the amount of beginning cash in the change box.
- e. To reconcile, the next unsold ticket minus the beginning ticket number determines the actual number of tickets sold. The number of tickets sold times the price per ticket equals total sales. Total sales compared to total collections should reconcile. Variances, if any, should be small
- f. A reconciliation sheet should be completed and signed off on by all individuals responsible for counting and reconciling cash.
- g. The change box should be turned into the Activity Director or designee responsible for the accounting function at the event.
- h. The Activity Director or designee should be required to either take to the night deposit at the bank or lock the event proceeds in the District's vault until a deposit can be made the following business day.
- i. A pre-numbered receipt should be written by an individual in the Business Office the next day in the amount of the confirmed deposit.
- j. Administrative personnel should periodically test or review the gate admissions process to ensure that the adopted procedures are being followed properly.

k. Segregation of duties should be maintained as much as possible throughout the gate admissions process.

Response - Changes will be made in the District's process for gate admissions. The District has developed an Osage Gate Reconciliation Verification Process which has addressed the auditors' recommendations and will be utilized for the handling and reconciliation of cash at events.

Conclusion - Response accepted.

OSAGE COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2009

Part II: Other Findings Related to Required Statutory Reporting:

II-A-09 Certified Budget - During the year ended June 30, 2009, expenditures in the instructional and non-instructional programs functions exceeded the budgeted amount.

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

Response - We will amend the budget if necessary in the future.

Conclusion - Response accepted.

II-B-09 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.

II-C-09 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.

II-D-09 Business Transactions - Business transactions between the District and District officials are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Jolene Hemann, Food Service Director Spouse owns Brumm Construction	Purchased service	\$28,778
Judy Mayer, Superintendent's secretary Spouse owns Mayer's Digging	Purchased service	\$4,488
Lori Randall, Teacher Spouse owns Randall Construction	Purchased service	\$297

In accordance with the Attorney's General's opinion dated November 9, 1976, the above transactions with the family members of District employees do not appear to cause a conflict of interest.

II-E-09 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.

II-F-09 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

II-G-09 Certified Enrollment - We noted a variance in the basic enrollment data certified to the Department of Education. The number of resident students reported on line 1 was overstated by 2.0 students.

Recommendation - The District should contact the Iowa Department of Education and the Department of Management to resolve this matter.

Response - The District will contact the Iowa Department of Education and the Department of Management to resolve this matter.

Conclusion - Response accepted.

II-H-09 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

II-I-09 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.

II-J-09 Financial Condition - The General Fund had a deficit unreserved undesignated fund balance of \$419,182. The District also had a deficit unrestricted net assets balance in the governmental activities of \$515,958.

Recommendation - The District should continue to monitor these funds and investigate alternatives to eliminate the deficits.

Response - The District will continue to monitor these funds and investigate alternatives to eliminate the deficits.

Conclusion - Response accepted.

II-K-09 Payroll Authorization - We noted during our audit, the District does not have written authorization to mail employee's payroll checks. Chapter 91A.3 of the Code of Iowa requires that an employer have a written request from an employee before wages can be sent to an employee by mail.

Recommendation - The District should obtain written authorization from each employee who desires to receive a payroll check by mail.

Response - The District will get written requests from each employee who desires to receive a payroll check by mail.

Conclusion - Response accepted.

II-L-09 Categorical Funding - No instance were noted of categorical funding being used to supplant rather than supplement other funds.

II-M-09 Statewide Sales and Services Tax - No instances of non-compliance with the use of the statewide sales and services tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.3 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales and services tax. For the year ended June 30, 2009, the District's financial activity and other required information for the statewide sales and services tax are as follows:

Beginning Balance		\$	0
Statewide sales and service tax revenue			574,456
Expenditures/transfers out:			
School Infrastructure			
Buildings	\$	540,141	
Equipment		15,997	
Other improvements		2,804	558,942
Debt service for school infrastructure			
Revenue debt			15,514
Ending Balance		\$	<u>0</u>