

OLIN CONSOLIDATED SCHOOL DISTRICT

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

JUNE 30, 2010

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OLIN CONSOLIDATED SCHOOL DISTRICT
 Officials
 June 30, 2010

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
(Before September 2009 Election)		
Mike Hansen	Board President	2011
Margo Ahrendsen	Board Member	2009
Randy Cress	Board Member	2009
Martin Francksen	Board Member	2011
Rob Strawn	Board Member	2011
(After September 2009 Election)		
Mike Hansen	Board President	2011
Martin Francksen	Board Member	resigned 7-31-09 2011
Kevin Hirl	Board Member	appointed 8-17-09 2011
Rob Strawn	Board Member	2011
Melissa Heggbo	Board Member	resigned 5-17-10 2013
Tina Meyer	Board Member	2013
Derek Summers	Board Member	appointed 5-17-10 2013
School Officials		
Jayne Richardson	Superintendent	2010
Carrie Fortin	District Secretary/Treasurer and Business Manager	Indefinite
Ahlers & Cooney, P.C.	Attorney	Indefinite

KAY L. CHAPMAN, CPA PC

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Muscatine, Iowa 52761

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Independent Auditor's Report

To the Board of Education
Olin Consolidated School District

I have audited the accompanying financial statements of the governmental activities, business type activities, each major fund and the aggregate remaining fund information of Olin Consolidated School District, Olin, Iowa, as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. My responsibility is to express opinions on these financial statements based on my audit.

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

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of Olin Consolidated School District as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, I have also issued my report dated March 8, 2011 on my consideration of Olin Consolidated School District's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of my audit.

Management's Discussion and Analysis, Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 13 and 45 through 47 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Olin Consolidated School District's basic financial statements. Other supplementary information included in Schedules 1 through 3, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in my audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. I previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the six years ended June 30, 2009 (which are not presented herein) and expressed unqualified opinions on those financial statements. In my opinion, the information set forth in the supplementary information for each of the seven years in the period ended June 30, 2010, appearing in Schedule 4, is fairly stated, in all material respects in relation to the basic financial statements from which it has been derived.

Kay L. Chapman, CPA PC

Kay L. Chapman, CPA PC
March 8, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

Olin Consolidated School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2010. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2010 FINANCIAL HIGHLIGHTS

- General Fund revenues decreased from \$2,757,061 in fiscal 2009 to \$2,566,747 in fiscal 2010, and General Fund expenditures decreased from \$2,881,705 in fiscal 2009 to \$2,854,513 in fiscal 2010. The District's General Fund balance decreased from \$154,545 in fiscal 2009 to \$(133,221) in fiscal 2010, a 186% decrease.
- The decrease in General Fund revenues was attributable to the following: Due to the large drop in enrollment two years ago we went off the 101% budget guarantee and on the phase out percentage which effected the state aid received by the District. State aid decreased \$309,451; The District also received \$89,414 new revenue from the ARRA funds. The decrease in expenditures was attributed to the following: Salary cuts were made and then retained some staff using ARRA funding.

USING THIS ANNUAL REPORT

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

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

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

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

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

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

year, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

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

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

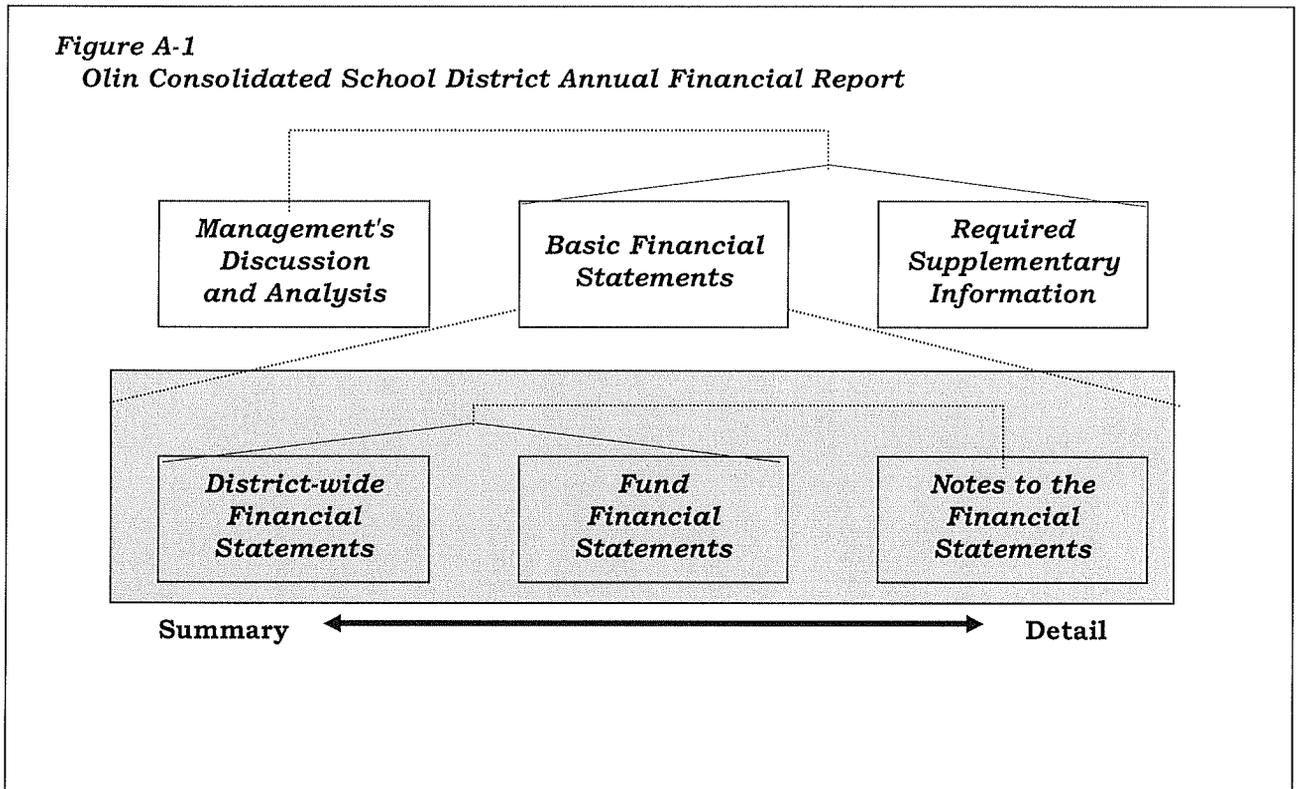


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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

REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

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

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

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

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

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

- 3) *Fiduciary fund*: The District is the trustee, or fiduciary, for assets that belong to others. This fund consists of a Private-purpose Trust Fund.
- Private-purpose Trust Fund - The District accounts for outside donations for scholarships for individuals in this fund.

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2010 compared to June 30, 2009.

Figure A-3

	Condensed Statement of Net Assets						
	Governmental		Business Type		Total		Total
	Activities		Activities		District		Change
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2009-2010</u>
Current and other assets	\$ 2,236,037	\$ 2,974,215	\$ 22,225	\$ 22,446	\$ 2,258,262	\$ 2,996,661	-24.64%
Capital assets	<u>1,706,045</u>	<u>1,726,676</u>	<u>12,091</u>	<u>13,955</u>	<u>1,718,136</u>	<u>1,740,631</u>	-1.29%
Total assets	<u>3,942,082</u>	<u>4,700,891</u>	<u>34,316</u>	<u>36,401</u>	<u>3,976,398</u>	<u>4,737,292</u>	-16.06%
Long-term liabilities	201,351	262,601	7,599	-	208,950	262,601	-20.43%
Other liabilities	<u>1,507,998</u>	<u>1,901,515</u>	-	<u>8,031</u>	<u>1,507,998</u>	<u>1,909,546</u>	-21.03%
Total liabilities	<u>1,709,349</u>	<u>2,164,116</u>	<u>7,599</u>	<u>8,031</u>	<u>1,716,948</u>	<u>2,172,147</u>	-20.96%
Net assets							
Invested in capital assets, net of related debt	1,536,045	1,476,676	12,091	13,955	1,548,136	1,490,631	3.86%
Restricted	769,446	834,348	-	-	769,446	834,348	-7.78%
Unrestricted	<u>(72,758)</u>	<u>225,751</u>	<u>14,626</u>	<u>14,415</u>	<u>(58,132)</u>	<u>240,166</u>	-124.20%
Total net assets	<u>\$ 2,232,733</u>	<u>\$ 2,536,775</u>	<u>\$ 26,717</u>	<u>\$ 28,370</u>	<u>\$ 2,259,450</u>	<u>\$ 2,565,145</u>	-11.92%

The District's combined net assets decreased by approximately 12%, or \$305,695, from the prior year. The largest portion of the District's net assets is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets decreased \$64,902, or approximately 8% from the prior year. The decrease was primarily a result of not levying PPEL funds for the 2009-10 school year (approximately \$45,000).

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased \$298,298, or approximately 124%. This decrease in unrestricted net assets was a result of the District's expenditures growing at a faster pace than revenues and using reserve balances.

Figure A-4 shows the changes in net assets for the year ended June 30, 2010 compared to the year ended June 30, 2009.

Figure A-4

Figure A-4 Change in Net Assets

	Governmental Activities		Business Type Activities		Total District		Change 2009-2010
	2010	2009	2010	2009	2010	2009	
Revenues							
Program revenues							
Charges for service	\$ 219,970	\$ 338,221	\$ 46,450	\$ 49,733	\$ 266,420	\$ 387,954	-31.33%
Operating grants & contributions	545,994	424,286	65,972	64,199	611,966	488,485	25.28%
General revenues							
Property tax	1,225,479	1,174,982	-	-	1,225,479	1,174,982	4.30%
Statewide sales, services and use tax	135,880	150,174	-	-	135,880	150,174	-9.52%
Unrestricted state grants	715,019	1,026,174	-	-	715,019	1,026,174	-30.32%
Contributions and donations	1,500	-	-	-	1,500	-	100.00%
Unrestricted investment earnings	6,498	22,407	32	175	6,530	22,582	-71.08%
Other	8,536	6,762	-	-	8,536	6,762	26.23%
Special item - gain on sale of capital assets	-	242	-	-	-	242	-100.00%
Total revenues	<u>2,858,876</u>	<u>3,143,248</u>	<u>112,454</u>	<u>114,107</u>	<u>2,971,330</u>	<u>3,257,355</u>	-8.78%
Program expenses							
Governmental activities							
Instruction	2,206,869	2,210,938	-	-	2,206,869	2,210,938	-0.18%
Support services	779,625	798,159	-	-	779,625	798,159	-2.32%
Non-instructional programs	4,260	7,893	114,107	110,595	118,367	118,488	-0.10%
Other	<u>172,164</u>	<u>166,017</u>	<u>-</u>	<u>-</u>	<u>172,164</u>	<u>166,017</u>	3.70%
Total expenses	<u>3,162,918</u>	<u>3,183,007</u>	<u>114,107</u>	<u>110,595</u>	<u>3,277,025</u>	<u>3,293,602</u>	-0.50%
Change in net assets	(304,042)	(39,759)	(1,653)	3,512	(305,695)	(36,247)	743.37%
Net assets, beginning of year	<u>2,536,775</u>	<u>2,576,534</u>	<u>28,370</u>	<u>24,858</u>	<u>2,565,145</u>	<u>2,601,392</u>	-1.39%
Net assets, end of year	<u>\$ 2,232,733</u>	<u>\$ 2,536,775</u>	<u>\$ 26,717</u>	<u>\$ 28,370</u>	<u>\$ 2,259,450</u>	<u>\$ 2,565,145</u>	-11.92%

In fiscal 2010, property tax and unrestricted state grants account for approximately 68% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 99% of the revenue from business type activities.

The District's total revenues were \$2,971,330 of which \$2,858,876 was for governmental activities and \$112,454 was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 9% decrease in revenues and a 1% decrease in expenses. From FY09 to FY10 the District went off the 101% budget guarantee and the state aid received decreased \$309,451. The decrease in expenditures was attributed to the reduction of staff.

Governmental Activities

Revenues for governmental activities were \$2,858,876 and expenses were \$3,162,918 for the year ended June 30, 2010. The District has begun a class sharing arrangement with a neighboring district and made significant staff reductions in the attempt to balance revenue and expenditures.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses, for the year ended June 30, 2010 compared to June 30, 2009.

Figure A-5

	Total and Net Cost of Governmental Activities					
	Total Cost of Services			Net Cost of Services		
	2010	2009	Change 2009-2010	2010	2009	Change 2009-2010
Instruction	\$ 2,206,869	\$ 2,210,938	-0.2%	\$ 1,545,355	\$ 1,548,455	-0.2%
Support services	779,625	798,159	-2.3%	775,918	795,340	-2.4%
Non-instructional programs	4,260	7,893	-46.0%	4,260	7,893	46.0%
Other	<u>172,164</u>	<u>166,017</u>	3.7%	<u>71,421</u>	<u>68,812</u>	3.8%
Total	<u>\$ 3,162,918</u>	<u>\$ 3,183,007</u>	-0.6%	<u>\$ 2,396,954</u>	<u>\$ 2,420,500</u>	-1.0%

For the year ended June 30, 2010:

- The cost financed by users of the District's programs was \$219,970.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$545,994.
- The net cost of governmental activities was financed with \$1,361,359 in property and other taxes and \$715,019 in unrestricted state grants.

Business Type Activities

Revenues for business type activities during the year ended June 30, 2010 were \$112,454 representing a 1% decrease from the prior year while expenses totaled \$114,107, a 3% increase from the prior year. The District's business type activities include the School Nutrition Fund. Revenues of this activity were comprised of charges for service, federal and state reimbursements and investment income.

During the year ended June 30, 2010, the District did not increase meal prices. Lower number of students equals less participation which is less revenue. The District's labor costs increased due to increases salaries.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$639,748, well below last year's ending fund balances of \$992,807. The primary reason for the decrease was the General Fund expenditures exceeding revenue and using reserves.

Governmental Fund Highlights

- The District's deteriorating General Fund financial position is the result of declining enrollment and the elimination of the budget guarantee. Other factors are salary increases and other economic factors that affect expenditures such as fuel costs.
- The General Fund balance decreased from \$154,545 in 2009 to \$(133,221) in 2010, due to declining revenue and increasing expenditures.

Proprietary Fund Highlights

Enterprise Fund net assets decreased from \$28,370 at June 30, 2009 to \$26,717 at June 30, 2010, representing a decrease of approximately 6%. For fiscal 2010, the District did not increase meal prices. The District continued its ala carte options to provide students with the option of salad bar at lunch. Less students equals less participation which equals less revenue.

BUDGETARY HIGHLIGHTS

During the year ended June 30, 2010, Olin Consolidated School District did not amend its annual budget.

The District's revenues were \$570,600 less than budgeted revenues, a variance of approximately 16%. The most significant variance resulted from less local and state sources than projected.

Total expenditures were \$1,274,780 less than budgeted, due primarily to the District's budget for all funds. It is the District's practice to budget expenditures at the maximum authorized spending authority for all funds. The District then manages or controls spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2010, the District had invested \$1,718,136, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See

Figure A-6) This represents a net decrease of approximately 1% from last year. More detailed information about the District's capital assets is presented in Note 4 to the financial statements. Depreciation expense for the year was \$73,534.

The original cost of the District's capital assets was \$3,548,042. Governmental funds account for \$3,497,274, with the remainder of \$50,768 accounted for in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the furniture and equipment category. The District's furniture and equipment category totaled \$362,614 at June 30, 2009 compared to \$320,922 at June 30, 2010. This decrease was due to depreciation during the year ended June 30, 2010.

Figure A-6

	Capital Assets, Net of Depreciation						
	Governmental		Business Type		Total		Total
	Activities		Activities		District		
	2010	2009	2010	2009	2010	2009	2009-2010
Land and improvements	\$ 61,296	\$ 61,296	\$ -	\$ -	\$ 61,296	\$ 61,296	0.00%
Buildings and improvements	1,335,918	1,316,721	-	-	1,335,918	1,316,721	1.46%
Furniture and equipment	<u>308,831</u>	<u>348,659</u>	<u>12,091</u>	<u>13,955</u>	<u>320,922</u>	<u>362,614</u>	-11.50%
Totals	<u>\$1,706,045</u>	<u>\$1,726,676</u>	<u>\$12,091</u>	<u>\$13,955</u>	<u>\$1,718,136</u>	<u>\$1,740,631</u>	-1.29%

Long-Term Debt

At June 30, 2010, the District had \$201,351 in total long-term debt outstanding. This represents a decrease of approximately 23% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 5 to the financial statements.

The District continues to carry a general obligation bond rating of Aa3 assigned by national rating agencies to the District's debt. The Constitution of the State of Iowa limits the amount of general obligation debt districts can issue to 5 percent of the assessed value of all taxable property within the District. The District's outstanding general obligation debt is significantly below its constitutional debt limit of approximately \$3.6 million.

Figure A-7

	<u>Outstanding Long-term Obligations</u>		
	<u>Total</u>		<u>Total</u>
	<u>District</u>		<u>Change</u>
	<u>2010</u>	<u>2009</u>	<u>2009-2010</u>
Revenue bonds	\$170,000	\$250,000	-32.00%
Termination benefits	21,929	12,601	74.03%
Net OPEB liability	<u>9,422</u>	<u>-</u>	100.00%
Totals	<u>\$201,351</u>	<u>\$262,601</u>	-23.32%

ECONOMIC FACTORS BEARING ON THE DISTRICT’S FUTURE

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

- The District experienced a large (36.3 students) decrease in enrollment in September 2008 which effect its budget for the 2009-10 school year. The District’s enrollment in September 2009 declined by less than one (.4). The decline in enrollment over several years drastically effects revenue.
- Wage settlements with the Olin Education Association (OEA) average 4% to 5% increase annually. Settlements in excess of “new money” or allowable growth in state funding will have an adverse effect on the District’s General Fund budget and related fund balance.
- Starting with the 2010-11 school year the school district will be class sharing at the 9-12 grade levels with the Anamosa School District. This sharing has allowed for staff reductions and cost savings.

CONTACTING THE DISTRICT’S FINANCIAL MANAGEMENT

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

Basic Financial Statements

OLIN CONSOLIDATED SCHOOL DISTRICT
Statement of Net Assets
June 30, 2010

Exhibit A

	Governmental Activities	Business Type Activities	Total
Assets			
Cash and cash equivalents	\$ 783,996	\$ 19,147	\$ 803,143
Receivables			
Property tax			
Delinquent	26,272	-	26,272
Succeeding year	1,205,691	-	1,205,691
Accounts receivable	1,831	2	1,833
Accrued interest	16		16
Income surtax	88,734	-	88,734
Due from other governments	129,497	-	129,497
Inventories	-	3,076	3,076
Non-depreciable capital assets	61,296	-	61,296
Capital assets, net of accumulated depreciation	1,644,749	12,091	1,656,840
Total assets	3,942,082	34,316	3,976,398
Liabilities			
Accounts payable	79,366	35	79,401
Salaries and benefits payable	222,498	6,564	229,062
Accrued interest payable	443	-	443
Deferred revenue			
Succeeding year property tax	1,205,691	-	1,205,691
Other	-	1,000	1,000
Long-term liabilities			
Portion due within one year			
Revenue bonds payable	85,000	-	85,000
Termination benefits payable	21,929	-	21,929
Portion due after one year			
Revenue bonds payable	85,000	-	85,000
Net OPEB liability	9,422	-	9,422
Total liabilities	1,709,349	7,599	1,716,948

See notes to financial statements.

OLIN CONSOLIDATED SCHOOL DISTRICT
Statement of Net Assets
June 30, 2010

Exhibit A

	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
Net Assets			
Invested in capital assets, net of related debt	\$1,536,045	\$ 12,091	\$1,548,136
Restricted for			
Categorical funding	18,406	-	18,406
Management levy	98,428	-	98,428
Physical plant and equipment levy	143,078	-	143,078
Public education and recreation levy	22,767	-	22,767
Other special revenue purposes	20,318	-	20,318
Capital projects	466,449	-	466,449
Unrestricted	<u>(72,758)</u>	<u>14,626</u>	<u>(58,132)</u>
Total net assets	<u>\$2,232,733</u>	<u>\$ 26,717</u>	<u>\$2,259,450</u>

See notes to financial statements.

OLIN CONSOLIDATED SCHOOL DISTRICT

Statement of Activities

For the Year Ended June 30, 2010

Exhibit B

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Business Type Activities	Activities	Total
Functions/Programs							
Governmental activities							
Instruction							
Regular instruction	\$ 1,411,808	\$ 136,052	\$ 332,818	\$ -	\$ (942,938)	\$ -	\$ (942,938)
Special instruction	556,759	7,826	101,807	-	(447,126)	-	(447,126)
Other instruction	238,302	73,104	9,907	-	(155,291)	-	(155,291)
	<u>2,206,869</u>	<u>216,982</u>	<u>444,532</u>	<u>-</u>	<u>(1,545,355)</u>	<u>-</u>	<u>(1,545,355)</u>
Support services							
Student	73,103	-	-	-	(73,103)	-	(73,103)
Instructional staff	51,742	-	-	-	(51,742)	-	(51,742)
Administration	287,859	-	-	-	(287,859)	-	(287,859)
Operation and maintenance of plant	234,607	2,418	-	-	(232,189)	-	(232,189)
Transportation	132,314	570	719	-	(131,025)	-	(131,025)
	<u>779,625</u>	<u>2,988</u>	<u>719</u>	<u>-</u>	<u>(775,918)</u>	<u>-</u>	<u>(775,918)</u>
	<u>4,260</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(4,260)</u>	<u>-</u>	<u>(4,260)</u>
Non-instructional programs							
Other expenses							
Facilities acquisition	32,197	-	-	-	(32,197)	-	(32,197)
Long-term debt interest	6,630	-	-	-	(6,630)	-	(6,630)
AEA flowthrough	100,743	-	100,743	-	-	-	-
Depreciation (unallocated) *	32,594	-	-	-	(32,594)	-	(32,594)
	<u>172,164</u>	<u>-</u>	<u>100,743</u>	<u>-</u>	<u>(71,421)</u>	<u>-</u>	<u>(71,421)</u>
Total governmental activities	<u>3,162,918</u>	<u>219,970</u>	<u>545,994</u>	<u>-</u>	<u>(2,396,954)</u>	<u>-</u>	<u>(2,396,954)</u>

See notes to financial statements.

OLIN CONSOLIDATED SCHOOL DISTRICT
Statement of Activities
For the Year Ended June 30, 2010

Exhibit B

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
<u>Functions/Programs (continued)</u>						
Business type activities						
Non-instructional programs	\$ 114,107	\$ 46,450	\$ 65,972	\$ -	\$ (1,685)	\$ (1,685)
Food service operations	\$ 3,277,025	\$ 266,420	\$ 611,966	\$ -	(1,685)	(2,398,639)
Total						
				\$ (2,396,954)	\$ (1,685)	\$ (2,398,639)
<u>General Revenues</u>						
Property tax levied for						
General purposes				1,215,871	-	1,215,871
Public education and recreation				9,608	-	9,608
Statewide sales, services and use tax				135,880	-	135,880
Unrestricted state grants				715,019	-	715,019
Contributions and donations				1,500	-	1,500
Unrestricted investment earnings				6,498	32	6,530
Other				8,536	-	8,536
Total general revenues				<u>2,092,912</u>	<u>32</u>	<u>2,092,944</u>
Change in net assets				(304,042)	(1,653)	(305,695)
Net assets, beginning of year				2,536,775	28,370	2,565,145
Net assets, end of year				<u>\$ 2,232,733</u>	<u>\$ 26,717</u>	<u>\$ 2,259,450</u>

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

See notes to financial statements.

OLIN CONSOLIDATED SCHOOL DISTRICT

Exhibit C

Balance Sheet
Governmental Funds
June 30, 2010

	<u>General</u>	Nonmajor Governmental <u>Funds</u>	<u>Total</u>
Assets			
Cash and pooled investments	\$ 42,742	\$ 741,254	\$ 783,996
Receivables			
Property tax			
Delinquent	24,767	1,505	26,272
Succeeding year	1,109,855	95,836	1,205,691
Accounts receivable	1,706	125	1,831
Accrued interest	16	-	16
Income surtax	88,734	-	88,734
Due from other governments	98,968	30,529	129,497
Total assets	<u>\$1,366,788</u>	<u>\$ 869,249</u>	<u>\$2,236,037</u>
 Liabilities and Fund Balances			
Liabilities			
Accounts payable	\$ 79,366	\$ -	\$ 79,366
Salaries and benefits payable	222,054	444	222,498
Deferred revenue			
Succeeding year property tax	1,109,855	95,836	1,205,691
Income surtax	88,734	-	88,734
Total liabilities	<u>1,500,009</u>	<u>96,280</u>	<u>1,596,289</u>
 Fund balances			
Reserved for			
Categorical funding	18,406	-	18,406
Unreserved, governmental funds	(151,627)	466,449	314,822
Unreserved, special revenue funds	-	306,520	306,520
Total fund balances	<u>(133,221)</u>	<u>772,969</u>	<u>639,748</u>
Total liabilities and fund balances	<u>\$1,366,788</u>	<u>\$ 869,249</u>	<u>\$2,236,037</u>

See notes to financial statements.

OLIN CONSOLIDATED SCHOOL DISTRICT
Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Assets
June 30, 2010

Exhibit D

Total fund balances of governmental funds	\$ 639,748
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	1,706,045
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	88,734
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.	(443)
Long-term liabilities, including notes payable and termination benefits payable and other postemployment benefits payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(201,351)</u>
Net assets of governmental activities	<u><u>\$2,232,733</u></u>

See notes to financial statements.

OLIN CONSOLIDATED SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2010

Exhibit E

	<u>General</u>	Nonmajor Governmental <u>Funds</u>	<u>Total</u>
Revenues			
Local sources			
Local tax	\$1,152,191	\$200,203	\$ 1,352,394
Tuition	133,805	-	133,805
Other	20,351	82,048	102,399
State sources	1,006,143	44	1,006,187
Federal sources	254,257	-	254,257
Total revenues	<u>2,566,747</u>	<u>282,295</u>	<u>2,849,042</u>
Expenditures			
Current			
Instruction			
Regular	1,355,751	15,559	1,371,310
Special	554,873	-	554,873
Other	156,028	78,484	234,512
	<u>2,066,652</u>	<u>94,043</u>	<u>2,160,695</u>
Support services			
Student	72,396	-	72,396
Instructional staff	51,656	-	51,656
Administration	282,048	2,548	284,596
Operation and maintenance of plant	180,089	59,273	239,362
Transportation	100,929	19,034	119,963
	<u>687,118</u>	<u>80,855</u>	<u>767,973</u>
Non-instructional programs	<u>-</u>	<u>4,260</u>	<u>4,260</u>
Other expenditures			
Facilities acquisition	-	83,236	83,236
Long-term debt			
Principal	-	80,000	80,000
Interest and fiscal charges	-	6,813	6,813
AEA flowthrough	100,743	-	100,743
	<u>100,743</u>	<u>170,049</u>	<u>270,792</u>
Total expenditures	<u>2,854,513</u>	<u>349,207</u>	<u>3,203,720</u>

See notes to financial statements.

OLIN CONSOLIDATED SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2010

Exhibit E

	<u>General</u>	Nonmajor Governmental <u>Funds</u>	<u>Total</u>
Deficiency of revenues under expenditures	\$ (287,766)	\$ (66,912)	\$ (354,678)
Other financing sources (uses)			
Sale of equipment and materials	-	1,619	1,619
Interfund operating transfers in	-	86,813	86,813
Interfund operating transfers (out)	-	(86,813)	(86,813)
Total other financing sources	-	1,619	1,619
Net change in fund balances	(287,766)	(65,293)	(353,059)
Fund balance, beginning of year	154,545	838,262	992,807
Fund balance, end of year	\$ (133,221)	\$772,969	\$ 639,748

See notes to financial statements.

OLIN CONSOLIDATED SCHOOL DISTRICT
 Reconciliation of the Statement of Revenues, Expenditures and
 Changes in Fund Balances - Governmental Funds
 to the Statement of Activities
 For the Year Ended June 30, 2010

Exhibit F

Net change in fund balances - total governmental funds \$(353,059)

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

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

Expenditures for capital assets	\$51,039	
Depreciation expense	<u>(71,670)</u>	(20,631)

Certain revenues not collected for several months after year-end are not considered available revenue and are deferred in the governmental funds.	8,215
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Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.	80,000
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Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds, as follows:

Termination benefits	(9,328)	
Other postemployment benefits	<u>(9,422)</u>	(18,750)

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 governmental funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.	<u>183</u>
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Change in net assets of governmental activities \$(304,042)

OLIN CONSOLIDATED SCHOOL DISTRICT
Statement of Net Assets
Proprietary Fund
June 30, 2010

Exhibit G

	<u>Nonmajor Enterprise School Nutrition</u>
Assets	
Cash and cash equivalents	\$ 19,147
Accounts receivable	2
Inventories	3,076
Capital assets, net of accumulated depreciation	<u>12,091</u>
Total assets	<u>34,316</u>
 Liabilities	
Accounts payable	35
Salaries and benefits payable	6,564
Deferred revenue	<u>1,000</u>
Total liabilities	<u>7,599</u>
 Net Assets	
Invested in capital assets	12,091
Unrestricted	<u>14,626</u>
Total net assets	<u><u>\$ 26,717</u></u>

See notes to financial statements.

OLIN CONSOLIDATED SCHOOL DISTRICT
Statement of Revenues, Expenses and Changes in Net Assets
Proprietary Fund
For the Year Ended June 30, 2010

Exhibit H

	<u>Nonmajor Enterprise School Nutrition</u>
Operating revenue	
Local sources	
Charges for service	<u>\$ 46,450</u>
 Operating expenses	
Non-instructional programs	
Food service operations	
Salaries and benefits	37,888
Benefits	5,469
Purchased services	911
Supplies	67,975
Depreciation	<u>1,864</u>
Total operating expenses	<u>114,107</u>
 Operating loss	 <u>(67,657)</u>
 Non-operating revenues	
Interest income	32
State sources	1,239
Federal sources	<u>64,733</u>
Total non-operating revenues	<u>66,004</u>
 Net loss	 (1,653)
Net assets, beginning of year	<u>28,370</u>
 Net assets, end of year	 <u>\$ 26,717</u>

See notes to financial statements.

OLIN CONSOLIDATED SCHOOL DISTRICT
Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2010

Exhibit I

	<u>Nonmajor Enterprise School Nutrition</u>
Cash flows from operating activities	
Cash received from sale of services	\$ 46,523
Cash payments to employees for services	(43,534)
Cash payments to suppliers for goods and services	<u>(62,785)</u>
Net cash used in operating activities	<u>(59,796)</u>
Cash flows from non-capital financing activities	
State grants received	1,239
Federal grants received	<u>58,332</u>
Net cash provided by non-capital financing activities	<u>59,571</u>
Cash flows from capital and related financing activities	<u>-</u>
Cash flows from investing activities	
Interest on investments	<u>32</u>
Net decrease in cash and cash equivalents	(193)
Cash and cash equivalents, beginning of year	<u>19,340</u>
Cash and cash equivalents, end of year	<u><u>\$ 19,147</u></u>

**Reconciliation of operating loss to net cash
used in operating activities**

Operating loss	\$(67,657)
Adjustments to reconcile operating loss to net cash used in operating activities	
Depreciation	1,864
Commodities used	6,401
Decrease in accounts receivable	3
Decrease in inventory	25
(Decrease) in accounts payable	(325)
Increase in deferred revenue	70
(Decrease) in accrued salaries and benefits	<u>(177)</u>
Net cash used in operating activities	<u><u>\$(59,796)</u></u>

Non-cash investing, capital and related financing activities

During the year ended June 30, 2010 the District received \$6,401 of federal commodities.

See notes to financial statements.

OLIN CONSOLIDATED SCHOOL DISTRICT
Statement of Fiduciary Net Assets
Fiduciary Fund
June 30, 2010

Exhibit J

	<u>Private Purpose Trust Scholarships</u>
Assets	
Cash and pooled investments	\$ 3,000
Liabilities	<u> -</u>
Net assets	
Reserved for scholarships	<u> \$ 3,000</u>

See notes to financial statements.

OLIN CONSOLIDATED SCHOOL DISTRICT
 Statement of Changes in Fiduciary Net Assets
 Fiduciary Fund
 For the Year Ended June 30, 2010

Exhibit K

	<u>Private Purpose Trust Scholarships</u>
Additions	
Local sources	
Interest	\$ 6
Deductions	<u>-</u>
Change in net assets	6
Net assets, beginning of year	<u>2,994</u>
Net assets, end of year	<u><u>\$ 3,000</u></u>

See notes to financial statements.

OLIN CONSOLIDATED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2010

Note 1. Summary of Significant Accounting Policies

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

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

A. Reporting Entity

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

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

B. Basis of Presentation

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

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

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

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

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

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

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

The District reports the following major governmental funds:

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

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

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

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

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½ % per month penalty for delinquent payments; is based on January 1, 2008 assessed property valuations; is for the tax accrual period July 1, 2009 through June 30, 2010 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2009.

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

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

Capital Assets - Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business type activities columns in the

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

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 2,500
Buildings	\$ 2,500
Improvements other than buildings	\$ 2,500
Intangibles	\$25,000
Furniture and equipment:	
School Nutrition Fund equipment	\$ 500
Other furniture and equipment	\$ 2,500

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

<u>Asset Class</u>	<u>Useful Life</u>
Buildings and improvements	50 years
Improvements other than buildings	20-50 years
Intangibles	5-10 years
Furniture and equipment	5-15 years

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

Termination Benefits - District employees meeting certain requirements are eligible for early retirement benefits. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental fund financial statements only for employees that have resigned or retired. The early retirement liability has been computed based on rates of pay in effect at June 30, 2010. The early retirement liability attributable to the governmental activities will be paid primarily from the Management Fund.

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

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

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

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

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

Restricted net assets consist of net assets with constraints placed on the use either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The government-wide statement of net assets reports \$241,506 of restricted net assets which is restricted by enabling legislation.

E. Budgeting and Budgetary Accounting

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

Note 2. Cash and Pooled Investments

The District's deposits in banks at June 30, 2010 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

At June 30, 2010, the District had investments in the IPAS education as follows:

	Amortized Cost
Institutional Money Market Fund	<u>\$785,297</u>

At June 30, 2010, the District had investments in the IPASeducation Program (the Fund) which invests in liquid investments that are placed in an SEC-registered money market fund in accordance with 17 C.F.R Section 270. 2a-7. The investments are valued at fair market value, which approximates amortized cost.

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

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

Note 3. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2010 is as follows:

Fund	Transfers	
	In	Out
Non-major governmental funds		
Debt Service Fund	\$ 86,813	\$ -
Capital Projects Fund	-	86,813
Total	<u>\$ 86,813</u>	<u>\$ 86,813</u>

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

Note 4. Capital Assets

Capital assets activity for the year ended June 30, 2010 was as follows:

	Balance, Beginning of Year	Additions	Deletions	Balance, End of Year
<u>Governmental activities</u>				
Capital assets not being depreciated:				
Land and improvements	\$ 61,296	\$ -	\$ -	\$ 61,296
Capital assets being depreciated:				
Buildings and improvements	2,042,340	51,039	-	2,093,379
Site improvements	65,000	-	-	65,000
Furniture and equipment	1,277,599	-	-	1,277,599
Total capital assets being depreciated	<u>3,384,939</u>	<u>51,039</u>	<u>-</u>	<u>3,435,978</u>
Less accumulated depreciation for:				
Buildings and improvements	725,619	31,842	-	757,461
Site improvements	65,000	-	-	65,000
Furniture and equipment	928,940	39,828	-	968,768
Total accumulated depreciation	<u>1,719,559</u>	<u>71,670</u>	<u>-</u>	<u>1,791,229</u>
Total capital assets being depreciated, net	<u>1,665,380</u>	<u>(20,631)</u>	<u>-</u>	<u>1,644,749</u>
Governmental activities capital assets, net	<u>\$ 1,726,676</u>	<u>\$(20,631)</u>	<u>\$ -</u>	<u>\$ 1,706,045</u>
 <u>Business type activities</u>				
Furniture and equipment	\$ 50,768	\$ -	\$ -	\$ 50,768
Less accumulated depreciation	<u>36,813</u>	<u>1,864</u>	<u>-</u>	<u>38,677</u>
Business type activities capital assets, net	<u>\$ 13,955</u>	<u>\$(1,864)</u>	<u>\$ -</u>	<u>\$ 12,091</u>

Depreciation expense was charged to the following functions:

Governmental activities

Instruction	
Regular	\$ 20,617
Other	2,993
Support services	
Student support	552
Administration	2,176
Operation and maintenance	742
Transportation	<u>11,996</u>
	39,076
Unallocated depreciation	<u>32,594</u>
Total governmental activities depreciation expense	<u>\$ 71,670</u>

Business type activities

Food services	<u>\$ 1,864</u>
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Note 5. Long-term Liabilities

Changes in long-term liabilities for the year ended June 30, 2010 are summarized as follows:

<u>Governmental Activities</u>	Balance, Beginning of Year	Additions	Reductions	Balance, End of Year	Due Within One Year
Revenue bonds	\$ 250,000	\$ -	\$ 80,000	\$ 170,000	\$ 85,000
Termination benefits	12,601	21,929	12,601	21,929	21,929
Net OPEB liability	-	<u>9,422</u>	-	<u>9,422</u>	-
Totals	<u>\$ 262,601</u>	<u>\$ 31,351</u>	<u>\$ 92,601</u>	<u>\$ 201,351</u>	<u>\$ 106,929</u>

Interest costs incurred and charged to expense on all long-term debt was \$6,630 for the year ended June 30, 2010.

Termination Benefit

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

At June 30, 2010, three individuals had taken early retirement and the District's outstanding obligation for this benefit was \$21,929. These benefits will be paid by the District's Management Fund during the year ending June 30, 2010.

Revenue Bonds

The District has pledged future statewide sales, services and use tax revenues to repay the \$610,000 bonds issued on April 1, 2003. The proceeds of the bonds were used to construct and furnish the Olin Attendance Center, specifically a new library and multi-purpose activity center. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2012. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected

to require approximately 60 percent of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the bonds is \$175,376. For the current year, \$86,412 of principal and interest was paid on the bonds and total statewide sales, services and use tax revenues were \$135,880.

The resolution providing the issuance of the statewide sales, services and use tax revenue bonds includes the following provisions:

- a. \$61,000 of the proceeds from the issuance of the revenue bonds shall be deposited to a Reserve Account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the Sinking Account. The balance of the proceeds shall be deposited in the Project Account.
- b. The District is required to maintain an amount on deposit in the Reserve Fund equal to the lesser of (a) the sum of 10% of the bond proceeds, (b) 125% of the average annual debt service on such bonds and (c) the maximum annual debt service on such bonds.

Details of the District's June 30, 2010 revenue anticipation bonded indebtedness are as follows:

Year Ending <u>June 30,</u>	<u>Bond Issue of April 1, 2003</u>			
	Interest <u>Rates</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	3.020	\$ 85,000	\$ 4,016	\$ 89,016
2012	3.200	<u>85,000</u>	<u>1,360</u>	<u>86,360</u>
Totals		<u>\$ 170,000</u>	<u>\$ 5,376</u>	<u>\$ 175,376</u>

Note 6. Pension and Retirement Benefits

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

Plan members were required to contribute 4.30%, 4.10 % and 3.90% of their annual covered salary and the District was required to contribute 6.65%, 6.35% and 6.05% of annual covered payroll for the years ended June 30, 2010, 2009 and 2008 respectively. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2010, 2009 and 2008 were \$106,612, \$104,789 and \$89,820, respectively, equal to the required contributions for each year.

Note 7. Risk Management

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

Note 8. 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 \$100,743 for the year ended June 30, 2010 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Note 9. Contingencies

Grant Funding - The District participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants were subjected to local audit but still remain open to audit by the appropriate grantor government. If expenditures are disallowed by the grantor government due to noncompliance with grant program regulations, the District may be required to reimburse the grantor government. As of June 30, 2010, significant amounts of grant expenditures have not been audited by granting authorities but the District believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual governmental funds or the overall financial position of the District.

Note 10. Other Postemployment Benefits (OPEB)

Plan Description – The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 52 active, of which 31 were excluded from the valuation due to various reasons, and 2 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit rate subsidy and an OPEB liability.

Funding Policy – The contribution requirements of the plan members are established and may be amended by the District. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation – The District’s annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding which, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District’s annual OPEB cost for the year ended June 30, 2010, the amount actually contributed to the plan and changes in the District’s net OPEB obligation:

Annual required contribution	\$ 12,271
Interest on net OPEB obligation	-
Adjustment to annual required contribution	<u>-</u>
Annual OPEB cost	12,271
Contributions made	<u>(2,849)</u>
Increase in net OPEB obligation	9,422
Net OPEB obligation beginning of year	<u>-</u>
Net OPEB obligation end of year	<u><u>\$ 9,422</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2010.

For the year ended June 30, 2010, the District contributed \$2,849 to the medical plan. Plan members eligible for benefits contributed nothing to the medical plan.

The District’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2010 are summarized as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
06/30/10	\$ 12,271	23.2%	\$ 9,422

Funded Status and Funding Progress – As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2009 through June 30, 2010, the actuarial accrued liability was \$65,1210, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$65,120. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$1.6 million and the ratio of UAAL to covered payroll was 4.1%. As of June 30, 2010, there were no trust fund assets.

Actuarial Methods and Assumptions – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of

occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as Required Supplementary Information in the section following the Notes to Financial Statements will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of July 1, 2009 actuarial valuation date, the frozen entry age actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6%. The ultimate medical trend rate is 6%.

Mortality rates are from the 94 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2007 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2007.

The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

Note 11. New Governmental Accounting Standards Board (GASB) Statements

The District implemented the following statements during the year ended June 30, 2010:

- GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This Statement establishes standards for the measurement, recognition and display of other postemployment benefits expenses and related liabilities or assets, note disclosures and, if applicable, required supplementary information in the financial reports. The effect of the adoption of this Statement to the District was to record a liability of \$9,422 for the net other postemployment benefit obligation. The actuarial accrued liability is estimated by an actuary to be \$65,120.
- GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. This Statement provides guidance regarding how to identify, account for, and report intangible assets. The new standard characterizes an intangible asset an asset that

lacks physical substance, is nonfinancial in nature, and has an initial useful life extending beyond a single reporting period. Examples of intangible assets include easements, computer software, water rights, timber rights, patents and trademarks. This standard provides that intangible assets be classified as capital assets (except for those explicitly excluded from the scope of the new standard, such as capital leases). Relevant authoritative guidance for capital assets should be applied to these intangible assets. This Statement had no effect to the District since the District had no intangible assets to be reported as of June 30, 2010.

- GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. This Statement will improve how state and local governments report information about derivative instruments in their financial statements. The Statement specifically requires governments to measure most derivative instruments at fair value in their financial statements that are prepared using the economic resources measurement focus and the accrual basis of accounting. The guidance in the Statement also addresses hedge accounting requirements. This Statement had no effect to the District. Furthermore, Iowa Code Chapter 128.10 does not authorize districts to invest in derivative instruments.
- GASB Statement No. 58 *Accounting and Financial Reporting for Chapter 9 Bankruptcies*. This Statement provides guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. It establishes requirements for recognizing and measuring the effects of the bankruptcy process on assets and liabilities, and for classifying changes in those items and related costs. The adoption of this statement had no effect to the District.

As of June 30, 2010, the GASB had issued several Statements not yet implemented by the District. The Statements which might impact the District are as follows:

- GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Issued March 2009, will be effective for the District beginning with its year ending June 30, 2011. This Statement is intended to improve the usefulness of information provided to financial report users about fund balances by providing clearer, more structured fund balance clarifications, and by clarifying the definitions of existing governmental fund types. Fund balance information is among the most widely and frequently used information in state and local government financial reports. The GASB developed this standard to address the diversity of practice and the resulting lack of consistency that had evolved in fund balance reporting. To reduce confusion, the new standard establishes a hierarchy of fund balance classification based primarily on the extent to which government is bound to observe spending constraints.
- GASB Statement No. 57 *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, an amendment of GASB Statement No. 43 and No. 45,

issued January 2010, will be effective for the District beginning with its year ending June 30, 2012. This Statement addresses issues related to measurement of OPEB obligations by certain employers participating in agent multiple-employer OPEB plans.

- GASB Statement No. 59, Financial Instruments Omnibus, issued June 2010, will be effective for the District beginning with its year ending June 30, 2011. This Statement is intended to update and improve existing standards regarding financial reporting of certain financial instruments and external investments pools. Specifically, this Statement provides financial reporting guidance by emphasizing the applicability of SEC requirements to certain external investments pool, addressing the applicability of GASB 53, Accounting and Financial Reporting for Derivative Instruments, and applying the reporting provisions for interest-earning investment contracts of GASB 31, Accounting and Financial Reporting for Certain Investments and for External Investments Pools.

The District's management has not yet determined the effect these Statements will have on the District's financial statements.

Note 12. Deficit Balances

The District had the following fund deficits at June 30, 2010:

- General Fund, unreserved \$151,627
- General Fund, total fund balance \$133,221
- Governmental Activities, unrestricted \$72,758

Required Supplementary Information

OLIN CONSOLIDATED SCHOOL DISTRICT
Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances - Budget and Actual
All Governmental Funds and Proprietary Fund
Required Supplementary Information
For the Year Ended June 30, 2010

	Governmental Funds		Proprietary Fund	Total	Budgeted Amounts		Final to Actual Variance
	Actual	Actual	Actual	Actual	Original	Final	
Revenues							
Local sources	\$1,588,598	\$46,482		\$1,635,080	\$ 1,865,015	\$1,865,015	\$ (229,935)
State sources	1,006,187	1,239		1,007,426	1,369,381	1,369,381	(361,955)
Federal sources	254,257	64,733		318,990	297,700	297,700	21,290
Total revenues	<u>2,849,042</u>	<u>112,454</u>		<u>2,961,496</u>	<u>3,532,096</u>	<u>3,532,096</u>	<u>(570,600)</u>
Expenditures/Expenses							
Instruction	2,160,695	-		2,160,695	2,584,737	2,584,737	424,042
Support services	767,973	-		767,973	971,244	971,244	203,271
Non-instructional programs	4,260	114,107		118,367	196,616	196,616	78,249
Other expenditures	270,792	-		270,792	840,010	840,010	569,218
Total expenditures/expenses	<u>3,203,720</u>	<u>114,107</u>		<u>3,317,827</u>	<u>4,592,607</u>	<u>4,592,607</u>	<u>1,274,780</u>
Deficiency of revenues under expenditures	(354,678)	(1,653)		(356,331)	(1,060,511)	(1,060,511)	704,180
Other financing sources	<u>1,619</u>	<u>-</u>		<u>1,619</u>	<u>-</u>	<u>-</u>	<u>1,619</u>
Net change in fund balance	(353,059)	(1,653)		(354,712)	(1,060,511)	(1,060,511)	705,799
Balance, beginning of year	992,807	28,370		1,021,177	1,356,692	1,356,692	(335,515)
Balance, end of year	<u>\$ 639,748</u>	<u>\$26,717</u>		<u>\$ 666,465</u>	<u>\$ 296,181</u>	<u>\$ 296,181</u>	<u>\$ 370,284</u>

See accompanying Independent Auditor's Report.

OLIN CONSOLIDATED SCHOOL DISTRICT
Notes to Required Supplementary Information – Budgetary Reporting
For the Year Ended June 30, 2010

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

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private Purpose Trust Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures/expenses known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District did not adopt any budget amendments.

OLIN CONSOLIDATED SCHOOL DISTRICT
Schedule of Funding Progress for the
Retiree Health Plan
Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	\$ -	\$ 65,120	\$ 65,120	\$ -	\$1,590,970	4.1%

See Note 10 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

Other Supplementary Information

OLIN CONSOLIDATED SCHOOL DISTRICT
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2010

Schedule 1

	Special Revenue					<u>Total</u>
	<u>Student Activity</u>	<u>Management Levy</u>	<u>Physical Plant and Equipment Levy</u>	<u>Public Education & Recreation Levy</u>	<u>Capital Projects</u>	
Assets						
Cash and pooled investments	\$20,316	\$119,057	\$143,053	\$22,982	\$435,846	\$741,254
Receivables						
Property tax						
Delinquent	-	1,280	-	225	-	1,505
Succeeding year	-	14,000	72,102	9,734	-	95,836
Accounts receivable	2	20	25	4	74	125
Due from other governments	-	-	-	-	30,529	30,529
Total assets	<u>\$20,318</u>	<u>\$134,357</u>	<u>\$215,180</u>	<u>\$32,945</u>	<u>\$466,449</u>	<u>\$869,249</u>
Liabilities and Fund Balances						
Liabilities						
Salaries and benefits payable	\$ -	\$ -	\$ -	\$ 444	\$ -	\$ 444
Deferred revenue						
Succeeding year property tax	-	14,000	72,102	9,734	-	95,836
Total liabilities	<u>-</u>	<u>14,000</u>	<u>72,102</u>	<u>10,178</u>	<u>-</u>	<u>96,280</u>
Fund balances						
Unreserved special revenue funds	20,318	120,357	143,078	22,767	-	306,520
Unreserved governmental funds	-	-	-	-	466,449	466,449
Total fund balances	<u>20,318</u>	<u>120,357</u>	<u>143,078</u>	<u>22,767</u>	<u>466,449</u>	<u>772,969</u>
Total liabilities and fund balances	<u>\$20,318</u>	<u>\$134,357</u>	<u>\$215,180</u>	<u>\$32,945</u>	<u>\$466,449</u>	<u>\$869,249</u>

See accompanying Independent Auditor's Report.

OLIN CONSOLIDATED SCHOOL DISTRICT
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2010

Schedule 2

	Special Revenue						Total
	Student Activity	Management Levy	Physical Plant and Equipment Levy	Public Education & Recreation Levy	Capital Projects	Debt Service	
Revenues							
Local sources							
Local taxes	\$ -	\$ 54,723	\$ -	\$ 9,600	\$135,880	\$ -	\$200,203
Other	72,088	7,114	1,825	43	978	-	82,048
State sources	-	36	-	8	-	-	44
Total revenues	<u>72,088</u>	<u>61,873</u>	<u>1,825</u>	<u>9,651</u>	<u>136,858</u>	<u>-</u>	<u>282,295</u>
Expenditures							
Current							
Instruction							
Regular	-	15,559	-	-	-	-	15,559
Other	78,484	-	-	-	-	-	78,484
Total instruction	<u>78,484</u>	<u>15,559</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>94,043</u>
Support services							
Administration	-	2,548	-	-	-	-	2,548
Operation and maintenance of plant	-	52,641	5,932	-	700	-	59,273
Transportation	-	5,842	-	-	13,192	-	19,034
Total support services	<u>-</u>	<u>61,031</u>	<u>5,932</u>	<u>-</u>	<u>13,892</u>	<u>-</u>	<u>80,855</u>
Non-instructional programs	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,260</u>	<u>-</u>	<u>-</u>	<u>4,260</u>
Other expenditures							
Facilities acquisition	-	-	16,623	-	66,613	-	83,236
Long-term debt							
Principal	-	-	-	-	-	80,000	80,000
Interest and fiscal charges	-	-	-	-	-	6,813	6,813
Total other expenditures	<u>-</u>	<u>-</u>	<u>16,623</u>	<u>-</u>	<u>66,613</u>	<u>86,813</u>	<u>170,049</u>
Total expenditures	<u>78,484</u>	<u>76,590</u>	<u>22,555</u>	<u>4,260</u>	<u>80,505</u>	<u>86,813</u>	<u>349,207</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(6,396)</u>	<u>(14,717)</u>	<u>(20,730)</u>	<u>5,391</u>	<u>56,353</u>	<u>(86,813)</u>	<u>(66,912)</u>
Other financing sources (uses)							
Interfund operating transfers in	-	-	-	-	-	86,813	86,813
Proceeds from issuance of loans	-	-	1,619	-	-	-	1,619
Interfund operating transfers (out)	-	-	-	-	(86,813)	-	(86,813)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>1,619</u>	<u>-</u>	<u>(86,813)</u>	<u>86,813</u>	<u>1,619</u>
Net change in fund balances	(6,396)	(14,717)	(19,111)	5,391	(30,460)	-	(65,293)
Fund balances, beginning of year	26,714	135,074	162,189	17,376	496,909	-	838,262
Fund balances, end of year	<u>\$ 20,318</u>	<u>\$ 120,357</u>	<u>\$ 143,078</u>	<u>\$ 22,767</u>	<u>\$ 466,449</u>	<u>\$ -</u>	<u>\$ 772,969</u>

See accompanying Independent Auditor's Report.

OLIN CONSOLIDATED SCHOOL DISTRICT
Schedule of Changes in Special Revenue Fund
Student Activity Accounts
For the Year Ended June 30, 2010

Schedule 3

Account	Balance, Beginning of Year	<u>Revenues</u>	<u>Expenditures</u>	Balance, End of Year
General athletics	\$ -	\$ 1,449	\$ 1,449	\$ -
Boys basketball	1,257	4,347	5,204	400
Boys football	1,143	4,357	3,665	1,835
Boys baseball	-	2,596	2,457	139
Boys track	840	1,542	2,382	-
Girls basketball	822	-	822	-
Girls volleyball	456	1,521	1,977	-
Girls softball	34	1,316	1,350	-
Girls track	-	540	540	-
Drama	1,912	1,488	2,228	1,172
Bank/vocal	1,482	47	135	1,394
PE super sport	134	880	880	134
ELP fundraising	178	-	-	178
Title I fundraising	144	53	67	130
HS SCI club	1,030	602	521	1,111
Interest	1,621	857	1,699	779
Concession stand	-	5,074	4,694	380
Yearbook 2008-09	1,564	150	1,218	496
Cheerleading	214	127	-	341
FFA	2,206	14,100	13,535	2,771
Pom-pon	1,440	3,799	3,556	1,683
HS student council	2,426	3,330	4,667	1,089
Math club	40	-	-	40
Athletic resale	571	130	132	569
Activity resale	935	1,936	1,704	1,167
I.A. resale	207	77	22	262
School cents	1,050	1,075	2,125	-
Playground fund raiser	-	621	-	621
Yearbook 2009-10	-	1,713	1,920	(207)
Candy resale/industrial arts	64	-	-	64
Field trips	1,536	1,379	950	1,965
Wapsi League	1,368	536	846	1,058

See accompanying Independent Auditor's Report.

OLIN CONSOLIDATED SCHOOL DISTRICT
 Schedule of Changes in Special Revenue Fund
 Student Activity Accounts
 For the Year Ended June 30, 2010

Schedule 3

Account	Balance, Beginning <u>of Year</u>	<u>Revenues</u>	<u>Expenditures</u>	Balance, End of <u>Year</u>
Class of 2008	\$ 77	\$ -	\$ -	\$ 77
Class of 2010	548	4,705	5,076	177
Class of 2011	1,317	9,598	10,687	228
Class of 2012	65	183	-	248
Pools PTO donation	21	-	21	-
Library books fund	12	1,960	1,955	17
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Totals	<u>\$ 26,714</u>	<u>\$ 72,088</u>	<u>\$ 78,484</u>	<u>\$ 20,318</u>

See accompanying Independent Auditor's Report.

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

Schedule 4

	Modified Accrual Basis						
	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Revenues							
Local sources							
Local tax	\$1,352,394	\$1,328,377	\$1,289,067	\$1,221,115	\$1,261,054	\$1,103,347	\$ 985,865
Tuition	133,805	188,429	196,107	195,140	135,211	141,631	138,923
Other	102,399	180,461	202,653	181,100	157,115	127,149	176,713
State sources	1,006,187	1,331,417	1,295,023	1,238,393	1,149,570	1,404,505	1,252,588
Federal sources	254,257	118,313	115,255	110,762	108,852	134,412	675,155
Total revenues	<u>\$2,849,042</u>	<u>\$3,146,997</u>	<u>\$3,098,105</u>	<u>\$2,946,510</u>	<u>\$2,811,802</u>	<u>\$2,911,044</u>	<u>\$3,229,244</u>
Expenditures							
Current							
Instruction							
Regular	\$1,371,310	\$1,304,542	\$1,208,849	\$1,085,453	\$1,006,400	\$1,055,238	\$1,125,376
Special	554,873	407,573	373,021	445,043	334,170	272,467	370,646
Other	234,512	486,071	439,526	428,289	358,926	357,999	297,112
Support services							
Student	72,396	38,428	26,210	27,735	73,773	90,110	67,945
Instructional staff	51,656	43,600	32,795	39,805	51,793	70,641	50,089
Administration	284,596	304,201	269,966	254,561	268,665	331,405	318,802
Operation and maintenance of plant	239,362	251,808	235,720	230,471	221,176	238,578	179,969
Transportation	119,963	132,175	140,715	108,131	181,567	84,847	90,244
Non-instructional programs	4,260	7,893	10,504	7,132	6,872	1,383	44,829
Other expenditures							
Facilities acquisition	83,236	24,566	34,216	19,136	71,692	77,892	1,187,281
Long-term debt							
Principal	80,000	80,000	75,000	70,000	70,000	65,000	-
Interest and other charges	6,813	8,953	10,893	12,580	14,015	15,231	18,267
AEA flowthrough	100,743	97,205	93,442	91,381	89,392	92,552	88,481
Total expenditures	<u>\$3,203,720</u>	<u>\$3,187,015</u>	<u>\$2,950,857</u>	<u>\$2,819,717</u>	<u>\$2,748,441</u>	<u>\$2,753,343</u>	<u>\$3,839,041</u>

See accompanying Independent Auditor's Report.

KAY L. CHAPMAN, CPA PC

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

To the Board of Education
Olin Consolidated School District

I have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Olin Consolidated School District as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued my report thereon dated March 8, 2011. I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

My consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, I identified certain deficiencies in internal control over financial reporting I consider to be material weaknesses.

A deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. I consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings as items A, B and C to be material weaknesses.

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2010 are based exclusively on knowledge obtained from procedures performed during my audit of the financial statements of the District. Since my audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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

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

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

Kay L. Chapman, CPA PC

Kay L. Chapman, CPA PC
March 8, 2011

OLIN CONSOLIDATED SCHOOL DISTRICT
Schedule of Findings
For the Year Ended June 30, 2010

Part I. Findings Related to the Financial Statements

INSTANCES OF NON-COMPLIANCE

No matters were noted.

INTERNAL CONTROL DEFICIENCIES

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

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

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

Conclusion - Response accepted.

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

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

OLIN CONSOLIDATED SCHOOL DISTRICT
Schedule of Findings
For the Year Ended June 30, 2010

Response - We believe that the business manager has sufficient knowledge to perform her daily duties and take responsibility for the annual financial statements and footnote disclosure in compliance with GAAP, as prepared by the auditor. We certainly understand the need for continuing education classes for all of our staff, including the business manager. However, we have a limited budget and must continually prioritize needs. We will investigate alternatives, but believe that it would not be an efficient use of District funds to get and maintain the necessary training for the business manager to comply with this recommendation. Nor do we consider hiring additional staff possessing these skills to be a feasible option.

Conclusion - Response accepted.

- C. Material Misstatement not Detected - During the course of my audit, I discovered material misstatements on the District's Certified Annual Report (CAR) that were not detected by the District's internal controls. Accounts receivable and accounts payable were miscoded as cash. These misstatements did not affect the ending fund balances and will not result in a correction to the beginning balances on next year's CAR.

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

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

Conclusion - Response accepted.

Part II. Other Findings Related to Required Statutory Reporting:

1. Certified Budget - Expenditures for the year ended June 30, 2010 did not exceed the amounts budgeted.
2. Questionable Expenditures - I noted no expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

OLIN CONSOLIDATED SCHOOL DISTRICT
Schedule of Findings
For the Year Ended June 30, 2010

3. Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted.
4. Business Transactions - No business transactions between the District and District officials or employees were noted.
5. Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
6. Board Minutes - I noted no transactions requiring Board approval which had not been approved by the Board.
7. Certified Enrollment - No variances in the basic enrollment data certified to the Iowa Department of Education were noted.
8. Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
9. Deposits and Investments - I noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
10. Certified Annual Reports - The Certified Annual Report was certified with the Department of Education timely and I noted no material errors in the amounts reported.
11. Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.
12. Statewide Sales, Services and Use Tax - No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax. For the year ended June 30, 2010, the District's financial activity and other required information for the statewide sales, services and use tax are as follows:

OLIN CONSOLIDATED SCHOOL DISTRICT
 Schedule of Findings
 For the Year Ended June 30, 2010

Beginning balance		\$ 496,909
Revenues		
Statewide sales and services tax revenue	\$ 135,880	
Interest earned	<u>978</u>	136,858
Expenditures/transfers out		
School infrastructure		
Equipment	\$ (16,907)	
Other improvements	<u>(63,598)</u>	
Debt service for school infrastructure		
Revenue debt	<u>(86,813)</u>	<u>(167,318)</u>
Ending balance		<u>\$ 466,449</u>

The statewide sales, services and use tax revenue received during the year ended June 30, 2010 is equivalent to a reduction in the following levies:

	Per \$1,000 of Taxable Valuation	Property Tax Dollars
Debt service levy	\$ 1.21459	\$ 86,813
Physical plant and equipment levy	\$ 0.68649	<u>49,067</u>
		<u>\$ 135,880</u>

13. Deficit Balance - The District's General Fund had an unreserved fund deficit of \$151,627 and a total fund deficit of \$133,221 at June 30, 2010.

Recommendation - The District should investigate alternatives to eliminate these deficits in order to return this fund to a sound financial condition.

Response - The District is continuing to investigate alternatives to eliminate these deficits.

Conclusion - Response accepted.

OLIN CONSOLIDATED SCHOOL DISTRICT
Audit Staff
June 30, 2010

This audit was performed by

Kay Chapman, CPA
Tammy Calvert, staff accountant