

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

JUNE 30, 2011

Contents

		<u>Page</u>
Officials		4
Independent Auditor's Report		5-6
Management's Discussion and Analysis (MD&A)		7-15
	<u>Exhibit</u>	
Basic Financial Statements:		
Statement of Net Assets	A	18
Statement of Activities	B	19
Governmental Fund Financial Statements:		
Balance Sheet	C	20
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets	D	21
Statement of Revenues, Expenditures and Changes in Fund Balances	E	22
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	F	23
Proprietary Fund Financial Statements:		
Statement of Net Assets	G	24
Statement of Revenues, Expenses and Changes in Net Assets	H	25
Statement of Cash Flows	I	26
Fiduciary Fund Financial Statements:		
Statement of Fiduciary Net Assets	J	27
Statement of Changes in Fiduciary Net Assets	K	28
Notes to Financial Statements		29-42
Required Supplementary Information:		
Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances - Budget and Actual - All Governmental Funds and Proprietary Fund		44
Notes to Required Supplementary Information - Budgetary Reporting		45
Schedule of Funding Progress for the Retiree Health Plan		46
Component Unit Financial Statements:		
Statement of Assets, Liabilities, and Net Assets - Cash Basis - Component Unit		47
Statement of Support, Revenues and Expenses and Changes in Net Assets - Cash Basis - Component Unit		48
Other Supplementary Information:	<u>Schedule</u>	
Nonmajor Governmental Funds:		
Combining Balance Sheet	1	50
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	2	51
Capital Project Accounts:		
Combining Balance Sheet	3	52
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	4	53
Capital Project Accounts:		
Combining Balance Sheet	5	54
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	6	55
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	7	56
Fiduciary Fund - Private Purpose Trust Funds:		
Combining Balance Sheet	8	57
Combining Statement of Changes in Fiduciary Net Assets	9	58
Schedule of Revenues by Source and Expenditures by Function - All Governmental Fund Types	10	59
Schedule of Expenditures of Federal Awards	11	60

Contents(Continued)

	<u>Page</u>
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>	61-62
Independent Auditor's Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133	63-64
Schedule of Findings and Questioned Costs	65-68

Osage Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education</b>		
Konnie Snider	President	2011
Karla Mitchell	Vice President	2013
Neil Wubben	Board Member	2013
Herb Wright	Board Member	2011
Jerry Brandau	Board Member	2011
<b>School Officials</b>		
Steve Bass	Superintendent	2011
Helen Burrington	District Board Secretary/ District Treasurer	2011
Aaron Murphy	Attorney	2011

**NOLTE, CORNMAN & JOHNSON P.C.**

**Certified Public Accountants**

**(a professional corporation)**

**117 West 3rd Street North, Newton, Iowa 50208-3060**

**Telephone (641) 792-1910**

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the discretely presented component unit and the aggregate remaining fund information of Osage Community School District, Osage, Iowa, as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund, the discretely presented component unit and the aggregate remaining fund information of Osage Community School District at June 30, 2011, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated March 12, 2012 on our consideration of Osage Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis, Budgetary Comparison Information, Retiree Health Plan, and Component Unit Financial Statements on pages 7 through 15 and 44 through 48 are not required

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Osage Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the four years ended June 30, 2010 (not presented herein) and expressed an unqualified opinion on those financial statements. Another firm previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2006 (none of which are presented herein) and expressed an unqualified opinion on those financial statements. Other supplementary information included in Schedules 1 through 11, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



NOLTE, CORNMAN & JOHNSON, P.C.

March 12, 2012

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

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Osage Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2011. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### **2011 FINANCIAL HIGHLIGHTS**

- General Fund revenues increased from \$8,784,324 in fiscal 2010 to \$9,443,834 in fiscal 2011, while General Fund expenditures decreased from \$8,895,585 in fiscal 2010 to \$8,107,867 in fiscal 2011. This resulted in an increase in the District's General Fund balance from a deficit \$311,145 in fiscal 2010 to \$1,024,822 in fiscal 2011, a 429.37% increase from the prior year.
- The increase in General Fund revenues was attributable to an increase in property tax and state grant revenues in fiscal 2011. The decrease in expenditures was due primarily to the instructional and support services functional areas.
- The District received \$671,332 in statewide sales, services and use tax revenue during the year.

### **USING THIS ANNUAL REPORT**

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

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

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

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

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

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year, 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. In addition, the Schedule of Expenditures of Federal Awards provides detail of various federal programs benefiting the District.

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

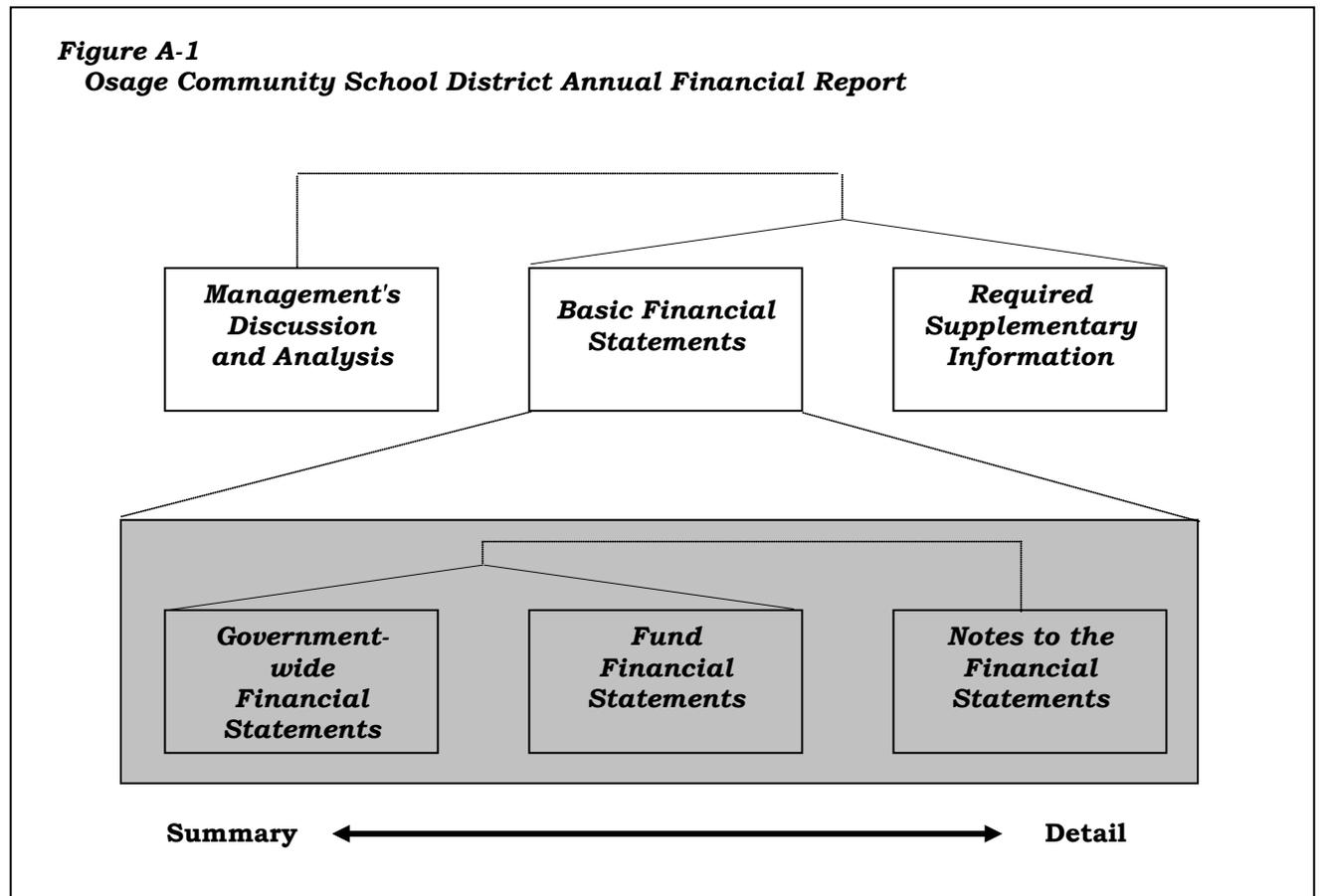


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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

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

## REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES

### Government-wide Financial Statements

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

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

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

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

### **Fund Financial Statements**

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

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

The District has three kinds of funds:

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

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

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

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

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

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

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

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

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

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's total net assets at June 30, 2011 compared to June 30, 2010.

Figure A-3  
Condensed Statement of Net Assets

	Governmental		Business Type		Total		Total
	Activities		Activities		School District		Change
	June 30,	June 30,	June 30,	June 30,	June 30,	June 30,	2010-11
	2011	2010	2011	2010	2011	2010	
Current and other assets	\$ 8,119,876	6,493,571	140,005	106,301	8,259,881	6,599,872	25.15%
Capital assets	8,485,288	8,686,659	61,830	47,556	8,547,118	8,734,215	-2.14%
Total assets	16,605,164	15,180,230	201,835	153,857	16,806,999	15,334,087	9.61%
Long-term liabilities	1,775,041	2,361,485	0	0	1,775,041	2,361,485	-24.83%
Other liabilities	5,576,342	5,506,928	12,715	14,576	5,589,057	5,521,504	1.22%
Total liabilities	7,351,383	7,868,413	12,715	14,576	7,364,098	7,882,989	-6.58%
Net assets:							
Invested in capital assets, net of related debt	6,967,892	6,821,293	61,830	47,556	7,029,722	6,868,849	2.34%
Restricted	1,432,839	1,201,347	0	0	1,432,839	1,201,347	19.27%
Unrestricted	853,050	(710,823)	127,290	91,725	980,340	(619,098)	258.35%
Total net assets	\$ 9,253,781	7,311,817	189,120	139,281	9,442,901	7,451,098	26.73%

The District's combined net assets increased by 26.73% or \$1,991,803 over the prior year. The largest portion of the District's net assets is the invested in capital assets, less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions, or enabling legislation on how they can be used. The District's restricted net assets

increased \$231,492 or 19.27% over the prior year. The increase in restricted net assets can be attributed to the increase in Capital Projects Fund balance.

Unrestricted net assets - the part of net assets that can be used to finance day-to-day operations without constraint established by debt covenants, enabling legislation, or the legal requirement - increased \$1,599,438 or 258.35%. The increase in unrestricted net assets can be attributed to the increase in the fund balance of the General Fund.

Figure A-4 shows the changes in net assets for the year ended June 30, 2011 compared to the year ended June 30, 2010.

Figure A-4  
Changes of Net Assets

	Governmental		Business Type		Total		Total
	Activities		Activities		School District		Change
	June 30,	June 30,	June 30,	June 30,	June 30,	June 30,	2010-11
	2011	2010	2011	2010	2011	2010	
Revenues:							
Program revenues:							
Charges for services	\$ 799,927	742,788	258,331	275,196	1,058,258	1,017,984	3.96%
Operating grants and contributions and restricted interest	937,411	1,916,814	188,197	187,624	1,125,608	2,104,438	-46.51%
Capital grants and contributions and restricted interest	0	25,426	0	0	0	25,426	-100.00%
General revenues:							
Property tax	4,009,676	3,285,444	0	0	4,009,676	3,285,444	22.04%
Income surtax	153,350	221,857	0	0	153,350	221,857	-30.88%
Statewide sales, services, and use tax	671,332	540,044	0	0	671,332	540,044	24.31%
Unrestricted state grants	4,143,948	3,272,070	0	0	4,143,948	3,272,070	26.65%
Nonspecific program federal grants	190,567	0	0	0	190,567	0	100.00%
Other	86,510	139,836	331	273	86,841	140,109	-38.02%
Total revenues	10,992,721	10,144,279	446,859	463,093	11,439,580	10,607,372	7.85%
Program expenses:							
Governmental activities:							
Instructional	6,144,623	6,574,521	0	0	6,144,623	6,574,521	-6.54%
Support services	2,133,108	2,551,981	0	461	2,133,108	2,552,442	-16.43%
Non-instructional programs	0	750	397,020	432,348	397,020	433,098	-8.33%
Other expenses	773,026	944,539	0	0	773,026	944,539	-18.16%
Total expenses	9,050,757	10,071,791	397,020	432,809	9,447,777	10,504,600	-10.06%
Change in net assets	1,941,964	72,488	49,839	30,284	1,991,803	102,772	1838.08%
Net assets beginning of year	7,311,817	7,239,329	139,281	108,997	7,451,098	7,348,326	1.40%
Net assets end of year	\$ 9,253,781	7,311,817	189,120	139,281	9,442,901	7,451,098	26.73%

In fiscal 2011, property tax and unrestricted state grants account for 74.17% of the revenue from governmental activities while charges for services and operating grants and contributions account for 99.93% of the revenue from business type activities.

The District's total revenues were approximately \$11.44 million of approximately \$10.99 million was for governmental activities and slightly more than \$0.45 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced an increase of 7.85% in revenues and a 10.06% decrease in expenses.

### Governmental Activities

Revenues for governmental activities were \$10,992,721 and expenses were \$9,050,757.

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

Figure A-5  
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2011	2010	Change 2010-11	2011	2010	Change 2010-11
Instruction	\$ 6,144,623	6,574,521	-6.54%	4,891,304	4,339,758	12.71%
Support services	2,133,108	2,551,981	-16.41%	2,062,051	2,538,337	-18.76%
Non-instructional	0	750	-100.00%	0	750	-100.00%
Other expenses	773,026	944,539	-18.16%	360,064	507,918	-29.11%
Totals	\$ 9,050,757	10,071,791	-10.14%	7,313,419	7,386,763	-0.99%

- The cost financed by users of the District's programs was \$799,927.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$937,411.
- The net cost of governmental activities was financed with \$4,163,026 in local tax, \$671,332 in statewide sales, services and use tax, \$4,143,948 in unrestricted state grants, \$190,567 in nonspecific program federal grants, \$44,065 in interest income and \$42,445 in other general revenues.

### Business Type Activities

Revenues of the District's business type activities were \$446,859 and expenses were \$397,020. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

## INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined net assets of \$2,317,356, above last year's ending net assets of \$791,823. This increase is primarily due to the increase in the General Fund balance.

### Governmental Fund Highlights

- The District's General Fund net assets increased from a deficit \$311,145 on June 30, 2010 to \$1,024,822 on June 30, 2011. The fluctuation in the District's General Fund financial position is the product of many factors. An increase in property tax and state grant revenues during the year resulted in an increase in total revenues. The District also helped increase the General Fund balance by reducing its expenditures in the instructional and support services functional areas.

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## Proprietary Fund Highlights

The Enterprise Funds net assets increased from \$139,281 at June 30, 2010 to \$189,120 at June 30, 2011, representing an increase of approximately 35.78%.

## BUDGETARY HIGHLIGHTS

The District's revenues were \$69,444 less than budgeted revenues, a variance of 0.60%. The most significant variance resulted from the District receiving less in state sources than originally anticipated.

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

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2011, the District had invested \$8,547,118, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net decrease of 2.14% from last year. More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$473,882.

The original cost of the District's capital assets was \$14,419,263. Governmental funds account for \$14,236,308 with the remainder of \$182,955 in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the construction in progress category. Construction in progress totaled \$0 at June 30, 2010, compared to \$85,798 reported at June 30, 2011. This increase is due to the press box and workshop addition work beginning during the year and not yet being completed.

Figure A-6  
Capital Assets, Net of Depreciation

	Governmental		Business-Type		Total		Total
	Activities		Activities		School District		Change
	June 30,		June 30,		June 30,		June 30,
	2011	2010	2011	2010	2011	2010	2010-11
Land	\$ 422,000	422,000	0	0	422,000	422,000	0.00%
Construction in progress	85,798	0	0	0	85,798	0	100.00%
Buildings	7,104,701	7,387,021	0	0	7,104,701	7,387,021	-3.82%
Land Improvements	243,742	130,132	0	0	243,742	130,132	87.30%
Machinery and equipment	629,047	747,506	61,830	47,556	690,877	795,062	-13.10%
Total	\$ 8,485,288	8,686,659	61,830	47,556	8,547,118	8,734,215	-2.14%

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## Long-Term Debt

At June 30, 2011, the District had \$1,775,041 in other long-term debt outstanding. This represents a decrease of 24.8% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 6 to the financial statements.

Figure A-7  
Outstanding Long-Term Obligations

	Total		Total
	School District		Change
	June 30,		June 30,
	2011	2010	2010-11
Revenue bonds	\$ 971,667	1,260,000	-22.9%
Energy loan notes	590,000	675,000	-12.6%
Early retirement	213,374	426,485	-50.0%
Total	\$ 1,775,041	2,361,485	-24.8%

## ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- Low allowable growth over several years and enrollment fluctuations may negatively impact the District's spending authority. Contractual increases and program changes cannot be made without thorough consideration of our unspent authorized budget. The district's cash balance will support short term funding shortfalls from the state.
- Continued budget concerns at state level will affect future projections. After the appropriation of State Aid (and after the adoption of the District's budget for a particular fiscal year), the Governor and the General Assembly have the ability to rescind all or a portion of the appropriation. Certain areas of the State's budget are exempt from these potential cuts; however, K-12 and community college funding are not exempt from rescission. Historically, rescissions were imposed in an "across-the-board" fashion, and all state funding was reduced in a percentage format. This had the potential to impact schools with low valuation per pupil much greater than schools with high per pupil valuations. In the 2002 General Assembly, the formula for rescission was altered for K-12 funding, such that all future rescissions, if any, would be applied to K-12 education on a "per-pupil" basis.

## CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Helen Burrington, District Board Secretary/District Treasurer, Osage Community School District, 820 Sawyer Drive, Osage, Iowa, 50461.

OSAGE COMMUNITY SCHOOL DISTRICT

BASIC FINANCIAL STATEMENTS

OSAGE COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
JUNE 30, 2011

	Primary Government		Component Unit	
	Governmental Activities	Business type Activities	Total	Osage Education Foundation
<b>Assets</b>				
Cash and cash equivalents	\$ 3,578,709	112,444	3,691,153	273,346
Receivables:				
Property tax:				
Delinquent	47,983	0	47,983	0
Succeeding year	3,926,551	0	3,926,551	0
Income surtax	177,443	0	177,443	0
Accounts	3,694	0	3,694	0
Due from other governments	313,780	0	313,780	0
Inventories	0	23,873	23,873	0
Net OPEB asset	71,716	3,688	75,404	0
Capital assets, net of accumulated depreciation	8,485,288	61,830	8,547,118	0
<b>Total Assets</b>	<b>16,605,164</b>	<b>201,835</b>	<b>16,806,999</b>	<b>273,346</b>
<b>Liabilities</b>				
Accounts payable	147,063	0	147,063	0
Salaries and benefits payable	1,391,861	5,756	1,397,617	0
Accrued interest payable	22,981	0	22,981	0
Deferred revenue:				
Succeeding year property tax	3,926,551	0	3,926,551	0
Other	87,886	0	87,886	0
Unearned revenues	0	6,959	6,959	0
Long-term liabilities:				
Portion due within one year:				
Revenue bonds	316,667	0	316,667	0
Energy loan notes	90,000	0	90,000	0
Early retirement	63,578	0	63,578	0
Portion due after one year:				
Revenue bonds	655,000	0	655,000	0
Energy loan notes	500,000	0	500,000	0
Early retirement	149,796	0	149,796	0
<b>Total Liabilities</b>	<b>7,351,383</b>	<b>12,715</b>	<b>7,364,098</b>	<b>0</b>
<b>Net Assets</b>				
Invested in capital assets, net of related debt	6,967,892	61,830	7,029,722	0
Restricted for:				
Scholarships	0	0	0	149,884
Categorical funding	376,931	0	376,931	0
Student activities	143,499	0	143,499	0
Expendable trust purposes	67,371	0	67,371	0
Physical plant and equipment	61,198	0	61,198	0
School infrastructure	416,949	0	416,949	0
Debt service	366,891	0	366,891	0
Unrestricted	853,050	127,290	980,340	123,462
<b>Total Net Assets</b>	<b>\$ 9,253,781</b>	<b>189,120</b>	<b>9,442,901</b>	<b>273,346</b>

SEE NOTES TO FINANCIAL STATEMENTS.

OSAGE COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2011

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Contributions and Restricted Interest	Grants, Contributions and Restricted Interest	Primary Government		Total	Component Unit Osage Education Foundation
					Govern- mental Activities	Business Type Activities		
Governmental activities:								
Instruction:								
Regular	\$ 3,736,608	237,689	133,743	0	(3,365,176)	0	(3,365,176)	0
Special	925,104	66,788	103,405	0	(754,911)	0	(754,911)	0
Other	1,482,911	495,450	216,244	0	(771,217)	0	(771,217)	0
	<u>6,144,623</u>	<u>799,927</u>	<u>453,392</u>	<u>0</u>	<u>(4,891,304)</u>	<u>0</u>	<u>(4,891,304)</u>	<u>0</u>
Support services:								
Student	239,678	0	23,656	0	(216,022)	0	(216,022)	0
Instructional staff	165,952	0	41,897	0	(124,055)	0	(124,055)	0
Administration	763,524	0	0	0	(763,524)	0	(763,524)	0
Operation and maintenance of plant	530,459	0	0	0	(530,459)	0	(530,459)	0
Transportation	433,495	0	5,504	0	(427,991)	0	(427,991)	0
	<u>2,133,108</u>	<u>0</u>	<u>71,057</u>	<u>0</u>	<u>(2,062,051)</u>	<u>0</u>	<u>(2,062,051)</u>	<u>0</u>
Other expenses:								
Long-term debt interest	63,326	0	0	0	(63,326)	0	(63,326)	0
AEA flowthrough	412,962	0	412,962	0	0	0	0	0
Depreciation(unallocated)*	296,738	0	0	0	(296,738)	0	(296,738)	0
	<u>773,026</u>	<u>0</u>	<u>412,962</u>	<u>0</u>	<u>(360,064)</u>	<u>0</u>	<u>(360,064)</u>	<u>0</u>
Total governmental activities	9,050,757	799,927	937,411	0	(7,313,419)	0	(7,313,419)	0
Business Type activities:								
Non-instructional programs:								
Nutrition services	397,020	258,331	188,197	0	0	49,508	49,508	0
Total business type activities	<u>397,020</u>	<u>258,331</u>	<u>188,197</u>	<u>0</u>	<u>0</u>	<u>49,508</u>	<u>49,508</u>	<u>0</u>
Total primary government	\$ 9,447,777	1,058,258	1,125,608	0	(7,313,419)	49,508	(7,263,911)	0
Total component unit	\$ 1,240,940	0	41,980	1,185,086				(13,874)
<b>General Revenues:</b>								
Property tax levied for:								
General purposes					\$ 3,966,087	0	3,966,087	0
Capital outlay					43,589	0	43,589	0
Income surtax					153,350	0	153,350	0
Statewide sales, services and use tax					671,332	0	671,332	0
Unrestricted state grants					4,143,948	0	4,143,948	0
Nonspecific program federal grants					190,567	0	190,567	0
Unrestricted investment earnings					44,065	331	44,396	3,091
Other					42,445	0	42,445	22,240
Total general revenues					<u>9,255,383</u>	<u>331</u>	<u>9,255,714</u>	<u>25,331</u>
Changes in net assets					1,941,964	49,839	1,991,803	11,457
Net assets beginning of year					<u>7,311,817</u>	<u>139,281</u>	<u>7,451,098</u>	<u>261,889</u>
Net assets end of year					<u>\$ 9,253,781</u>	<u>189,120</u>	<u>9,442,901</u>	<u>273,346</u>

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

SEE NOTES TO FINANCIAL STATEMENTS.

OSAGE COMMUNITY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2011

	General	Other Nonmajor Governmental Funds	Total
<b>Assets</b>			
Cash and pooled investments	\$ 2,417,890	1,160,819	3,578,709
Receivables:			
Property tax:			
Delinquent	43,576	4,407	47,983
Succeeding year	3,567,708	358,843	3,926,551
Income surtax	133,082	44,361	177,443
Accounts	1,868	1,826	3,694
Due from other governments	187,001	126,779	313,780
<b>Total Assets</b>	<b>\$ 6,351,125</b>	<b>1,697,035</b>	<b>8,048,160</b>
<b>Liabilities and Fund Balances</b>			
Liabilities:			
Accounts payable	\$ 146,347	716	147,063
Salaries and benefits payable	1,391,280	581	1,391,861
Deferred revenue:			
Succeeding year property tax	3,567,708	358,843	3,926,551
Income surtax	133,082	44,361	177,443
Other	87,886	0	87,886
Total liabilities	5,326,303	404,501	5,730,804
Fund balances:			
Restricted for:			
Categorical funding	376,931	0	376,931
Management levy purposes	0	192,355	192,355
Student activities	0	143,499	143,499
Expendable trust purposes	0	67,371	67,371
Construction	0	44,271	44,271
Physical plant and equipment	0	61,198	61,198
School infrastructure	0	416,949	416,949
Debt service	0	366,891	366,891
Unassigned	647,891	0	647,891
Total fund balances	1,024,822	1,292,534	2,317,356
<b>Total Liabilities and Fund Balances</b>	<b>\$ 6,351,125</b>	<b>1,697,035</b>	<b>8,048,160</b>

SEE NOTES TO FINANCIAL STATEMENTS.

OSAGE COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF NET ASSETS  
 JUNE 30, 2011

<b>Total fund balances of governmental funds</b> (page 20)	\$ 2,317,356
<b>Amounts reported for governmental activities in the statement of net assets are different because:</b>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in in the governmental funds.	8,485,288
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.	(22,981)
Accounts receivable income surtax, is not yet available to finance expenditures of the current fiscal period.	177,443
Other postemployment benefits are not yet available to finance expenditures of the current fiscal period	71,716
Long-term liabilities including revenue bonds payable, capital loan notes payable, and early retirement payable are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(1,775,041)</u>
<b>Net assets of governmental activities</b> (page 18)	<u><u>\$ 9,253,781</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

OSAGE COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2011

	General	Other Nonmajor Governmental Funds	Total
<b>REVENUES:</b>			
Local sources:			
Local tax	\$ 3,770,571	1,082,944	4,853,515
Tuition	240,060	0	240,060
Other	207,248	485,100	692,348
Intermediate sources	1,300	0	1,300
State sources	4,727,890	0	4,727,890
Federal sources	496,765	0	496,765
Total revenues	<u>9,443,834</u>	<u>1,568,044</u>	<u>11,011,878</u>
<b>EXPENDITURES:</b>			
Current:			
Instruction:			
Regular	3,587,480	301,533	3,889,013
Special	949,475	0	949,475
Other	1,008,669	465,880	1,474,549
	<u>5,545,624</u>	<u>767,413</u>	<u>6,313,037</u>
Support services:			
Student	249,955	0	249,955
Instructional staff	186,098	0	186,098
Administration	758,657	14,914	773,571
Operation and maintenance of plant	489,374	42,203	531,577
Transportation	360,992	8,570	369,562
	<u>2,045,076</u>	<u>65,687</u>	<u>2,110,763</u>
Other expenditures:			
Facilities acquisitions	0	203,774	203,774
Long-term debt:			
Principal	0	373,333	373,333
Interest	0	72,476	72,476
AEA flowthrough	412,962	0	412,962
	<u>412,962</u>	<u>649,583</u>	<u>1,062,545</u>
Total expenditures	<u>8,003,662</u>	<u>1,482,683</u>	<u>9,486,345</u>
Excess of revenues over expenditures	<u>1,440,172</u>	<u>85,361</u>	<u>1,525,533</u>
Other financing sources(uses):			
Transfer in	0	460,928	460,928
Transfer out	(104,205)	(356,723)	(460,928)
Total other financing sources(uses)	<u>(104,205)</u>	<u>104,205</u>	<u>0</u>
Net change in fund balances	1,335,967	189,566	1,525,533
Fund balance beginning of year, as restated	(311,145)	1,102,968	791,823
Fund balance end of year	<u>\$ 1,024,822</u>	<u>1,292,534</u>	<u>2,317,356</u>

SEE NOTES TO FINANCIAL STATEMENTS.

OSAGE COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF ACTIVITIES  
 YEAR ENDED JUNE 30, 2011

Net change in fund balances - total governmental funds(page 22) \$ 1,525,533

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

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

Capital outlays	\$ 271,797	
Depreciation expense	(463,506)	
Loss on disposal of capital assets	<u>(9,662)</u>	(201,371)

Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year repayments are as follows:

Repaid	373,333
--------	---------

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

9,150

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

(19,157)

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

Other postemployment benefits	41,365	
Early retirement	<u>213,111</u>	<u>254,476</u>

Changes in net assets of governmental activities(page 19) \$ 1,941,964

SEE NOTES TO FINANCIAL STATEMENTS.

OSAGE COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
PROPRIETARY FUND  
JUNE 30, 2011

		School Nutrition
Assets		
Cash and pooled investments	\$	112,444
Inventories		23,873
Net OPEB asset		3,688
Capital assets, net of accumulated depreciation		61,830
Total Assets		201,835
Liabilities		
Salaries and benefits payable		5,756
Unearned revenue		6,959
Total Liabilities		12,715
Net Assets		
Invested in capital assets		61,830
Unrestricted		127,290
Total Net Assets	\$	189,120

SEE NOTES TO FINANCIAL STATEMENTS.

OSAGE COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2011

	School Nutrition
Operating revenues:	
Local sources:	
Charges for services	\$ 258,331
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	130,602
Benefits	67,207
Services	5,682
Supplies	183,153
Depreciation	10,376
	397,020
Total operating expenses	397,020
Operating loss	(138,689)
Non-operating revenues:	
State sources	3,978
Federal sources	184,219
Interest income	331
Total non-operating revenues	188,528
Change in net assets	49,839
Net assets beginning of year	139,281
Net assets end of year	\$ 189,120

SEE NOTES TO FINANCIAL STATEMENTS.

OSAGE COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2011

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 257,675
Cash payments to employees for services	(200,876)
Cash payments to suppliers for goods or services	(150,994)
Net cash used in operating activities	(94,195)
Cash flows from non-capital financing activities:	
State grants received	3,978
Federal grants received	145,018
Net cash provided by non-capital financing activities	148,996
Cash flows from capital and related financing activities:	
Purchase of capital assets	(24,650)
Cash flows from investing activities:	
Interest on investments	331
Net increase in cash and cash equivalents	30,482
Cash and cash equivalents at beginning of year	81,962
Cash and cash equivalents at end of year	\$ 112,444
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (138,689)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	39,201
Depreciation	10,376
Increase in inventories	(1,095)
Decrease in accounts payable	(265)
Decrease in salaries and benefits payable	(940)
Decrease in unearned revenue	(656)
Decrease in other postemployment benefits	(2,127)
Net cash used in operating activities	\$ (94,195)

RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR

During the year ended June 30, 2011, the District received Federal commodities valued at \$39,201.

SEE NOTES TO FINANCIAL STATEMENTS.

OSAGE COMMUNITY SCHOOL DISTRICT  
 STATEMENT OF FIDUCIARY NET ASSETS  
 FIDUCIARY FUND  
 JUNE 30, 2011

	<u>Private- Purpose Trust</u>
ASSETS	
Cash and pooled investments	\$ 835,116
LIABILITIES	<u>0</u>
NET ASSETS	
Restricted for scholarships	816,300
Unrestricted	<u>18,816</u>
TOTAL NET ASSETS	<u>\$ 835,116</u>

SEE NOTES TO FINANCIAL STATEMENTS.

OSAGE COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUND  
YEAR ENDED JUNE 30, 2011

	Private- Purpose Trust
Additions:	
Local sources:	
Interest income	\$ 20,011
Deductions:	
Instruction:	
Regular:	
Scholarships awarded	20,500
Deficiency of revenues under expenditures	(489)
Other financing sources(uses)	
Transfer in	35,000
Transfer out	(35,000)
Total other financing sources(uses)	0
Change in net assets	(489)
Net assets beginning of year	835,605
Net assets end of year	\$ 835,116

SEE NOTES TO FINANCIAL STATEMENTS.

OSAGE COMMUNITY SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2011

**(1) Summary of Significant Accounting Policies**

The Osage Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the district either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the cities of Osage, Orchard and Mitchell, Iowa and the predominate agricultural territory in Mitchell and Floyd Counties. The district is governed by a Board of Education whose members are elected on a non-partisan basis.

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

**A. Reporting Entity**

For financial reporting purposes, Osage Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District.

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

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

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or

responsibility by the participating governments. The District is a member of the Mitchell and Floyd County Assessors' Conference Board.

B. Basis of Presentation

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

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

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

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

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

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

Fund Financial Statements - Separate financial statements are provided for governmental and proprietary funds, even though the latter are excluded from the Government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds. Combining schedules are also included for the Capital Project Fund accounts.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some

other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The District reports the following nonmajor proprietary fund:

The District's proprietary funds is the Enterprise, School Nutrition Fund. The Nutrition Fund is used to account for the food service operations of the District.

The District also reports a fiduciary fund which focuses on net assets and changes in net assets. The District's fiduciary fund is as follows:

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications - restricted and then unassigned fund balances.

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

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

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

D. Assets, Liabilities and Fund Balances

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

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

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

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

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax

receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year.

Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the Government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2009 assessed property valuations; is for the tax accrual period July 1, 2010 through June 30, 2011 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2010.

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

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

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

Asset Class	Amount
Land	\$ 500
Buildings	500
Land improvements	500
Intangibles	75,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	500

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

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Land improvements	20-50 years
Intangibles	2 or more years
Machinery and equipment	5-15 years

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

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

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

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

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 Equity - In the governmental fund financial statements, fund balances are classified as follows:

Restricted - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Unassigned - All amounts not included in other spendable classifications.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally

imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgeting and Budgetary Control

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

(2) **Cash and Pooled Investments**

The District's deposits at June 30, 2011 were entirely covered by federal depository insurance or State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

At June 30, 2011 the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$59,570 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

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

(3) **Interfund Transfers**

The detail of transfers for the year ended June 30, 2011 is as follows:

Transfer to	Transfer from	Amount
Capital Projects:		
Statewide Sales, Services and Use Tax	Capital Projects: Building Projects	\$ 5,083
Debt Sinking: \$520,000 Bond	Capital Projects: Statewide Sales, Services and Use Tax	102,180
Debt Sinking: \$1,100,000 Bond	Capital Projects: Statewide Sales, Services and Use Tax	249,460
Debt Service	General	104,205
Private Purpose Trust: Raub Scholarship	Private Purpose Trust: Alchon Scholarship	35,000
Total		<u>\$ 495,928</u>

The Capital Projects: Statewide Sales, Services and Use Tax Fund transfer to Debt Sinking: \$520,000 Bond and Debt Sinking: \$1,100,000 Bond funds were needed for principal and interest payments on the District's revenue bond indebtedness.

The General Fund transfer to Debt Service Fund was for principal and interest payments on the District's energy loan note.

The Capital Projects: Building Projects transfer to Capital Projects: Statewide Sales, Services and Use Tax Fund for the remaining proceeds from the District's \$520,000 bond issuance.

The Private Purpose Trust: Alchon Scholarship transfer to Private Purpose Trust: Raub Scholarship was for scholarships previously paid from the wrong scholarship account.

**(4) Iowa School Cash Anticipation Program (ISCAP)**

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

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. The District must repay the outstanding withdrawal from its General Fund receipts, and must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. The interest rate on the Series 2010-11A warrants was 1.20% plus the one-month LIBOR rate, adjusted daily. A summary of the District's participation in ISCAP as of June 30, 2011 is as follows:

Series	Warrant Date	Final Warrant Maturity	Balance			Balance End of Year
			Beginning of Year	Advances Received	Advances Repaid	
2010-11A	6/30/10	6/23/11	\$ 0	750,000	750,000	0

During the year ended June 30, 2011, the District paid \$1,397 of interest on the ISCAP warrants.

**(5) Capital Assets**

Capital assets activity for the year ended June 30, 2011 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 422,000	0	0	422,000
Construction in progress	0	85,798	0	85,798
Total capital assets not being depreciated	422,000	85,798	0	507,798
Capital assets being depreciated:				
Buildings	10,624,928	0	0	10,624,928
Land Improvements	158,183	128,028	0	286,211
Machinery and equipment	2,801,314	57,971	41,914	2,817,371
Total capital assets being depreciated	13,584,425	185,999	41,914	13,728,510
Less accumulated depreciation for:				
Buildings	3,237,907	282,320	0	3,520,227
Land Improvements	28,051	14,418	0	42,469
Machinery and equipment	2,053,808	166,768	32,252	2,188,324
Total accumulated depreciation	5,319,766	463,506	32,252	5,751,020
Total capital assets being depreciated, net	8,264,659	(277,507)	9,662	7,977,490
Governmental activities capital assets, net	\$ 8,686,659	(191,709)	9,662	8,485,288
Business type activities:				
Machinery and equipment	\$ 177,580	24,650	19,275	182,955
Less accumulated depreciation	130,024	10,376	19,275	121,125
Business type activities capital assets, net	\$ 47,556	14,274	0	61,830

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 62,838
Other	25,481
Support services:	
Administration	4,173
Operation and maintenance of plant	887
Transportation	73,389
	<u>166,768</u>
Unallocated depreciation	<u>296,738</u>
Total governmental activities depreciation expense	<u>\$ 463,506</u>
Business type activities:	
Food services	<u>\$ 10,376</u>

**(6) Long-Term Liabilities**

A summary of changes in long-term debt for the year ended June 30, 2011 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Revenue Bonds	\$ 1,260,000	0	288,333	971,667	316,667
Energy Loan Notes	675,000	0	85,000	590,000	90,000
Early Retirement	426,485	0	213,111	213,374	63,578
Total	<u>\$ 2,361,485</u>	<u>0</u>	<u>586,444</u>	<u>1,775,041</u>	<u>470,245</u>

Revenue Bonds

Details of the District's June 30, 2011 revenue bond indebtedness is as follows:

Year Ending June 30,	Bond issue dated March 1, 2007			Bond issue dated December 6, 2007			Total		
	Interest Rate	Principal	Interest	Interest Rate	Principal	Interest	Principal	Interest	Total
2012	4.35 %	\$ 95,000	10,223	4.30 %	\$ 221,667	24,725	\$ 316,667	34,948	351,615
2013	4.35	95,000	6,199	4.30	230,000	15,050	325,000	21,249	346,249
2014	4.35	95,000	2,065	4.30	235,000	5,052	330,000	7,117	337,117
Total		<u>\$ 285,000</u>	<u>18,487</u>		<u>\$ 686,667</u>	<u>44,827</u>	<u>\$ 971,667</u>	<u>63,314</u>	<u>1,034,981</u>

The District has pledged future statewide sales, services and use tax revenues to repay the \$1,545,000 bonds issued March 1, 2007 and December 6, 2007. The bonds were issued for the purpose of defraying a portion of the cost of renovations at the school. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2014. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional limitation of the District. Annual principal and interest payments on the bonds are expected to require approximately 51 percent of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the notes is \$1,034,981. For the current year \$288,333 in principal and \$53,271 in interest was paid on the bonds and total statewide sales, services and use tax revenues were \$671,332.

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

- a) The bonds will only be redeemed from the future earnings of the statewide sales, services and use tax revenues received by the District and the bond holders hold a lien on the future revenues received.

- b) Sufficient monthly deposits amounting to one sixth of the next interest payment and one twelfth of the next principal payment shall be made to the Statewide Sales, Services and Use Tax Sinking Fund for the purpose of making the bond principal and interest payments when due.
- c) A separate bond reserve fund will be maintained to be used solely for the purpose of paying principal and interest in the event the revenue fund does not have sufficient funds for that purpose. This fund is called the Statewide Sales, Services and Use Tax Reserve Fund.

Energy Loan Notes

Details of the District's June 30, 2011 energy loan notes indebtedness is as follows:

Year Ending June 30,	Energy Loan Notes dated March 1, 2007			
	Interest Rate	Principal	Interest	Total
2012	4.40	% \$ 90,000	25,960	115,960
2013	4.40	90,000	22,000	112,000
2014	4.40	95,000	18,040	113,040
2015	4.40	100,000	13,860	113,860
2016	4.40	105,000	9,460	114,460
2017	4.40	110,000	4,840	114,840
Total		\$ 590,000	94,160	684,160

Early Retirement

The District offered a voluntary early retirement plan to certified employees only who retired prior to June 30, 2010. Eligible employees must have been at least age fifty-five and must have completed fifteen years of continuous service or twenty years of noncontinuous service to the District. Employees must have completed an application for early retirement benefits not later than January 13 of the calendar year in which the first year of early retirement is to commence. Each application submitted was subject to approval by the Board of Education.

Employees that had been granted early retirement benefits can elect to continue participation in the District's group health insurance plan until eligible for Medicare benefits whether or not the employee actually applies for Medicare benefits. The District will continue to pay a portion of the retirees monthly premium for group single health insurance until the employee is eligible for Medicare, dies or fails to pay the balance of the premium that is due to continue coverage whichever is first to occur. A liability has been recorded in the Statement of Net Assets representing the District's commitment to fund non-current early retirement. Early retirement expenditures for the year ended June 30, 2011 totaled \$213,111.

**(7) Pension and Retirement Benefits**

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by

State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 4.50% of their annual salary and the District is required to contribute 6.95% of annual covered payroll. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2011, 2010 and 2009 were \$341,481, \$368,465, and \$345,635, respectively, equal to the required contributions for each year.

**(8) Other Postemployment Benefits**

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 123 active and 19 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 Blue Cross Blue Shield. Retirees under age 65 pay the same premium for the medical and prescription drug benefits as active employees, which result in an implicit rate subsidy and an OPEB liability.

Funding Policy - The contribution requirements of 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 and unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's OPEB cost for the year ended June 30, 2011, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 92,383
Interest on net OPEB obligation	(798)
Adjustment to annual required contribution	<u>(5,896)</u>
Annual OPEB cost	85,689
Contributions made	<u>(129,181)</u>
Increase in net OPEB obligation	(43,492)
Net OPEB obligation beginning of year	<u>(31,912)</u>
Net OPEB obligation end of year	<u><u>\$ (75,404)</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, 2011.

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, 2011 are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2010	\$ 91,012	135.1%	\$ (31,912)
2011	85,689	150.8%	(75,404)

Funded Status and Funding Progress - As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2010 through June 30, 2011, the actuarial accrued liability was \$949,154, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$949,154. The covered payroll (annual payroll of active employees covered by the plan) was \$5,058,171, and the ratio of the UAAL to covered payroll was 18.76%. As of June 30, 2011 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 event 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 includes a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6%.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were based upon national termination studies performed by the Society of Actuaries. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

**(9) Risk Management**

Osage Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural

disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**(10) Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$412,962 for the year ended June 30, 2011 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**(11) Construction Commitment**

The District has entered into various contracts for a press box and a workshop addition. As of June 30, 2011, costs of \$85,798 had been incurred against the contracts. The balance remaining at June 30, 2011 will be paid as work on the projects progresses.

**(12) Categorical Funding**

The District's restricted fund balance for categorical funding at June 30, 2011 is comprised of the following programs:

Program	Amount
Talent and gifted	\$ 110,900
Dropout and dropout prevention	46,061
Teacher salary supplement	64,438
Professional development	73,312
Beginning teacher mentoring	4,437
Statewide voluntary preschool	27,411
Market factor incentive	4,772
Model core curriculum	35,385
Non public transportation	10,215
Total	<u><u>\$ 376,931</u></u>

**(13) Accounting Change/Restatement**

Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, was implemented during the year ended June 30, 2011. The effect of fund type reclassification is as follows:

	Capital Projects	Special Revenue, Physical Plant and Equipment Levy
Balances June 30, 2010 as previously reported	\$ 306,972	41,357
Change in fund type classification per implementation of GASB Statement No. 54	41,357	(41,357)
Balance July 1, 2010 as restated	<u><u>\$ 348,329</u></u>	<u><u>\$ 0</u></u>

REQUIRED SUPPLEMENTARY INFORMATION

OSAGE COMMUNITY SCHOOL DISTRICT  
 BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENDITURES/EXPENSES AND  
 CHANGES IN BALANCES -  
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS  
 AND PROPRIETARY FUNDS  
 REQUIRED SUPPLEMENTARY INFORMATION  
 YEAR ENDED JUNE 30, 2011

	Governmental	Proprietary	Total	Budgeted Amounts		Final to
	Funds	Funds		Original	Final	Actual
	Actual	Actual				Actual
Revenues:						
Local sources	\$ 5,785,923	258,662	6,044,585	6,042,027	6,042,027	2,558
Intermediate sources	1,300	0	1,300	0	0	1,300
State sources	4,727,890	3,978	4,731,868	5,086,154	5,086,154	(354,286)
Federal sources	496,765	184,219	680,984	400,000	400,000	280,984
Total revenues	11,011,878	446,859	11,458,737	11,528,181	11,528,181	(69,444)
Expenditures/Expenses:						
Instruction	6,313,037	0	6,313,037	7,015,000	7,015,000	701,963
Support services	2,110,763	0	2,110,763	2,563,000	2,563,000	452,237
Non-instructional programs	0	397,020	397,020	503,000	503,000	105,980
Other expenditures	1,062,545	0	1,062,545	1,525,920	1,525,920	463,375
Total expenditures/expenses	9,486,345	397,020	9,883,365	11,606,920	11,606,920	1,723,555
Excess(Deficiency) of revenues over(under) expenditures/expenses	1,525,533	49,839	1,575,372	(78,739)	(78,739)	1,654,111
Other financing sources, net	0	0	0	25,722	25,722	(25,722)
Excess(deficiency) of revenues and other financing sources over(under) expenditures/expenses	1,525,533	49,839	1,575,372	(53,017)	(53,017)	1,628,389
Balance beginning of year	791,823	139,281	931,104	394,988	394,988	536,116
Balance end of year	\$ 2,317,356	189,120	2,506,476	341,971	341,971	2,164,505

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

OSAGE COMMUNITY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING  
YEAR ENDED JUNE 30, 2011

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

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

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

OSAGE COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FUNDING PROGRESS FOR THE  
RETIREE HEALTH PLAN  
REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2011

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	\$ 0	\$ 949,154	\$ 949,154	0.00%	\$ 5,241,565	18.11%
2011	July 1, 2009	0	949,155	949,155	0.00%	5,058,171	18.76%

See Note 8 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

OSAGE COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ASSETS, LIABILITIES AND  
NET ASSETS - CASH BASIS  
COMPONENT UNIT  
JUNE 30, 2011

	Osage Education Foundation
Assets	
Cash and cash equivalents	\$ 85,346
Certificates of deposit	188,000
	273,346
Total Assets	\$ 273,346
Total Liabilities	\$ 0
Net Assets	
Restricted for scholarships	149,884
Unrestricted net assets	123,462
Total net assets	273,346
Total Liabilities Net Assets	\$ 273,346

OSAGE COMMUNITY SCHOOL DISTRICT  
STATEMENT OF SUPPORT AND REVENUE, EXPENSES AND  
CHANGES IN NET ASSETS - CASH BASIS  
COMPONENT UNIT  
YEAR ENDED JUNE 30, 2011

	Osage Education Foundation
Support and Revenue:	
Interest	\$ 3,091
Construction contributions	1,185,086
Scholarship contributions	41,980
Other	22,240
Total support and revenue	1,252,397
Expenses:	
Publishing	2,088
Scholarships	15,100
Grants	33,442
Construction services	1,184,299
Other	6,011
Total expenses	1,240,940
Excess of support and revenue over expenses	11,457
Net assets beginning of year	261,889
Net assets end of year	\$ 273,346

OTHER SUPPLEMENTARY INFORMATION

OSAGE COMMUNITY SCHOOL DISTRICT  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2011

	Special Revenue						Total
	Manage- ment Levy	Student Activity	Expendable Trust	Total Special Revenue Funds	Capital Projects	Debt Service	Other Nonmajor Governmental Funds
<b>Assets</b>							
Cash and pooled investments	\$ 188,467	142,970	67,371	398,808	395,120	366,891	1,160,819
Receivables:							
Property tax:							
Delinquent		3,888	0	3,888	519	0	4,407
Succeeding year		195,000	0	195,000	163,843	0	358,843
Income surtax		0	0	0	44,361	0	44,361
Accounts		0	1,826	1,826	0	0	1,826
Due from other governments		0	0	0	126,779	0	126,779
<b>Total Assets</b>	<b>\$ 387,355</b>	<b>144,796</b>	<b>67,371</b>	<b>599,522</b>	<b>730,622</b>	<b>366,891</b>	<b>1,697,035</b>
<b>Liabilities and Fund Balances</b>							
Liabilities:							
Accounts payable	\$ 0	716	0	716	0	0	716
Salaries and benefits payable		0	581	581	0	0	581
Deferred revenue:							
Succeeding year property tax		195,000	0	195,000	163,843	0	358,843
Income surtax		0	0	0	44,361	0	44,361
Total Liabilities		195,000	1,297	196,297	208,204	0	404,501
Fund balances:							
Restricted for:							
Management levy purposes	192,355	0	0	192,355	0	0	192,355
Student activities	0	143,499	0	143,499	0	0	143,499
Expendable trust purposes	0	0	67,371	67,371	0	0	67,371
Construction	0	0	0	0	44,271	0	44,271
Physical plant and equipment	0	0	0	0	61,198	0	61,198
School infrastructure	0	0	0	0	416,949	0	416,949
Debt service	0	0	0	0	0	366,891	366,891
Total fund balances	192,355	143,499	67,371	403,225	522,418	366,891	1,292,534
<b>Total Liabilities and Fund Balances</b>	<b>\$ 387,355</b>	<b>144,796</b>	<b>67,371</b>	<b>599,522</b>	<b>730,622</b>	<b>366,891</b>	<b>1,697,035</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

OSAGE COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 YEAR ENDED JUNE 30, 2011

	Special Revenue						Total
	Management Levy	Student Activity	Expendable Trust	Total Special Revenue Funds	Capital Projects	Debt Service	Other Nonmajor Governmental Funds
REVENUES:							
Local sources:							
Local tax	\$ 324,896	0	0	324,896	758,048	0	1,082,944
Other	10,748	456,675	10,339	477,762	4,652	2,686	485,100
TOTAL REVENUES	335,644	456,675	10,339	802,658	762,700	2,686	1,568,044
EXPENDITURES:							
Current:							
Instruction:							
Regular	259,220	0	13,390	272,610	28,923	0	301,533
Other	0	465,880	0	465,880	0	0	465,880
Support services:							
Administration	10,640	0	0	10,640	4,274	0	14,914
Operation and maintenance of plant	42,203	0	0	42,203	0	0	42,203
Transportation	8,570	0	0	8,570	0	0	8,570
Other expenditures:							
Facilities acquisitions	0	0	0	0	203,774	0	203,774
Long-term debt:							
Principal	0	0	0	0	0	373,333	373,333
Interest and fiscal charges	0	0	0	0	0	72,476	72,476
TOTAL EXPENDITURES	320,633	465,880	13,390	799,903	236,971	445,809	1,482,683
Excess(Deficiency) of revenues over(under) expenditures	15,011	(9,205)	(3,051)	2,755	525,729	(443,123)	85,361
Other financing sources(uses):							
Transfers in	0	0	0	0	5,083	455,845	460,928
Transfers out	0	0	0	0	(356,723)	0	(356,723)
Total other financing sources(uses)	0	0	0	0	(351,640)	455,845	104,205
Net change in fund balances	15,011	(9,205)	(3,051)	2,755	174,089	12,722	189,566
Fund balances beginning of year, as restated	177,344	152,704	70,422	400,470	348,329	354,169	1,102,968
Fund balances end of year	\$ 192,355	143,499	67,371	403,225	522,418	366,891	1,292,534

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

OSAGE COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 CAPITAL PROJECT ACCOUNTS  
 JUNE 30, 2011

	Capital Projects			
	Building Projects	Physical Plant and Equipment Levy	Statewide, Sales, Services and Use Tax	Total
<b>Assets</b>				
Cash and pooled investments	\$ 44,271	60,679	290,170	395,120
Receivables:				
Property tax				
Delinquent	0	519	0	519
Succeeding year	0	163,843	0	163,843
Income surtax	0	44,361	0	44,361
Due from other governments	0	0	126,779	126,779
<b>Total Assets</b>	<b>\$ 44,271</b>	<b>269,402</b>	<b>416,949</b>	<b>730,622</b>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Deferred revenue				
Succeeding year property tax	\$ 0	163,843	0	163,843
Income surtax	0	44,361	0	44,361
Total liabilities	0	208,204	0	208,204
Fund balances:				
Restricted for:				
Construction	44,271	0	0	44,271
Physical plant and equipment	0	61,198	0	61,198
School infrastructure	0	0	416,949	416,949
Total fund balances	44,271	61,198	416,949	522,418
<b>Total Liabilities and Fund Balances</b>	<b>\$ 44,271</b>	<b>269,402</b>	<b>416,949</b>	<b>730,622</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

OSAGE COMMUNITY SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCE  
 CAPITAL PROJECT ACCOUNTS  
 YEAR ENDED JUNE 30, 2011

	Capital Projects			
	Building Projects	Physical Plant and Equipment Levy	Statewide, Sales, Services and Use Tax	Total
Revenues:				
Local sources:				
Local tax	\$ 0	86,716	671,332	758,048
Other	834	967	2,851	4,652
Total revenues	834	87,683	674,183	762,700
Expenditures:				
Current:				
Instruction:				
Regular	0	28,923	0	28,923
Support services:				
Administration	0	4,274	0	4,274
Other expenditures:				
Facilities acquisitions	21,114	34,645	148,015	203,774
Total expenditures	21,114	67,842	148,015	236,971
Excess(Deficiency) of revenues over(under) expenditures	(20,280)	19,841	526,168	525,729
Other financing sources(uses):				
Transfer in	0		5,083	5,083
Transfer out	(5,083)	0	(351,640)	(356,723)
Total other financing uses	(5,083)	0	(346,557)	(351,640)
Net change in fund balances	(25,363)	19,841	179,611	174,089
Fund balance beginning of year, as restated	69,634	41,357	237,338	348,329
Fund balance end of year	\$ 44,271	61,198	416,949	522,418

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

OSAGE COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 DEBT SERVICE FUND  
 JUNE 30, 2011

	Debt Service Fund			
		Debt	Debt	
		Sinking	Sinking	
	Debt Service	\$520,000 Bond	\$1,100,000 Bond	Total
<b>Assets</b>				
Cash and pooled investments	\$ 18,187	105,295	243,409	366,891
<b>Total Assets</b>	<b>\$ 18,187</b>	<b>105,295</b>	<b>243,409</b>	<b>366,891</b>
<b>Liabilities</b>				
	\$ 0	0	0	0
Fund balances:				
Restricted for Debt service	18,187	105,295	243,409	366,891
Total fund balances	18,187	105,295	243,409	366,891
<b>Total Liabilities and Fund Balances</b>	<b>\$ 18,187</b>	<b>105,295</b>	<b>243,409</b>	<b>366,891</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

OSAGE COMMUNITY SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCE  
 DEBT SERVICE FUND  
 YEAR ENDED JUNE 30, 2011

	Debt Service Fund			
	Debt Sinking Debt Service	\$520,000 Bond	Debt Sinking \$1,100,000 Bond	Total
Revenues:				
Local sources:				
Other	\$ 0	822	1,864	2,686
Total revenues	0	822	1,864	2,686
Expenditures:				
Long-term debt:				
Principal	85,000	80,000	208,333	373,333
Interest and fiscal charges	19,205	19,266	34,005	72,476
Total expenditures	104,205	99,266	242,338	445,809
Deficiency of revenues under expenditures	(104,205)	(98,444)	(240,474)	(443,123)
Other financing sources:				
Transfer in	104,205	102,180	249,460	455,845
Excess of revenues over expenditures and other financing sources	0	3,736	8,986	12,722
Fund balance beginning of year	18,187	101,559	234,423	354,169
Fund balance end of year	\$ 18,187	105,295	243,409	366,891

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

OSAGE COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
 YEAR ENDED JUNE 30, 2011

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
SADD	\$ 389	383	0	772
Activity deposit	1,122	1,189	0	2,311
Dramatics	3,676	17,029	15,171	5,534
Speech	291	0	151	140
Project Prom	4,427	7,291	6,969	4,749
Band Trip	20,382	86,550	98,795	8,137
Chorus Trip	21,985	50	789	21,246
Cheerleaders	4,452	3,988	5,320	3,120
Magazine Sales	318	16,559	16,877	0
Class of 2011	1,556	2,325	2,657	1,224
Class of 2012	0	3,880	3,400	480
FFA	25,253	74,655	74,096	25,812
Future Teachers	300	70	0	370
Boys Cross Country Camp	65	2,116	1,455	726
Annual	3,357	3,345	6,405	297
Spanish	9,182	489	240	9,431
Student Council	3,700	12,899	14,873	1,726
IT Club	25	412	410	27
Math Club	1,935	1,841	1,311	2,465
Weightlifting	450	1,458	1,145	763
Boys Basketball Camp	1,521	2,995	2,987	1,529
Football Camp	1,120	13,395	12,986	1,529
Baseball Camp	8,670	5,322	6,787	7,205
Wrestling Camp	217	4,481	4,694	4
Girls Basketball Camp	2,426	8,214	7,022	3,618
Volleyball Camp	3,417	30,458	32,129	1,746
Softball Camp	8,570	11,728	13,769	6,529
Concession Stand	0	40,442	40,442	0
Girls Tennis Camp	89	1,940	1,739	290
Computer	289	0	0	289
Girls Track Camp	807	1,696	1,743	760
Boys Track Camp	1,363	8,614	8,308	1,669
Football Activity Tickets	347	4,390	2,292	2,445
HS Annual	0	1,613	916	697
FCCLA	1,791	610	622	1,779
Golf Camp	1,663	1,350	1,504	1,509
Girls Cross Country Camp	388	1,110	1,050	448
Athletics	575	72,050	72,625	0
M.S. Student Council	6,266	7,807	1,809	12,264
M.S. Special Olympics	10,320	1,931	2,392	9,859
Total	\$ 152,704	456,675	465,880	143,499

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

OSAGE COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 FIDUCIARY FUND - PRIVATE PURPOSE TRUST  
 JUNE 30, 2011

	Private-Purpose Trust			
	Raub Scholarship	Heiden Scholarship	Neuwohner Scholarship	Total
<b>ASSETS</b>				
Cash and pooled investments	\$ 828,191	4,739	2,186	835,116
<b>NET ASSETS</b>				
Restricted for scholarships	809,300	5,000	2,000	816,300
Unrestricted	18,891	(261)	186	18,816
<b>TOTAL NET ASSETS</b>	<b>\$ 828,191</b>	<b>4,739</b>	<b>2,186</b>	<b>835,116</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

OSAGE COMMUNITY SCHOOL DISTRICT  
 COMBINING STATEMENT OF CHANGES IN NET ASSETS  
 FIDUCIARY FUND - PRIVATE PURPOSE TRUST FUNDS  
 YEAR ENDED JUNE 30, 2011

	Raub Scholarship	Heiden Scholarship	Neuwohner Scholarship	Alchon Scholarship	Total
ADDITIONS:					
Local sources:					
Interest income	\$ 19,902	81	28	0	20,011
DEDUCTIONS:					
Instruction:					
Regular:					
Scholarships awarded	19,500	1,000	0	0	20,500
Excess(deficiency) of revenues over(under) expenditures	402	(919)	28	0	(489)
Other financing sources(uses)					
Transfer in	35,000	0	0	0	35,000
Transfer out	0	0	0	(35,000)	(35,000)
Total other financing sources(uses)	35,000	0	0	(35,000)	0
Change in net assets	35,402	(919)	28	(35,000)	(489)
Net assets beginning of year	792,789	5,658	2,158	35,000	835,605
Net assets end of year	\$ 828,191	4,739	2,186	0	835,116

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Modified Accrual Basis							
	Years Ended June 30,							
	2011	2010	2009	2008	2007	2006	2005	2004
Revenues:								
Local sources:								
Local tax	\$ 4,853,515	4,047,345	3,950,449	3,603,586	3,701,018	3,329,036	3,128,088	3,130,230
Tuition	240,060	289,057	310,603	284,780	269,587	356,273	335,005	351,671
Other	692,348	630,213	901,546	796,975	896,666	805,274	790,760	640,956
Intermediate sources	1,300	0	0	13,500	5,320	60,393	61,346	62,442
State sources	4,727,890	4,321,318	5,009,633	4,809,155	4,481,766	4,236,604	4,126,057	3,776,755
Federal sources	496,765	856,346	313,052	229,919	294,409	276,208	166,592	177,334
<b>Total</b>	<b>\$ 11,011,878</b>	<b>10,144,279</b>	<b>10,485,283</b>	<b>9,737,915</b>	<b>9,648,766</b>	<b>9,063,788</b>	<b>8,607,848</b>	<b>8,139,388</b>
Expenditures:								
Current:								
Instruction:								
Regular	\$ 3,889,013	3,995,367	4,106,799	3,825,992	3,577,442	3,247,202	3,062,556	3,224,960
Special	949,475	1,050,526	1,258,870	1,183,503	1,170,500	1,166,899	1,114,163	1,236,387
Other	1,474,549	1,488,766	1,500,093	1,335,884	1,470,359	1,296,333	1,194,772	913,930
Support services:								
Student	249,955	248,460	191,890	241,288	259,527	277,336	282,087	250,492
Instructional staff	186,098	311,547	316,816	299,352	506,278	294,270	312,190	303,819
Administration	773,571	921,508	932,912	917,423	658,137	799,481	707,799	643,447
Operation and maintenance of plant	531,577	632,102	690,287	653,128	640,493	631,683	544,878	522,112
Transportation	369,562	415,195	485,642	388,917	478,265	469,451	291,496	288,899
Non-instructional programs	0	750	0	0	0	0	1,830	9,607
Other expenditures:								
Facilities acquisitions	203,774	273,448	1,156,038	1,222,873	817,998	347,813	280,178	412,623
Long-term debt:								
Principal	373,333	520,000	300,000	145,000	140,000	130,000	125,000	115,000
Interest	72,476	94,583	114,878	74,558	24,295	37,493	44,079	49,558
AEA flow-through	412,962	411,195	355,317	333,811	318,582	298,926	293,352	290,290
<b>Total</b>	<b>\$ 9,486,345</b>	<b>10,363,447</b>	<b>11,409,542</b>	<b>10,621,729</b>	<b>10,061,876</b>	<b>8,996,887</b>	<b>8,254,380</b>	<b>8,261,124</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

OSAGE COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2011

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	PROGRAM EXPENDITURES
INDIRECT:			
DEPARTMENT OF AGRICULTURE:			
IOWA DEPARTMENT OF EDUCATION:			
SCHOOL NUTRITION CLUSTER PROGRAMS:			
SCHOOL BREAKFAST PROGRAM	10.553	FY 11	\$ 15,021
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY 11	169,198 *
			<u>184,219</u>
U.S. DEPARTMENT OF EDUCATION:			
IOWA DEPARTMENT OF EDUCATION:			
TITLE I CLUSTER PROGRAMS:			
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	FY 11	99,289
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES, RECOVERY ACT	84.389	FY 10	27,260
			<u>126,549</u>
CAREER AND TECHNICAL EDUCATION - BASIC GRANTS TO STATES	84.048	FY 11	<u>9,854</u>
IMPROVING TEACHER QUALITY STATE GRANTS	84.367	FY 11	<u>37,134</u>
GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES	84.369	FY 11	<u>5,600</u>
STATE FICAL STABILIZATION FUND CLUSTER:			
STATE FISCAL STABILIZATION FUND(SFSF)			
EDUCATION STATE GRANTS, RECOVERY ACT	84.394	FY 11	48,841
STATE FISCAL STABILIZATION FUND(SFSF)			
GOVERNMENT SERVICES, RECOVERY ACT	84.397	FY 11	43,564
			<u>92,405</u>
EDUCATION JOBS FUND	84.410	FY 11	<u>98,162</u>
AREA EDUCATION AGENCY:			
SPECIAL EDUCATION CLUSTER PROGRAMS:			
SPECIAL EDUCATION - GRANTS TO STATES(PART B)	84.027	FY 11	49,287
SPECIAL EDUCATION GRANTS TO STATES, RECOVERY ACT	84.391	FY 10	54,118
			<u>103,405</u>
TOTAL			<u>\$ 657,328</u>

\* - Includes \$42,234 of non-cash awards

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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

**NOLTE, CORNMAN & JOHNSON P.C.**

**Certified Public Accountants**

**(a professional corporation)**

**117 West 3rd Street North, Newton, Iowa 50208-3050**

**Telephone (641) 792-1910**

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

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the discretely presented component unit and the aggregate remaining fund information of Osage Community School District as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 12, 2012. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and 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 and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies we consider to be significant deficiencies.

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 on a timely basis. We consider the deficiency in internal control described in Part II of the accompanying Schedule of Finding and Questioned Costs as item II-A-11 to be a material weakness.

A significant deficiency is a deficiency or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part II of the accompanying Schedule of Finding and Questioned Costs as item II-B-11 to be a significant deficiency.

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2011 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Osage Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the District's responses, we did not audit Osage Community School District's responses and, accordingly, we express no opinion on them.

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

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



NOLTE, CORNMAN & JOHNSON, P.C.

March 12, 2012

**NOLTE, CORNMAN & JOHNSON P.C.**  
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**(a professional corporation)**  
117 West 3rd Street North, Newton, Iowa 50208-3050  
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Independent Auditor's Report on Compliance with Requirements That  
Could Have a Direct and Material Effect on Each Major Program and Internal Control  
over Compliance in Accordance with OMB Circular A-133

To the Board of Education of  
Osage Community School District

Compliance

We have audited the compliance of Osage Community School District with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of Osage Community School District's major federal programs for the year ended June 30, 2011. Osage Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Osage Community School District's management. Our responsibility is to express an opinion on Osage Community School District's compliance based on our audit.

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

In our opinion, Osage Community School District complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

The management of Osage Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Osage Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Osage Community School District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in the internal control over compliance 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 discussed below, we identified a deficiency in internal control over compliance that we consider to be a material weakness.

A deficiency in the District's internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Finding and Questionable Costs as item III-A-11 as a material weakness.

Osage Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the District's responses, we did not audit Osage Community School District's responses and, accordingly, we express no opinion on them.

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



NOLTE, CORNMAN & JOHNSON, P.C.

March 12, 2012

OSAGE COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2011

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

- (a) Unqualified opinions were issued on the financial statements.
- (b) A significant deficiency and a material weakness in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) A material weakness in internal control over major programs was disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit did not disclose audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
  - Nutrition Cluster:
    - CFDA Number 10.553 - School Breakfast Program
    - CFDA Number 10.555 - National School Lunch Program
  - Title I Cluster:
    - CFDA Number 84.010 - Title I Grant to Local Educational Agencies
    - CFDA Number 84.389 - Title I Grant to Local Educational Agencies, Recovery Act
  - Special Education Cluster:
    - CFDA Number 84.027 - Special Education - Grants to States
    - CFDA Number 84.391 - Special Education - Grants to States, Recovery Act
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Osage Community School District did not qualify as a low-risk auditee.

OSAGE COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2011

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

II-A-11 Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Cash receipts are issued and bank deposits are prepared by the same person. An independent person does not open the mail and prepare an initial listing of the checks received and later compare the listing to the receipts issued. Also, vouchers are processed, disbursements are recorded and checks are prepared by the same person.

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

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

Conclusion - Response accepted.

II-B-11 Organizations Using the District's Federal ID Number - It was noted during our audit that the North Iowa Conference was operating checking accounts under the District's Federal identification number, which are not being accounted for on the District's financial statements.

Recommendation - The District should discuss with the members of the North Iowa Conference, which is run by Superintendents in Osage and the surrounding areas, and either account for this money in the District's financial statements or have them establish their own Federal identification number and account for this on their own.

Response - The North Iowa Conference has set-up bank accounts under its own Federal ID number and no longer uses the District's.

Conclusion - Response accepted.

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

CFDA Number 10.553: School Breakfast Program  
CFDA Number 10.555: National School Lunch Program  
Federal Award Year: 2011  
U.S. Department of Agriculture  
Passed through the Iowa Department of Education

CFDA Number 84.010: Title I Grants to Local Educational Agencies  
CFDA Number 84.389: ARRA - Title I Grants to Local Educational Agencies, Recovery Act  
Federal Award Year: 2010 and 2011  
U.S. Department of Education  
Passed through the Iowa Department of Education

CFDA Number 84.027: Special Education - Grants to States  
CFDA Number 84.391: Special Education - Grants to States, Recovery Act  
Federal Award Year: 2010 and 2011  
U.S. Department of Education  
Passed through the Iowa Department of Education

III-A-11 Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Cash receipts are issued and bank deposits are prepared by the same person. An independent person does not open the mail and prepare an initial listing of the checks received and later compare the listing to the receipts issued. Also, vouchers are processed, disbursements are recorded and checks are prepared by the same person.

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

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

Conclusion - Response accepted.

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-11 Certified Budget - District disbursements for the year ended June 30, 2011, did not exceed the amount budgeted.

IV-B-11 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.

IV-C-11 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

IV-D-11 Business Transactions - No business transactions between the District and District officials were noted.

IV-E-11 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.

IV-F-11 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

IV-G-11 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.

IV-H-11 Supplementary Weighting - No variance regarding the supplementary weighting certified to the Iowa Department of Education were noted.

IV-I-11 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

IV-J-11 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.

IV-K-11 Categorical Funding - No instance were noted of categorical funding being used to supplant rather than supplement other funds.

IV-L-11 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 revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2011, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$ 237,338
Revenues:		
Sales tax revenues	\$ 671,332	
Other local revenues	2,851	
Transfer from other funds	5,083	679,266
		<u>916,604</u>
Expenditures/transfers out:		
School infrastructure construction	\$ 147,566	
Other	449	
Transfers to other funds:		
Debt service fund	351,640	499,655
		<u>416,949</u>
Ending balance		<u>\$ 416,949</u>

For the year ended June 30, 2011, the District did not reduce any levies as a result of the monies received under Chapter 423E or 423F of the Code of Iowa.