

OSKALOOSA COMMUNITY SCHOOL DISTRICT

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

June 30, 2012

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**Oskaloosa Community School District
Board of Education and School District Officials
Year ended June 30, 2012**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
(Before September 2011 Election)		
Don Patterson	President	2011
Lin Yoder	Vice President	2013
Jon Denniston	Board Member	2011
John Grahek	Board Member	2011
Laurie Fiscella	Board Member	2011
Susan Boxler	Board Member	2013
Anne Whitis	Board Member	2013
(After September 2011 Election)		
Susan Boxler	President	2013
Laurie Fiscella	Vice President	2015
Anne Whitis	Board Member	2013
Lin Yoder	Board Member	2013
Charlie Comfort	Board Member	2015
Tom Richardson	Board Member	2015
Nik Rule	Board Member	2015
School District Officials		
Russell Reiter	Superintendent	2012
Chad Vink	District Secretary/Treasurer	2012
Greg Life	Attorney	Indefinite
Jim Hanks	Attorney	Indefinite



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CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report

To the Board of Education
Oskaloosa Community School District
Oskaloosa, Iowa

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Oskaloosa Community School District, Oskaloosa, Iowa, as of and for the year ended June 30, 2012, 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 and the aggregate remaining fund information of Oskaloosa Community School District at June 30, 2012, 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 26, 2013 on our consideration of Oskaloosa 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.

U.S. generally accepted accounting principles require Management's Discussion and Analysis, Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 5 through 13 and 42 through 44 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the required supplementary information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Oskaloosa Community School District's basic financial statements. Another CPA firm previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ending June 30, 2005 and we audit the financial statements for the six years ended June 30, 2011 (which are not presented herein) and expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 10, 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 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Van Maanen, Sietstra & Meyer, PC

Van Maanen, Sietstra & Meyer, PC
Certified Public Accountants

March 26, 2013

**Oskaloosa Community School District
Management's Discussion and Analysis
Year ended June 30, 2012**

This section of the Oskaloosa Community School District's comprehensive annual financial report presents the discussion and analysis of the District's financial performance during the fiscal year ended June 30, 2012. This analysis focuses on the District's financial performance as a whole. Please read it in conjunction with the District's financial statements, which immediately follow this section.

The Oskaloosa Community School District implemented new reporting standards for the 2003 fiscal year that involved significant changes in content and structure of the reports. Because of this change, the current reports can be more easily compared to the prior years.

FINANCIAL HIGHLIGHTS

The District has now fully completed all of the major construction, renovation, and repair projects planned for the period from 2000-2007. To finance these projects, the District issued capital loan notes in the amount of \$2,530,000 in 2002-2003, Local Option Sales and Services Tax Revenue Bonds totaling \$5,760,000 in 2002-2003, Local Option Sales Tax Bonds in the amount of \$13,140,000 in 2003-2004, and Local Option Sales Tax Bonds in the amount of \$1,910,000 in 2005. Bonds associated with the School Infrastructure Local Option Sales Tax were refinanced in 2008 and the bonds associated with the Local Option Sales and Services Tax for the City of Oskaloosa and Mahaska County were refinanced in 2011. The details of the District's long-term debt are detailed in the Notes to Financial Statements. Revenues in excess of the projected requirements and the statutory change from School Infrastructure Local Option Sales Taxes to a statewide Secure an Advance Vision for Education Fund sales tax have made repayments on all bonds predictable.

General Fund revenues decreased from \$24,436,955 in fiscal year 2011 to \$24,332,936 in 2012, while General Fund expenditures increased from \$23,251,768 in 2011 to \$23,391,029 in fiscal year 2012. This resulted in an increase in the District's General Fund fund balance from \$730,543 in fiscal year 2011 to \$1,672,450 in 2012, an increase of \$941,907.

The slight decrease in revenues occurred due to decreasing enrollment that is the basis of State Aid receipts. The increase in expenditures was attributable to negotiated wage and benefit increases and the increased costs of both energy and providing transportation services.

Interest income on investments for the General Fund for the last five fiscal years has been as follows: 2008 – \$174,732; 2009 – \$117,793; 2010 – \$63,379; 2011 – \$13,327; and 2012 – \$14,213.

OVERVIEW OF FINANCIAL STATEMENTS

This report consists of four parts: Management's Discussion and Analysis (this section), the basic financial statements, required supplementary information, and other supplementary information. The basic financial statements include two kinds of statements that present different views of the District.

The first two statements are government-wide financial statements that provide both short-term and long-term information about the District's overall financial status.

The remaining statements are fund financial statements that focus on individual parts of the District by reporting the District's operations in more detail than the government-wide statements.

The governmental funds statements explain how basic services such as regular and special education were financed in the short term as well as what remains for future spending.

Proprietary funds statements offer short-term and long-term financial information about activities the District operates like businesses, such as Food Service.

Fiduciary funds statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year.

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

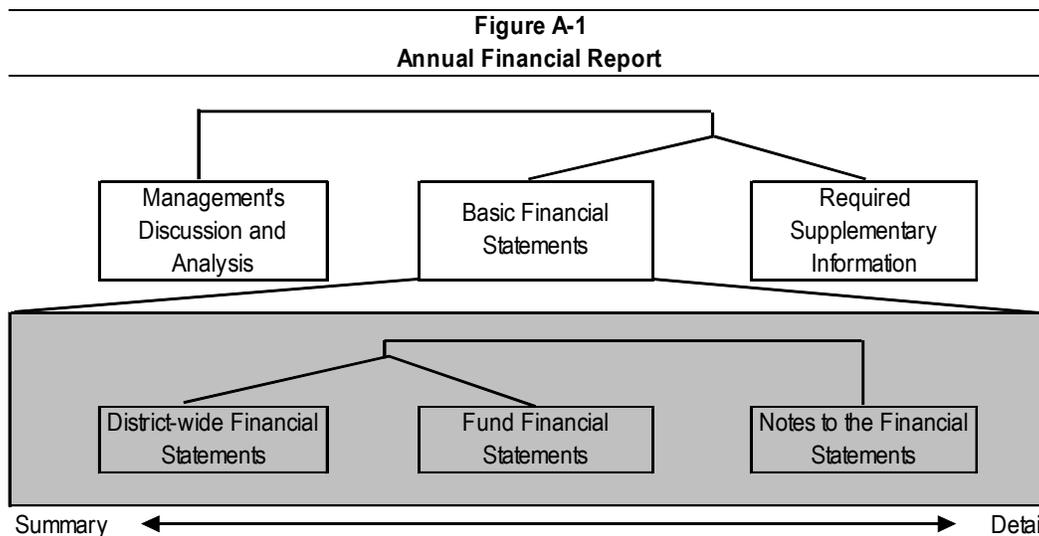


Figure A-2 summarizes the major features of the District-wide and Fund Financial Statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of the Management's Discussion and Analysis highlights the structure and contents of each of the statements.

Figure A-2 Major Features of the District-wide and Fund Financial Statements				
	District-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 the special education and building maintenance	Activities the district operates similar to private businesses: food services and student construction	Instances in which the district administers resources on behalf of someone else, such as scholarship programs
Required financial statements	* Statement of net assets * Statement of activities	* Balance sheet * Statement of revenues, expenditures, and changes in fund balances	* Statement of net assets * Statement of revenues, expenses and changes in net assets * Statement of cash flows	* Statement of fiduciary net assets * Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year; or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

The two government-wide 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, respectively.

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 taxes 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 nutrition program would be 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. Funds are accounting devices that districts use to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law or 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:

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 funds statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

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

Proprietary Funds. Services for which the District charges a fee are generally reported in proprietary funds. These funds are reported in the same way as the government-wide statements.

The Nutrition Fund and Student Construction Fund are the only proprietary funds that the District maintains.

Fiduciary Funds. The District is the trustee or fiduciary for the assets that belong to others such as scholarship funds.

The District is responsible for ensuring that the assets reported in these 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.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Comparative condensed financial statements are presented in Figure A-3.

Figure A-3							
Condensed Statement of Net Assets							
(Expressed in Thousands)							
	Governmental Activities		Business type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2012	2011	2012	2011	2012	2011	2011-2012
Current and other assets	\$ 16,158	15,702	136	182	16,294	15,884	2.6%
Capital assets	29,304	30,638	173	170	29,477	30,808	-4.3%
Total assets	45,462	46,340	309	352	45,771	46,692	-2.0%
Long-term liabilities	6,554	7,984	17	9	6,571	7,993	-17.8%
Other liabilities	11,872	12,069	220	124	12,092	12,193	-0.8%
Total liabilities	18,426	20,053	237	133	18,663	20,186	-7.5%
Net assets:							
Invested in capital assets, net of related debt	23,197	24,460	173	170	23,370	24,630	-5.1%
Restricted	2,939	1,769	-	-	2,939	1,769	66.1%
Unrestricted	900	58	(101)	49	799	107	646.7%
Total net assets	\$ 27,036	26,287	72	219	27,108	26,506	2.3%

Oskaloosa Community School District
Management's Discussion and Analysis
Year ended June 30, 2012

Figure A-4 shows the change in net assets for the year ended June 30, 2012.

Figure A-4								
Changes in Net Assets								
(Expressed in Thousands)								
	Governmental		Business type		Total		Total	
	Activities		Activities		District		Change	
	Year ended June 30,		Year ended June 30,		Year ended June 30,		June 30,	
	2012	2011	2012	2011	2012	2011	2011-2012	
Revenues:								
Program revenues:								
Charges for service	\$ 1,088	1,155	549	600	1,637	1,755	-6.7%	
Operating grants, contributions and restricted interest	4,292	4,569	622	623	4,914	5,192	-5.4%	
General revenues:								
Property tax	9,165	9,158	-	-	9,165	9,158	0.1%	
Statewide sales, services and use tax	2,259	3,020	-	-	2,259	3,020	-25.2%	
Unrestricted state grants	10,956	10,365	-	-	10,956	10,365	5.7%	
Unrestricted investment earnings	25	24	-	-	25	24	4.2%	
Other	455	608	-	-	455	608	-25.2%	
Total revenues	28,240	28,899	1,171	1,223	29,411	30,122	-2.4%	
Program expenses:								
Governmental activities:								
Instruction	17,137	15,834	192	127	17,329	15,961	8.6%	
Support services	7,916	7,953	29	41	7,945	7,994	-0.6%	
Non-instructional programs	-	-	1,097	1,011	1,097	1,011	8.5%	
Other expenses	2,438	2,228	-	-	2,438	2,228	9.4%	
Total expenses	27,491	26,015	1,318	1,179	28,809	27,194	5.9%	
Change in net assets	\$ 749	2,884	(147)	44	602	2,928	-79.4%	

Governmental Activities

The revenues and other financing sources for governmental activities were \$28,239,156 and expenses were \$27,491,366.

Figure A-5 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						
(Expressed in Thousands)						
	Total Cost of Services		Change	Net Cost of Services		Change
	2012	2011	2011-2012	2012	2011	2011-2012
Instruction	\$ 17,137	15,834	8.2%	12,681	11,135	13.9%
Support services	7,916	7,953	-0.5%	7,884	7,912	-0.4%
Other expenses	2,438	2,228	9.4%	1,545	1,244	24.2%
Totals	\$ 27,491	26,015	5.7%	22,110	20,291	9.0%

**Oskaloosa Community School District
Management's Discussion and Analysis
Year ended June 30, 2012**

- Federal and state governments subsidized certain programs with grants and contributions totaling \$4,292,319.
- The net cost of governmental activities was financed with \$9,165,081 in local property tax, \$2,259,082 in statewide sales, services, and use taxes, \$10,955,620 in unrestricted state grants, and \$24,733 on investment earnings.
- The revenues and expenses for the District's governmental activities increased due to property taxes being levied to recoup for lower unrestricted State grants in previous years. The financial strength of the District is improving and stable, with higher revenues and lower bond payments, causing a 5.8% General Fund solvency ratio.

Business Type Activities

Revenues of the District's business type activities were \$1,170,803 and expenses were \$1,318,622. The Nutrition Fund comprises the primary business-type activity for the District. Revenues included \$548,623 in charges for services, \$621,758 in state and federal grants, and \$422 in interest on investments.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

The District's Governmental Fund balances increased a total of \$672,712 over the previous fiscal year. The individual fund balance changes were as follows:

	Beginning Balance	Increase (Decrease)	Ending Balance
General Fund	\$ 730,543	941,907	1,672,450
Capital Projects	2,576,954	(398,384)	2,178,570
Non-major Funds	363,026	129,189	492,215

The total receipts for governmental funds were greater than disbursements due to increased property tax revenues levied to recoup previous revenue losses. Budgeted revenues were both less and more than actual revenues due to uncertainty of funding at the State level during the fiscal year, as well as the use of Federal sources to compensate for that loss of State sources, which was not anticipated at the time of budget certification. Actual expenditures did not exceed budgetary amounts during the fiscal year, except for Instruction and Noninstructional Expenditures, which exceeded budgetary amounts due to expenditure reclassification and unanticipated hot lunch participation.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds. This is referred to as the Certified Budget. It may be amended during the year using similar statutorily prescribed procedures. The District's certified budget is prepared on a cash basis in accordance with generally accepted accounting principles. During the 2012 fiscal year, the District amended expenditures in the Other Expenditures category.

CAPITAL ASSET AND DEBT ADMINISTRATION

At the end of the 2012 fiscal year, the District had invested in a broad range of capital assets including land, buildings, athletic facilities, computers, audio-visual equipment, and transportation equipment.

Figure A-6 shows total investment in capital assets net of accumulated depreciation.

Figure A-6							
Capital Assets, net of Depreciation							
(Expressed in Thousands)							
	Governmental Activities		Business type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2012	2011	2012	2011	2012	2011	2011-2012
Land	\$ 65	65	-	-	65	65	0.0%
Buildings	27,290	28,335	-	-	27,290	28,335	-3.7%
Improvements other than buildings	1,162	1,306	-	-	1,162	1,306	-11.0%
Furniture and equipment	787	932	173	170	960	1,102	-12.9%
Totals	\$ 29,304	30,638	173	170	29,477	30,808	-4.3%

Long-Term Debt

Figure A-7 outlines the composition of the total long-term debt amount of \$6,553,798 for the District as of June 30, 2012.

During fiscal year 2002, the District's voters approved the issuance of local option sales and services tax revenue bonds not to exceed \$20,000,000.

Figure A-7			
Outstanding Long-Term Obligations			
(Expressed in Thousands)			
	Total District		Total Change
	June 30,		June 30,
	2012	2011	2011-2012
Revenue bonds payable	4,460	6,665	-33.1%
Unamortized bond premium	21	26	0.0%
Capital notes payable	670	990	-32.3%
Lease purchase agreement	977	9	10755.6%
Early retirement	193	91	112.1%
Compensated absences	37	56	-33.9%
Other post employment benefits	196	147	33.3%
Totals	\$ 6,554	7,984	-17.9%

FACTORS BEARING ON THE DISTRICT'S FUTURE

A substantial part of the general fund revenues are determined by the Aid and Levy Worksheet that utilizes the District's certified enrollment to establish the Combined District Cost. The Certified Enrollment determined in October of 2012 indicated that funding related to enrollment will remain at its current level. The District's Administration will continue to monitor student enrollment as it relates to the state and federal funding generated.

A substantial part of General Fund expenditures are wages and benefits. A majority of the district's employees are covered by State-mandated collective bargaining agreements. The final step in the negotiation process is binding arbitration. If the negotiation process progresses to this level, the outcome may produce wages and benefits in excess of available funding. If this happens, the Board of Directors will be forced to reduce the expenditure budget with cuts in staff.

CONTACTS

For information regarding this report, contact Chad M. Vink, Board Secretary, Oskaloosa Community School District, 1800 North 3rd Street, Oskaloosa, Iowa 52757; Telephone 641-673-8345.

Basic Financial Statements

Oskaloosa Community School District
Statement of Net Assets
June 30, 2012

	Governmental Activities	Business Type Activities	Total
Assets			
Cash and cash equivalents	\$ 5,622,184	75,582	5,697,766
Receivables:			
Property tax:			
Delinquent	79,383	-	79,383
Succeeding year	8,960,925	-	8,960,925
Income surtax	115,376	-	115,376
Accounts	31,126	152	31,278
Due from other funds	126,458	-	126,458
Due from other governments	1,222,667	51,918	1,274,585
Inventories	-	8,449	8,449
Capital assets, net of accumulated depreciation	29,303,696	172,817	29,476,513
Total assets	45,461,815	308,918	45,770,733
Liabilities			
Accounts payable	549,000	22,779	571,779
Salaries and benefits payable	2,165,711	65,309	2,231,020
Due to other funds	-	126,458	126,458
Accrued interest payable	57,223	-	57,223
Deferred revenue:			
Succeeding year property tax	8,960,925	-	8,960,925
Income surtax	115,376	-	115,376
Other	23,872	5,645	29,517
Long-term liabilities:			
Portion due within one year:			
Obligations under capital lease	306,068	-	306,068
Revenue bonds	995,000	-	995,000
Capital loan notes	330,000	-	330,000
Early retirement	62,853	-	62,853
Compensated absences	37,081	-	37,081
Portion due after one year:			
Obligations under capital lease	671,023	-	671,023
Revenue bonds	3,465,000	-	3,465,000
Bond premium liability, net of accumulated amortization	21,197	-	21,197
Capital loan notes	340,000	-	340,000
Early retirement	130,043	-	130,043
Net OPEB liability	195,779	17,253	213,032
Total liabilities	18,426,151	237,444	18,663,595
Net assets			
Invested in capital assets, net of related debt	23,196,605	172,817	23,369,422
Restricted for:			
Categorical funding	268,425	-	268,425
Management levy purposes	40,314	-	40,314
Student activities	451,901	-	451,901
School infrastructure	2,145,147	-	2,145,147
Physical plant and equipment	33,423	-	33,423
Unrestricted	899,849	(101,343)	798,506
Total net assets	\$ 27,035,664	71,474	27,107,138

See notes to financial statements.

**Oskaloosa Community School District
Statement of Activities
Year ended June 30, 2012**

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		Total
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business type Activities	
Governmental activities:						
Instruction:						
Regular	\$ 11,585,590	398,680	2,429,464	(8,757,446)	-	(8,757,446)
Special	3,284,487	154,312	896,467	(2,233,708)	-	(2,233,708)
Other	2,267,344	533,775	43,330	(1,690,239)	-	(1,690,239)
	17,137,421	1,086,767	3,369,261	(12,681,393)	-	(12,681,393)
Support Services:						
Student	846,565	-	-	(846,565)	-	(846,565)
Instructional staff	1,023,272	-	-	(1,023,272)	-	(1,023,272)
Administration	2,240,494	-	-	(2,240,494)	-	(2,240,494)
Operation and maintenance of plant	2,677,611	-	-	(2,677,611)	-	(2,677,611)
Transportation	1,127,768	1,394	30,031	(1,096,343)	-	(1,096,343)
	7,915,710	1,394	30,031	(7,884,285)	-	(7,884,285)
Other expenditures:						
Facilities acquisition	197,786	-	-	(197,786)	-	(197,786)
Long-term debt interest	157,723	-	-	(157,723)	-	(157,723)
AEA flowthrough	893,027	-	893,027	-	-	-
Depreciation (unallocated)*	1,189,699	-	-	(1,189,699)	-	(1,189,699)
	2,438,235	-	893,027	(1,545,208)	-	(1,545,208)
Total governmental activities	27,491,366	1,088,161	4,292,319	(22,110,886)	-	(22,110,886)
Business type activities:						
Instructional programs:						
Student construction operations	192,548	165,000	-	-	(27,548)	(27,548)
Support services:						
Student construction operations	29,168	-	-	-	(29,168)	(29,168)
Non-instructional programs:						
Food service operations	1,096,906	383,623	621,758	-	(91,525)	(91,525)
Total business type activities	1,318,622	548,623	621,758	-	(148,241)	(148,241)
Total primary government	\$ 28,809,988	1,636,784	4,914,077	(22,110,886)	(148,241)	(22,259,127)

**Oskaloosa Community School District
Statement of Activities
Year ended June 30, 2012**

	Program Revenues		Net (Expense) Revenue and Changes in Net Assets		Total	
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities		Business type Activities
General Revenues:						
Property tax levied for:						
General purposes				8,616,153	-	8,616,153
Capital outlay				548,928	-	548,928
Statewide sales, services and use tax				2,259,082	-	2,259,082
Unrestricted state grants				10,955,620	-	10,955,620
Unrestricted investment earnings				24,733	422	25,155
Other				265,426	-	265,426
Contributions not restricted to specific programs				187,171	-	187,171
Gain on sale of assets				1,563	-	1,563
Total general revenues				22,858,676	422	22,859,098
Change in net assets				747,790	(147,819)	599,971
Net assets beginning of year, as restated				26,287,874	219,293	26,507,167
Net assets end of year				\$ 27,035,664	71,474	27,107,138

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

See notes to financial statements.

**Oskaloosa Community School District
Balance Sheet
Governmental Funds
June 30, 2012**

	General	Capital Projects	Debt Service	Non-major Governmental	Total
Assets					
Cash and pooled investments:					
Other	\$ 3,302,543	1,840,395	-	479,246	5,622,184
Receivables:					
Property tax:					
Delinquent	70,727	4,753	-	3,903	79,383
Succeeding year	7,524,686	566,237	-	870,002	8,960,925
Income surtax	115,376	-	-	-	115,376
Accounts	10,322	-	-	20,804	31,126
Due from other funds	126,458	-	-	-	126,458
Due from other governments	750,321	472,346	-	-	1,222,667
Total assets	\$ 11,900,433	2,883,731	-	1,373,955	16,158,119
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 398,338	138,924	-	11,738	549,000
Salaries and benefits payable	2,165,711	-	-	-	2,165,711
Deferred revenue:					
Succeeding year property tax	7,524,686	566,237	-	870,002	8,960,925
Income surtax	115,376	-	-	-	115,376
Other	23,872	-	-	-	23,872
Total liabilities	10,227,983	705,161	-	881,740	11,814,884
Fund balances:					
Restricted for:					
Categorical funding	268,425	-	-	-	268,425
Debt service	-	524,000	-	-	524,000
Management levy purposes	-	-	-	40,314	40,314
Student activities	-	-	-	451,901	451,901
School infrastructure	-	1,621,147	-	-	1,621,147
Physical plant and equipment	-	33,423	-	-	33,423
Unassigned	1,404,025	-	-	-	1,404,025
Total fund balances	1,672,450	2,178,570	-	492,215	4,343,235
Total liabilities and fund balances	\$ 11,900,433	2,883,731	-	1,373,955	16,158,119

See notes to financial statements.

Exhibit D

**Oskaloosa Community School District
 Reconciliation of the Balance Sheet
 Governmental Funds to the Statement of Net Assets
 June 30, 2012**

Total fund balances of governmental funds (Exhibit C) \$ 4,343,235

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.

Land	\$	64,566	
Buildings		44,037,207	
Improvements		2,893,317	
Vehicles, furniture and equipment		6,495,899	
Accumulated depreciation		(24,187,293)	
		29,303,696	29,303,696

Long-term liabilities, including bonds payable, unamortized bond premiums, lease obligations, capital loan notes, early retirement and compensated absences, and other post employment benefits payable are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.

Sales tax revenue bonds		(4,460,000)	
Capital loan notes		(670,000)	
Accrued interest payable		(57,223)	
Bond premiums, net of accumulated amortization		(21,197)	
Obligations under capital lease		(977,091)	
Special termination benefits		(192,896)	
Compensated absences		(37,081)	
Other postemployment benefits		(195,779)	
		(6,611,267)	(6,611,267)

Net assets of governmental activities (Exhibit A) \$ 27,035,664

See notes to financial statements.

Exhibit E

Oskaloosa Community School District
Statement of Revenues, Expenditures and changes in Fund Balances
Governmental Funds
Year ended June 30, 2012

	General	Capital Projects	Debt Service	Non-major Governmental	Total
Revenues:					
Local sources:					
Local tax	\$ 8,165,553	2,808,010	-	450,600	11,424,163
Tuition	411,532	-	-	-	411,532
Other	503,677	70,953	-	574,575	1,149,205
State sources	13,973,699	285	-	234	13,974,218
Federal sources	1,278,475	-	-	-	1,278,475
Total revenues	24,332,936	2,879,248	-	1,025,409	28,237,593
Expenditures:					
Current:					
Instruction:					
Regular	10,244,217	1,111,765	-	45,300	11,401,282
Special	3,275,577	-	-	-	3,275,577
Other	1,763,502	-	-	503,842	2,267,344
	15,283,296	1,111,765	-	549,142	16,944,203
Support services:					
Student	841,979	-	-	3,224	845,203
Instructional staff	982,702	34,547	-	572	1,017,821
Administration	2,064,646	141,184	-	12,250	2,218,080
Operation and maintenance of plant	2,371,908	-	-	288,680	2,660,588
Transportation	953,471	71,315	-	38,026	1,062,812
	7,214,706	247,046	-	342,752	7,804,504
Other expenditures:					
Facilities acquisition	-	197,786	-	-	197,786
Long-term debt:					
Principal	-	-	2,784,182	-	2,784,182
Interest and fiscal charges	-	-	170,783	-	170,783
AEA flowthrough	893,027	-	-	-	893,027
	893,027	197,786	2,954,965	-	4,045,778
Total expenditures	23,391,029	1,556,597	2,954,965	891,894	28,794,485
Excess (deficiency) of revenues over (under) expenditures	941,907	1,322,651	(2,954,965)	133,515	(556,892)
Other financing sources (uses):					
Sale of equipment	-	1,563	-	-	1,563
Proceeds from capital leases/lease purchases	-	1,228,041	-	-	1,228,041
Operating transfers in	-	4,326	2,954,965	-	2,959,291
Operating transfers out	-	(2,954,965)	-	(4,326)	(2,959,291)
Total other financing sources (uses)	-	(1,721,035)	2,954,965	(4,326)	1,229,604
Net change in fund balances	941,907	(398,384)	-	129,189	672,712
Fund balances beginning of year	730,543	2,576,954	-	363,026	3,670,523
Fund balances end of year	\$ 1,672,450	2,178,570	-	492,215	4,343,235

See notes to financial statements.

**Oskaloosa 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, 2012**

Net change in fund balances - total governmental funds (Exhibit E) \$ 672,712

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

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

Capital outlays	\$ 78,073	
Depreciation expense	(1,412,647)	(1,334,574)

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term debt liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.

Capital lease proceeds	(1,228,041)	
Bond principal repaid	2,205,000	
Amortization of bond premium	4,625	
Capital loan principal repaid	320,000	
Capital lease payments	259,182	1,560,766

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. 8,435

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.

Early retirement	(129,814)	
Compensated absences	19,461	
Other postemployment benefits	(49,196)	
		(159,549)

Change in net assets of governmental activities (Exhibit B) \$ 747,790

See notes to financial statements.

Exhibit G

**Oskaloosa Community School District
Statement of Net Assets
Proprietary Funds
June 30, 2012**

	Non-major Enterprise
Assets	
Current assets:	
Cash and cash equivalents	\$ 75,582
Accounts receivable	152
Due from other governments	51,918
Inventories	8,449
Capital assets, net of accumulated depreciation	172,817
Total assets	308,918
 Liabilities	
Current liabilities:	
Accounts payable	22,779
Salaries and benefits payable	65,309
Due to other funds	126,458
Deferred revenue	5,645
Total current liabilities	220,191
 Noncurrent liabilities:	
Net OPEB liability	17,253
Total liabilities	237,444
 Net Assets	
Invested in capital assets, net of related debt	172,817
Unrestricted	(101,343)
Total net assets	\$ 71,474

See notes to financial statements.

Exhibit H

Oskaloosa Community School District
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
Year ended June 30, 2012

	<u>Non-major Enterprise</u>
Operating revenue:	
Local sources:	
Charges for services	<u>\$ 548,623</u>
Operating expenses:	
Instructional programs:	
Regular	192,548
Support services:	
Administration	557
Operation and maintenance of plant	28,611
	<u>221,716</u>
Non-instructional programs:	
Food service operations:	
Salaries	316,564
Benefits	160,595
Purchased services	2,062
Supplies	589,902
Depreciation	27,783
	<u>1,096,906</u>
Total operating expenses	<u>1,318,622</u>
Operating loss	<u>(769,999)</u>
Non-operating revenue:	
Local sources	422
State sources	9,876
Federal sources	611,882
Total non-operating revenue	<u>622,180</u>
Change in net assets	(147,819)
Net assets beginning of year, as restated	<u>219,293</u>
Net assets end of year	<u>\$ 71,474</u>

See notes to financial statements.

Oskaloosa Community School District
Statement of Cash Flows
Proprietary Funds
Year ended June 30, 2012

	Non-major Enterprise
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 326,332
Cash received from miscellaneous operating activities	165,000
Cash payments to employees for services	(404,014)
Cash payments to suppliers for goods or services	(736,754)
Net cash used by operating activities	<u>(649,436)</u>
Cash flows from non-capital financing activities:	
State grants received	9,876
Federal grants received	562,509
Net cash provided by non-capital financing activities	<u>572,385</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	<u>(30,509)</u>
Cash flows from investing activities:	
Interfund loan	14,547
Interest on investments	422
Net cash provided by investing activities	<u>14,969</u>
Net decrease in cash and cash equivalents	(92,591)
Cash and cash equivalents at beginning of year	<u>168,173</u>
Cash and cash equivalents at end of year	<u>\$ 75,582</u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (769,999)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Commodities used	49,373
Depreciation	27,783
Decrease in inventories	5,601
(Increase) in accounts receivable	(51,818)
Increase in accounts payable	21,952
Increase in salaries and benefits payable	65,309
(Decrease) in deferred revenue	(5,473)
Increase in other post employment benefits payable	7,836
Net cash used by operating activities	<u>\$ (649,436)</u>
Reconciliation of cash and cash equivalents at year end to specific assets included on Combined Balance Sheet:	
Current assets:	
Cash	\$ 75,582
Cash and cash equivalents at year end	<u>\$ 75,582</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2012, the District received \$49,373 of federal commodities.

See notes to financial statements.

Exhibit J

**Oskaloosa Community School District
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2012**

	<u>Private Purpose Trust Athletic Endowment</u>
Assets	
Cash and investments	\$ 1,880
Total assets	<u>1,880</u>
Net assets	<u>\$ 1,880</u>

See notes to financial statements.

Exhibit K

Oskaloosa Community School District
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
Year ended June 30, 2012

	<u>Private Purpose Trust Athletic Endowment</u>
Additions:	
Local sources:	
Interest on investments	<u>\$ 3</u>
Deductions:	
Instruction:	
Regular	<u>60</u>
Change in net assets	(57)
Net assets beginning of year	<u>1,937</u>
Net assets end of year	<u><u>\$ 1,880</u></u>

See notes to financial statements.

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

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

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

A. Reporting Entity

For financial reporting purposes, Oskaloosa 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. The Oskaloosa Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organization - 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 Mahaska County Assessor's Conference Board.

B. Basis of Presentation

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

The Statement of Net Assets presents the District's non-fiduciary 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 attributable to the acquisition, construction or improvement of those assets.

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

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

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

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

Fund Accounting - The accounts of the District are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which comprise its assets, liabilities, reserves, fund balance/net assets, revenues and expenditures or expenses, as appropriate. The District has the following funds:

Governmental Fund Types: Governmental fund types are those funds through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the District's major governmental funds:

General Fund: 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.

Debt Service Fund: The Debt Service Fund is utilized to account for property tax and other revenues to be used for the payment of interest and principal on the District's general long-term debt.

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

The other governmental funds of the District are considered non-major and are as follows:

Special Revenue Funds: The Special Revenue Funds account for the revenue sources that are legally restricted to expenditures for specific purposes. These funds consist of the following:

Student Activity Funds: This fund accounts for transactions that occur due to student-related activities from groups and organizations such as athletic and activity events, fundraising and other extra-curricular or co-curricular activities.

Management Fund: This fund is authorized by Iowa Code Section 298.4 and accounts for transactions related to unemployment, early retirement, judgments and settlements and the cost of liability insurance as it relates to property and casualty.

Proprietary Fund Types: Proprietary fund types are used to account for the District's ongoing organizations and activities which are similar to those often found in the private sector. The measurement focus is upon income determination, financial position and cash flows. The following are the District's proprietary funds:

Enterprise Funds: Enterprise funds are used to account for those operations that are financed and operated in a manner similar to private business or where the District has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability. In accordance with Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*, the District has elected to apply all applicable Financial Accounting Standards Board (FASB) pronouncements, issued on or before November 30, 1989, except for those pronouncements which conflict with or contradict GASB pronouncements.

The following enterprise funds of the District are considered non-major:

School Nutrition Fund: This fund accounts for transactions related to the school lunch, breakfast and summer food programs authorized by Iowa Code 283A.

Student Construction Fund: This fund accounts for student construction projects.

Fiduciary Fund Types: Fiduciary funds account for assets held by the District in a trustee or agency capacity for the benefit of others and cannot be used to support District activities. The District has the following fiduciary fund type:

Private Purpose Trust Fund: This 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 athletic endowments.

C. Measurement Focus and Basis of Accounting

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

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

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

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and 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 the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

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 – committed, assigned 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 non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise 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 non-operating revenues and expenses.

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

D. Assets, Liabilities and Fund Equity

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

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for 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, have a maturity date no longer than three months.

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

Property tax receivable is recognized in these funds on the levy or lien date, which is the date 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, 2010 assessed property valuations; is for the tax accrual period July 1, 2011 through June 30, 2012 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2011.

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

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

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

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 5,000
Buildings	5,000
Improvements other than buildings	5,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	5,000

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

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	45 years
Improvements other than buildings	20-50 years
Furniture and equipment	5-15 years

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

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. 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 year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred revenue consists of the succeeding year's property tax receivable, unspent grant proceeds and income surtax receivable.

Deferred revenue on the Statement of Net Assets consists of unspent grant proceeds, income surtax receivable and the succeeding year's property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2012. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

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

Fund 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.

Committed – Amounts which can be used only for specific purposes determined pursuant to constraints formally imposed by the Board of Education through resolution approved prior to year end. Those committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same action it employed to commit those amounts.

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. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2012, expenditures exceeded the amounts budgeted in the instructional and non-instructional programs functions.

(2) **Cash and Pooled Investments**

The District's deposits in banks at June 30, 2012 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

At June 30, 2012, the District had investments as follows:

	<u>Amortized Cost</u>
Goldman Sachs Financial Square Treasury Obligations Fund	\$ 5,175
ISJIT Diversified Fund	1,042,570
United States Treasury Notes	138,915
Total	<u>\$ 1,186,660</u>

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

Credit risk: The investments in the Iowa Schools Joint Investment Trust and the Goldman Sachs Financial Square Treasury Obligations Fund were all rated Aaa by Moody's Investors Service. The investment in the United States treasury notes is not subject to credit risk rating.

(3) **Interfund Receivables/Payables**

The amounts of interfund receivables and payables are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Enterprise, School Nutrition	500
General	Enterprise, Student Construction	125,958
		<u>\$ 126,458</u>

(4) **Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2012 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects, Statewide Sales, Services and Use Tax	\$ 2,580,390
Debt Service	Capital Projects, Physical Plant and Equipment Levy	374,575
Capital Projects, Physical Plant and Equipment Levy	Special Revenue, Activity Fund	4,326
		\$ 2,959,291

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

Oskaloosa Community School District
Notes to Financial Statements
June 30, 2012

(5) Capital Assets

Capital assets activity for the year ended June 30, 2012 was as follows:

	Balance Beginning of Year (Restated)	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 64,566	-	-	64,566
Total capital assets not being depreciated	64,566	-	-	64,566
Capital assets being depreciated:				
Buildings	44,037,207	-	-	44,037,207
Improvements other than buildings	2,893,317	-	-	2,893,317
Furniture and equipment	6,417,826	78,073	-	6,495,899
Total capital assets being depreciated	53,348,350	78,073	-	53,426,423
Less accumulated depreciation for:				
Buildings	15,702,199	1,044,983	-	16,747,182
Improvements other than buildings	1,586,566	144,716	-	1,731,282
Furniture and equipment	5,485,881	222,948	-	5,708,829
Total accumulated depreciation	22,774,646	1,412,647	-	24,187,293
Total capital assets being depreciated, net	30,573,704	(1,334,574)	-	29,239,130
Governmental activities capital assets, net	\$ 30,638,270	(1,334,574)	-	29,303,696
Business type activities:				
Furniture and equipment	\$ 527,337	30,509	-	557,846
Less accumulated depreciation	357,246	27,783	-	385,029
Business type activities capital assets, net	\$ 170,091	2,726	-	172,817

Depreciation expense was charged by the District as follows:

Governmental activities:

Instruction:

Regular	\$ 53,458
Special	16,378

Support services:

Administration	16,963
Operation and maintenance of plant	18,687
Transportation	117,462
	<u>222,948</u>

Unallocated depreciation 1,189,699

Total governmental activities depreciation expense \$ 1,412,647

Business type activities:

Food services \$ 27,783

Oskaloosa Community School District
Notes to Financial Statements
June 30, 2012

(6) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2012 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
Early retirement	\$ 91,436	129,813	28,353	192,896	62,853
Lease purchase agreement	8,653	1,228,041	259,603	977,091	306,068
Compensated Absences	56,542	37,081	56,542	37,081	37,081
Capital loan notes	990,000	-	320,000	670,000	330,000
Revenue bonds	6,665,000	-	2,205,000	4,460,000	995,000
Net OPEB liability	146,583	49,196	-	195,779	-
Total	\$ 7,958,214	1,444,131	2,869,498	6,532,847	1,731,002
Business type activities:					
Net OPEB liability	\$ 9,417	7,836	-	17,253	-

Capital Loan Notes

Details of the District's June 30, 2012 general obligation bonded indebtedness are as follows:

Year ending June 30,	Interest Rates	Principal	Interest
2013	3.25%	\$ 275,000	16,900
2014	3.25%	245,000	7,962
Total		\$ 520,000	24,862

Year ending June 30,	Interest Rates	Principal	Interest
2013	1.75%	\$ 55,000	2,625
2014	1.75%	95,000	1,663
Total		\$ 150,000	4,288

Total			
Year ending June 30,	Principal	Interest	Total
2013	\$ 330,000	19,525	349,525
2014	340,000	9,625	349,625
Total	\$ 670,000	29,150	699,150

Oskaloosa Community School District
Notes to Financial Statements
June 30, 2012

Local Option Sales and Services Tax Revenue Bonds

Details of the District's statewide sales, services and us tax revenue bonded indebtedness are as follows:

Issue Dated September 1, 2002 Series 2002A-422B				Issue Dated September 1, 2002 Subordinate Series 2002B-422B		
Year ending June 30,	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2013	4.050%	-	-	7.875	20,000	-
2014	4.200%	-	-	5.000	20,000	-
2015	4.250%	-	-	5.000	25,000	-
2016	4.375%	10,000	-	5.150	25,000	-
2017	4.500%	15,000	-	5.250	20,000	-
	Subtotal	25,000	-		110,000	-

Issue Dated February 1, 2011 Series 2011			
Year ending June 30,	Interest Rates	Principal	Interest
2013	2.000%	975,000	82,344
2014	2.000%	1,000,000	62,594
2015	2.000%	1,000,000	42,594
2016	2.000%	1,025,000	22,594
2017	2.000%	325,000	5,234
	Subtotal	4,325,000	215,360

Total			
Year Ending June 30,	Principal	Interest	Total
2013	995,000	82,344	1,077,344
2014	1,020,000	62,594	1,082,594
2015	1,025,000	42,594	1,067,594
2016	1,060,000	22,594	1,082,594
2017	360,000	5,234	365,234
	\$ 4,460,000	215,360	4,675,360

Oskaloosa Community School District
Notes to Financial Statements
June 30, 2012

Capital Lease

The District entered into various capital lease arrangements for the purchase of equipment for the District. The following is a schedule of the future minimum payments required under the leases together with their present value as of June 30, 2012:

Year Ending June 30,	CNH Capital America, LLC Capital Lease	
	2010 Lease	Total
2013	\$ 4,327	4,327
Total minimum lease payments	4,327	4,327
Less amount representing interest	134	134
Present value of minimum lease payments	\$ 4,193	4,193

Year Ending June 30,	Apple, Inc. Capital Lease	
	2012	Total
2013	\$ 300,000	300,000
2014	350,000	350,000
2015	265,641	265,641
Total minimum lease payments	915,641	915,641
Less amount representing interest	39,640	39,640
Present value of minimum lease payments	\$ 876,001	876,001

Year Ending June 30,	Infomax Office Systems, Inc. Capital Lease	
	2012	Total
2013	\$ 23,255	23,255
2014	23,255	23,255
2015	23,255	23,255
2016	23,255	23,255
2017	3,877	3,877
Total minimum lease payments	96,897	96,897
Less amount representing interest	-	-
Present value of minimum lease payments	\$ 96,897	96,897

Year Ending June 30,	Total Capital Lease	
	2012	Total
2013	\$ 327,582	327,582
2014	373,255	373,255
2015	288,896	288,896
2016	23,255	23,255
2017	3,877	3,877
Total minimum lease payments	1,016,865	1,016,865
Less amount representing interest	39,774	39,774
Present value of minimum lease payments	\$ 977,091	977,091

Early Retirement Payable

Prior to July 1, 2012, the District offered a voluntary early retirement plan for its certified employees, administrators, nurses and directors. Eligible employees must have been between ages fifty-five and sixty-five and employees must have completed twenty years of continuous service to the District or fifteen years with the District plus one half of the years of service with another District (to a maximum of five years) to meet the twenty year requirement. Employees must complete an application which is required to be approved by the Board of Education. The early retirement incentive for each eligible employee is a flat dollar lump sum payment based upon the years of service the employee had as of the retirement year. The early retiree will also be eligible for monthly insurance premium benefits up to a maximum \$150 per month. This benefit will be discontinued when the retirees have been retired for nine years, if the retiree becomes eligible for Medicare, or when the retiree reaches age 65, whichever occurs first. Early retirement benefits paid during the year ended June 30, 2012, totaled \$28,353.

(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 5.38% of their annual covered salary and the District is required to contribute 8.07% of annual covered salary. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2012, 2011 and 2010 were \$1,080,345, \$921,786, and \$883,781, respectively, equal to the required contributions for each year.

(8) Other Post-Employment Benefits (OPEB)

Plan Description - The District operates a retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 261 active and 23 retired members in the plan. Participants must be age 55 or older at retirement.

Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit 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 that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2012, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 211,000
Interest on net OPEB obligation	7,020
Adjustment to annual required contribution	(5,988)
Annual OPEB cost	<u>212,032</u>
Contributions made	<u>(155,000)</u>
Increase in net OPEB obligation	57,032
Net OPEB obligation beginning of year	<u>156,000</u>
Net OPEB obligation end of year	<u><u>\$ 213,032</u></u>

Oskaloosa Community School District
Notes to Financial Statements
June 30, 2012

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2012. 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, 2012.

The required contribution is based on projected pay-as-you-go financing. For fiscal year 2012, the District contributed \$155,000. Retiree and active members receiving benefits contributed \$227,000 through their required contributions, depending on which of the three plans offered by the District the employee participated in.

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, 2012 are summarized as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2010	\$ 157,000	81.53%	\$ 58,000
June 30, 2011	212,000	53.77%	156,000
June 30, 2012	212,032	73.10%	213,032

Funded Status and Funding Progress - As of July 1, 2010, the most recent actuarial valuation date for the period July 1, 2010 through June 30, 2012, the actuarial accrued liability was \$1,563,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,563,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$13,565,992, and the ratio of the UAAL to covered payroll was 11.5%. As of June 30, 2012, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information in the section following the Notes to Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

As of the July 1, 2010 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumption includes a 4.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 10%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 0.5% each year until reaching the 5% ultimate trend rate.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2009 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2009.

Projected claim costs of the medical plan are \$782 per month for retirees who have attained the age of 60. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(9) Risk Management

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

(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 \$893,027 for the year ended June 30, 2012 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(11) Restatement

Beginning governmental net assets were increased by \$421 due to the recalculation of a capital lease obligation and by \$2,351,374 due to a revaluation of capital assets. Beginning Nutrition Fund net assets were increased by \$21,507 due to a revaluation of capital assets.

(12) Financial Condition

The Enterprise Fund-Student Construction had a deficit fund balance at June 30, 2012 of \$144,007. In addition, the Special Revenue Fund-Activity Fund had several individual account deficit balances.

Required Supplementary Information

**Oskaloosa Community School District
Schedule of Funding Progress for the Retiree Health Plan
Required Supplementary Information**

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2009	July 1, 2008	\$ -	1,461,000	1,461,000	0.0%	\$ 13,791,666	10.6%
2010	July 1, 2008	-	1,461,000	1,461,000	0.0%	13,397,116	10.9%
2011	July 1, 2010	-	1,563,000	1,563,000	0.0%	13,496,428	11.6%
2012	July 1, 2010	-	1,563,000	1,563,000	0.0%	13,565,992	11.5%

See Note 8 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

See accompanying independent auditor's report.

Oskaloosa Community School District
 Budgetary Comparison Schedule of Revenues, Expenditures, and Changes in Balances
 Budget and Actual - All Governmental Funds and Proprietary Funds
 Required Supplementary Information
 Year ended June 30, 2012

	Governmental Funds - Actual	Proprietary Funds - Actual	Total Actual	Budgeted Amounts		Final to Actual Variance- Positive (Negative)
				Original	Final	
Revenues:						
Local sources	\$ 12,984,900	549,045	13,533,945	15,066,990	15,066,990	(1,533,045)
State sources	13,974,218	9,876	13,984,094	14,094,481	14,094,481	(110,387)
Federal sources	1,278,475	611,882	1,890,357	1,454,945	1,454,945	435,412
Total revenues	28,237,593	1,170,803	29,408,396	30,616,416	30,616,416	(1,208,020)
Expenditures:						
Instruction	16,944,203	192,548	17,136,751	16,140,193	16,140,193	(996,558)
Support services	7,804,504	29,168	7,833,672	8,766,563	8,766,563	932,891
Noninstructional programs	-	1,096,906	1,096,906	1,091,526	1,091,526	(5,380)
Other expenditures	4,045,778	-	4,045,778	2,735,147	4,735,147	689,369
Total expenditures	28,794,485	1,318,622	30,113,107	28,733,429	30,733,429	620,322
Excess (deficiency) of revenues over (under) expenditures	(556,892)	(147,819)	(704,711)	1,882,987	(117,013)	(587,698)
Other financing sources, net	1,229,604	-	1,229,604	93,606	93,606	1,135,998
Excess (deficiency) of revenues and other financing sources over (under) expenditures	672,712	(147,819)	524,893	1,976,593	(23,407)	548,300
Balances beginning of year, as restated	3,670,523	219,293	3,889,816	3,095,688	3,095,688	794,128
Balances end of year	\$ 4,343,235	71,474	4,414,709	5,072,281	3,072,281	1,342,428

See accompanying independent auditor's report.

Oskaloosa Community School District
Notes To Required Supplementary Information - Budgetary Reporting
Year Ended June 30, 2012

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 a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment, increasing budgeted expenditures by \$2,000,000.

During the year ended June 30, 2012, expenditures exceeded the amounts budgeted in the instructional and non-instructional programs functions.

Other Supplementary Information

Schedule 1

**Oskaloosa Community School District
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2012**

		Special Revenue		
		Management Levy	Student Activity	Total
Assets				
Cash and pooled investments		\$ 36,411	442,835	479,246
Receivables:				
Property tax:				
Delinquent		3,903	-	3,903
Succeeding year		870,002	-	870,002
Accounts		-	20,804	20,804
Total assets		\$ 910,316	463,639	1,373,955
Liabilities and Fund Balances				
Liabilities:				
Accounts payable		-	11,738	11,738
Deferred revenue:				
Succeeding year property tax		870,002	-	870,002
Total liabilities		870,002	11,738	881,740
Fund balances:				
Restricted for:				
Management levy purposes		40,314	-	40,314
Student activities		-	451,901	451,901
Total fund balances		40,314	451,901	492,215
Total liabilities and fund balances		\$ 910,316	463,639	1,373,955

See accompanying independent auditor's report.

Schedule 2

Oskaloosa Community School District
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds
Year ended June 30, 2012

	Special Revenue		
	Management Levy	Student Activity	Total
Revenues:			
Local sources:			
Local tax	\$ 450,600	-	450,600
Other	24,027	550,548	574,575
State sources	234	-	234
Total revenues	<u>474,861</u>	<u>550,548</u>	<u>1,025,409</u>
Expenditures:			
Current:			
Instruction:			
Regular	45,300	-	45,300
Other	-	503,842	503,842
Support Services:			
Student	3,224	-	3,224
Instructional staff	572	-	572
Administration	12,250	-	12,250
Operation and maintenance of plant	288,680	-	288,680
Transportation	38,026	-	38,026
Total expenditures	<u>388,052</u>	<u>503,842</u>	<u>891,894</u>
Excess (deficiency) of revenues over (under) expenditures	86,809	46,706	133,515
Other financing sources (uses):			
Operating transfers out	-	(4,326)	(4,326)
Net change in fund balances	86,809	42,380	129,189
Fund balance beginning of year	(46,495)	409,521	363,026
Fund balance end of year	<u>\$ 40,314</u>	<u>451,901</u>	<u>492,215</u>

See accompanying independent auditor's report.

Schedule 3

Oskaloosa Community School District
Schedule of Changes in Special Revenue Fund, Student Activity Accounts
Year ended June 30, 2012

Account	Balance Beginning of Year	Revenues	Expendi- tures	Intrafund Transfers	Interfund Transfers	Balance End of Year
Fund Balance-Reg Not Spent	\$ 1,214	-	-	-	-	1,214
Senior High Drama	6,146	2,371	917	-	-	7,600
Debate	78	6,134	3,906	-	-	2,306
Senior High Vocal Spec Events	2,384	1,350	1,050	500	-	3,184
Instrumental	(2,724)	13,170	17,073	-	-	(6,627)
Senior High Band Spec Events	-	-	-	500	-	500
Special Girls Track	2,322	9,356	11,152	-	-	526
Senior High Cross Country	4,895	793	2,663	-	-	3,025
Special Cross Country	-	708	-	-	-	708
Bowling	-	1,028	535	-	-	493
Dance and Drill	503	8,580	5,008	-	-	4,075
Boys Basketball	15,242	16,071	11,179	-	-	20,134
Football	40,873	49,055	54,108	-	-	35,820
Boys Soccer	3,095	4,349	3,489	-	-	3,955
Special Boys Soccer	534	-	-	-	-	534
Baseball	3,171	6,582	10,828	-	-	(1,075)
Boys Track	1,737	4,491	5,672	-	-	556
Boys Tennis	1,560	1,303	1,538	-	-	1,325
Special Boys Tennis	(771)	252	198	-	-	(717)
Boys Golf	434	680	1,993	-	-	(879)
Special Boys Golf	388	832	501	-	-	719
Wrestling	7,921	4,830	8,668	-	-	4,083
Girls Basketball	11,254	10,377	6,231	-	-	15,400
Girls Volleyball	(1,399)	10,976	8,852	7,900	-	8,625
Girls Soccer	1,123	4,675	5,172	-	-	626
Special Girls Soccer	2,513	78	-	-	-	2,591
Girls Softball	11,586	18,022	14,282	-	-	15,326
Girls Track	2,330	2,679	3,900	-	-	1,109
Girls Tennis	1,772	-	934	-	-	838
Special Girls Tennis	865	1,581	1,497	-	-	949
Girls Golf	2,020	749	1,022	-	-	1,747
Special Girls Golf	618	-	22	-	-	596
Strength/Conditioning	-	5,999	5,654	-	-	345
Senior High Annual	7,352	13,265	15,359	-	-	5,258
Junior High Activity Tickets	1,970	3,305	40	(3,250)	-	1,985
Senior High Thespians	89	2,728	2,540	-	-	277
Senior High Pep Club	2,213	7,169	7,678	-	-	1,704
Special Football	2,454	26,090	20,804	-	-	7,740
Senior High Student Council	3,950	28,559	29,239	-	-	3,270
Senior High Business Ed Part	12	-	-	-	-	12
Senior High Special Baseball	1,325	11,294	12,197	-	-	422
Oskaloosa Football Camp	1,569	3,632	3,043	-	-	2,158
Senior High Special Wrestling	6,684	9,295	7,701	-	-	8,278
Pepsi Rebate	4,520	-	-	-	-	4,520
Middle School Orchestra	2,368	3,126	1,319	-	-	4,175
Senior High Athletics	13,327	-	7,418	5,385	-	11,294
Senior High Band Repair Spec Events	(1,911)	-	893	-	-	(2,804)
Senior High Orchestra Repair	4,480	2,611	2,642	425	-	4,874
Senior High FFA	13,856	25,009	20,392	-	(4,326)	14,147
Senior High Forensics	596	-	-	-	-	596
Joe Gray Penmanship Award	441	-	100	-	-	341
Senior High The O	186	-	-	-	-	186
Senior High O Club	22,121	29,664	27,134	-	-	24,651
Sophomore Class	2,473	117	-	-	-	2,590
Junior Class	2,900	5	31	-	-	2,874

Oskaloosa Community School District
Schedule of Changes in Special Revenue Fund, Student Activity Accounts
Year ended June 30, 2012

Account	Balance Beginning of Year	Revenues	Expendi- tures	Intrafund Transfers	Interfund Transfers	Balance End of Year
Senior Class	3,100	-	1,115	-	-	1,985
Storybook Players	4,749	1,322	1,030	-	-	5,041
Senior High World of Work	(1,043)	-	-	-	-	(1,043)
Senior High Project Write	965	-	-	-	-	965
Senior High Special Track	991	7,177	5,651	-	-	2,517
Senior High Work Program	13	-	-	-	-	13
Business M.O.C.	(914)	-	-	-	-	(914)
Senior High Spec Girls Basketball	1,844	3,506	3,029	-	-	2,321
Special Softball	9,036	14,861	13,510	-	-	10,387
Senior High Volleyball Camp	7,229	7,225	10,436	-	-	4,018
Senior High Choir Robes	133	-	-	-	-	133
Middle School Spec Activity Fund Raiser	8,374	23,039	18,881	-	-	12,532
Biology Lab	(165)	-	-	-	-	(165)
Chemistry Lab	(132)	54	334	-	-	(412)
S H Welding	(1,414)	-	-	-	-	(1,414)
Biology Field Trips	24	-	-	-	-	24
Special Events Change	(438)	1,250	1,250	-	-	(438)
Interest	21,828	2,067	311	-	-	23,584
Elementary Band	840	109	809	-	-	140
Middle School Science	106	-	-	-	-	106
Middle School Band Special Event	4,717	3,664	6,781	-	-	1,600
Middle School Band Uniforms	1,816	3,830	4,284	-	-	1,362
Middle School Annual	193	-	-	-	-	193
Senior High Activity Tickets	3,010	7,920	-	(6,810)	-	4,120
Senior High General Adm	25,917	17,248	17,273	-	-	25,892
Middle School Athletics	3,571	16,215	13,402	3,250	-	9,634
Middle School Student Council	7,763	3,136	3,386	-	-	7,513
Middle School Pep Club	2,551	-	-	-	-	2,551
Middle School Vocal Special Events	1,813	250	148	-	-	1,915
Middle School Orchestra Special Events	302	1,330	2,311	-	-	(679)
Middle School Special Events Band Repair	110	-	-	-	-	110
Senior High Home Fees	619	5	1,681	-	-	(1,057)
Athletic Adm Senior High	514	5,850	1,203	-	-	5,161
Athletic Pop Fund	18,611	12,433	3,028	(7,075)	-	20,941
Senior High Snack Machines	4,568	2,031	566	-	-	6,033
Senior High Pop Fund	4,688	4,844	5,692	-	-	3,840
Industrial Tech Module	87	-	-	-	-	87
Band Special Fund Raiser	506	-	-	-	-	506
OHS Store	825	-	-	(825)	-	-
Student Council Sign	840	-	656	-	-	184
Middle School Peer Helpers	391	3,419	2,927	-	-	883
Senior High At Risk	(1,638)	2,753	-	-	-	1,115
FFA Vending	4,869	1,649	2,985	-	-	3,533
Freshman Class	2,480	12	42	-	-	2,450
Motivation Comm	288	-	-	-	-	288
Basketball Cheer	-	125	-	-	-	125
Robot Club	1,225	1,255	2,380	-	-	100
Wrestling Cheer	-	80	-	-	-	80
Book Club	297	-	-	-	-	297
Middle School Drama	1,192	1,844	1,243	-	-	1,793
MS Special Wrestling FB	1,112	790	1,253	-	-	649
Elementary	28,053	12,555	12,564	-	-	28,044
Math Scholarship	105	-	-	-	-	105
Middle School Life Skills MD Special Olympics	929	-	-	-	-	929
HS Life Skills	61	-	-	-	-	61
Life Skills MD Secondary	240	-	-	-	-	240
MS Special Supplies	1,997	-	885	-	-	1,112
MS Student Wellness	712	1,288	1,546	-	-	454

Schedule 3

Oskaloosa Community School District
Schedule of Changes in Special Revenue Fund, Student Activity Accounts
Year ended June 30, 2012

Account	Balance Beginning of Year	Revenues	Expendi- tures	Intrafund Transfers	Interfund Transfers	Balance End of Year
Middle School General Adm	14,846	6,668	13,421	-	-	8,093
Middle School At Risk Fund Raiser	(122)	-	-	-	-	(122)
Senior High Special Education	(647)	-	432	-	-	(1,079)
Dropout Prevention/Oasis Fund	325	-	200	-	-	125
Fitness/Cardio Room	-	25,804	-	-	-	25,804
Swimming	-	-	416	-	-	(416)
Academic Decathlon	-	-	207	-	-	(207)
	<u>\$ 409,521</u>	<u>550,548</u>	<u>503,842</u>	<u>-</u>	<u>(4,326)</u>	<u>451,901</u>

See accompanying independent auditor's report.

Schedule 4

**Oskaloosa Community School District
Combining Balance Sheet
Capital Project Accounts
June 30, 2012**

		Capital Projects		
		Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Assets				
Cash and pooled investments		\$ 1,784,973	55,422	1,840,395
Receivables:				
Property tax:				
Current year delinquent		-	4,753	4,753
Succeeding year		-	566,237	566,237
Due from other governments		472,346	-	472,346
Total assets		\$ 2,257,319	626,412	2,883,731
Liabilities and Fund Balances				
Liabilities:				
Accounts payable		\$ 112,172	26,752	138,924
Deferred revenue:				
Succeeding year property tax		-	566,237	566,237
Total liabilities		112,172	592,989	705,161
Fund balances:				
Restricted for:				
Debt service		524,000	-	524,000
School infrastructure		1,621,147	-	1,621,147
Physical plant and equipment		-	33,423	33,423
Total fund balances		2,145,147	33,423	2,178,570
Total liabilities and fund balances		\$ 2,257,319	626,412	2,883,731

See accompanying independent auditor's report.

Schedule 5

Oskaloosa Community School District
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Capital Project Accounts
Year ended June 30, 2012

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ 2,259,082	548,928	2,808,010
Other	70,811	142	70,953
State sources	-	285	285
Total revenues	<u>2,329,893</u>	<u>549,355</u>	<u>2,879,248</u>
Expenditures:			
Current:			
Instruction:			
Regular	-	1,111,765	1,111,765
Support Services:			
Instructional staff	-	34,547	34,547
Administration	24,352	116,832	141,184
Transportation	71,315	-	71,315
Other expenditures:			
Facilities acquisition	138,794	58,992	197,786
Total expenditures	<u>234,461</u>	<u>1,322,136</u>	<u>1,556,597</u>
Excess (deficiency) of revenues over (under) expenditures	2,095,432	(772,781)	1,322,651
Other financing sources (uses):			
Proceeds from sale of equipment	-	1,563	1,563
Proceeds from capital leases/lease purchases	-	1,228,041	1,228,041
Operating transfers in (out)	(2,580,390)	(370,249)	(2,950,639)
Total other financing sources (uses)	<u>(2,580,390)</u>	<u>859,355</u>	<u>(1,721,035)</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(484,958)	86,574	(398,384)
Fund balances beginning of year	<u>2,630,105</u>	<u>(53,151)</u>	<u>2,576,954</u>
Fund balances end of year	<u>\$ 2,145,147</u>	<u>33,423</u>	<u>2,178,570</u>

See accompanying independent auditor's report.

Schedule 6

Oskaloosa Community School District
Combining Statement of Net Assets
Proprietary Funds
June 30, 2012

	Student Construction	School Nutrition	Total
Assets			
Current assets:			
Cash and cash equivalents	\$ -	75,582	75,582
Accounts receivable	-	152	152
Due from other governments	-	51,918	51,918
Inventories	-	8,449	8,449
Capital assets, net of depreciation	-	172,817	172,817
Total assets	\$ -	308,918	308,918
Liabilities			
Current liabilities:			
Accounts payable	\$ 18,049	4,730	22,779
Salaries and benefits payable	-	65,309	65,309
Due to other funds	125,958	500	126,458
Unearned revenue	-	5,645	5,645
Total current liabilities	144,007	76,184	220,191
Noncurrent liabilities:			
Net OPEB liability	-	17,253	17,253
Total liabilities	144,007	93,437	237,444
Net assets			
Invested in capital assets, net of related debt	-	172,817	172,817
Unrestricted	(144,007)	42,664	(101,343)
Total net assets	\$ (144,007)	215,481	71,474

See accompanying independent auditor's report.

Schedule 7

Oskaloosa Community School District
Combining Statement of Revenues, Expenses and Changes in Net Assets
Proprietary Funds
Year ended June 30, 2012

	Student Construction	School Nutrition	Total
Operating revenue:			
Local sources:			
Other local sources:			
Sale of lunches and breakfasts	\$ -	383,623	383,623
Sale of services	165,000	-	165,000
Total operating revenue	165,000	383,623	548,623
Operating expenses:			
Instructional programs:			
Regular	192,548	-	192,548
Support services:			
Administration	557	-	557
Operation and maintenance of plant	28,611	-	28,611
	221,716	-	221,716
Non-instructional programs:			
Food services operations:			
Salaries	-	316,564	316,564
Benefits	-	160,595	160,595
Purchased services	-	2,062	2,062
Supplies	-	589,902	589,902
Depreciation	-	27,783	27,783
	-	1,096,906	1,096,906
Total operating expenses	221,716	1,096,906	1,318,622
Operating gain (loss)	(56,716)	(713,283)	(769,999)
Non-operating revenue:			
Local sources	-	422	422
State sources	-	9,876	9,876
Federal sources	-	611,882	611,882
Total non-operating revenue	-	622,180	622,180
Changes in net assets	(56,716)	(91,103)	(147,819)
Net assets beginning of year, as restated	(87,291)	306,584	219,293
Net assets end of year	\$ (144,007)	215,481	71,474

See accompanying independent auditor's report.

**Oskaloosa Community School District
 Combining Statement of Cash Flows
 Proprietary Funds
 Year ended June 30, 2012**

	Student Construction	School Nutrition	Total
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	\$ -	326,332	326,332
Cash received from miscellaneous operating activities	165,000	-	165,000
Cash payments to employees for services	-	(404,014)	(404,014)
Cash payments to suppliers for goods or services	(204,259)	(532,495)	(736,754)
Net cash provided (used) by operating activities	(39,259)	(610,177)	(649,436)
Cash flows from non-capital financing activities:			
State grants received	-	9,876	9,876
Federal grants received	-	562,509	562,509
Net cash provided (used) by non-capital financing activities	-	572,385	572,385
Cash flows from capital and related financing activities:			
Acquisition of capital assets	-	(30,509)	(30,509)
Cash flows from investing activities:			
Interfund loan	39,259	(24,712)	14,547
Interest on investments	-	422	422
Net cash provided (used) by investing activities	39,259	(24,290)	14,969
Net increase (decrease) in cash and cash equivalents	-	(92,591)	(92,591)
Cash and cash equivalents at beginning of year	-	168,173	168,173
Cash and cash equivalents at end of year	\$ -	75,582	75,582
Reconciliation of operating gain (loss) to net cash provided (used) by operating activities:			
Operating gain (loss)	\$ (56,716)	(713,283)	(769,999)
Adjustments to reconcile operating gain (loss) to net cash provided (used) by operating activities:			
Commodities used	-	49,373	49,373
Depreciation	-	27,783	27,783
Decrease in inventories	-	5,601	5,601
(Increase) in accounts receivable	-	(51,818)	(51,818)
Increase (decrease) in accounts payable	17,457	4,495	21,952
Increase in salaries and benefits payable	-	65,309	65,309
(Decrease) in deferred revenue	-	(5,473)	(5,473)
Increase in other post-employment benefits	-	7,836	7,836
Net cash provided (used) by operating activities	\$ (39,259)	(610,177)	(649,436)

Non-cash investing, capital and financing activities:

During the year ended June 30, 2012, the District received \$49,373 of federal commodities.

See accompanying independent auditor's report.

Oskaloosa Community School District
 Schedule of Revenues by Source and Expenditures by Function
 All Governmental Funds
 For the Last Ten Years

	Modified Accrual Basis									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Revenues:										
Local sources:										
Local tax	\$ 11,424,163	12,178,226	11,257,608	10,853,152	10,473,002	9,717,780	10,112,437	10,042,855	9,465,204	8,385,368
Tuition	411,532	455,341	367,093	464,849	430,670	370,602	299,511	326,404	444,713	283,540
Other	1,149,205	1,318,305	991,521	1,281,207	1,333,958	1,333,909	1,748,735	1,130,049	1,041,230	960,806
Intermediate sources	-	-	-	-	-	-	-	-	-	33,700
State sources	13,974,218	13,419,220	11,402,099	12,724,222	12,570,040	11,330,164	10,877,949	10,495,514	10,315,329	11,309,707
Federal sources	1,278,475	1,520,040	2,167,416	923,057	676,239	721,238	828,890	861,630	925,182	636,812
Total	\$ 28,237,593	28,891,132	26,185,737	26,246,487	25,483,909	23,473,693	23,867,522	22,856,452	22,191,658	21,609,933
Expenditures:										
Instruction:										
Regular	\$ 11,401,282	10,961,840	8,903,708	11,152,143	10,384,722	9,868,246	8,628,916	8,383,117	8,208,263	8,109,955
Special	3,275,577	3,563,746	2,997,637	3,406,674	3,388,218	3,020,880	2,563,071	2,565,959	2,493,156	2,123,023
Other	2,267,344	959,376	3,068,217	940,267	940,488	1,124,062	2,042,558	1,466,170	1,554,908	1,538,660
Support services:										
Student	845,203	994,417	968,129	724,780	1,066,298	1,054,735	1,057,412	969,415	950,767	914,028
Instructional staff	1,017,821	910,597	708,946	638,459	1,665,423	709,316	705,920	766,037	450,061	441,450
Administration	2,218,080	2,151,082	2,322,729	1,920,698	2,045,547	1,884,408	1,928,898	1,589,518	1,454,979	1,536,750
Operation and maintenance of plant	2,660,588	2,656,109	2,359,739	2,315,972	2,390,151	2,357,837	2,398,119	1,900,009	1,720,436	1,586,826
Transportation	1,062,812	1,101,265	1,222,923	1,108,991	862,566	866,161	873,562	658,792	566,650	511,112
Central support	-	-	-	-	-	-	-	-	125,895	91,032
Other expenditures:										
Facilities acquisition	197,786	318,681	227,063	320,261	365,915	183,391	1,371,806	6,316,892	14,323,925	7,653,437
Long-term debt:										
Principal	2,784,182	8,974,842	4,920,000	3,955,112	5,295,000	1,795,000	1,615,000	1,315,000	670,000	-
Interest and other charges	170,783	433,766	522,988	741,553	775,626	795,514	925,121	854,809	611,723	200,904
AEA flowthrough	893,027	984,199	954,301	857,815	808,080	751,761	709,649	694,480	703,926	744,979
Total	\$ 28,794,485	34,009,920	29,176,380	28,082,725	29,988,034	24,411,311	24,820,032	27,480,198	33,834,689	25,452,156

See accompanying independent auditor's report.

Oskaloosa Community School District
Schedule of Expenditures of Federal Awards
Year ended June 30, 2012

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Grant Number</u>	<u>Expenditures</u>
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Education:			
School Nutrition Cluster Programs:			
School Breakfast Program	10.553	FY 12	\$ 100,967
National School Lunch Program	10.555	FY 12	510,415
			<u>611,382</u>
Team Nutrition Grant	10.574	FY 12	<u>500</u>
U.S. Department of Education:			
Iowa Department of Education:			
Title I Grants to Local Educational Agencies	84.010	FY 12	<u>464,507</u>
Career and Technical Education - Basic Grants to States	84.048	FY 12	<u>36,733</u>
Improving Teacher Quality State Grants	84.367	FY 12	<u>229,255</u>
Grants for State Assessments and Related Activities	84.369	FY 12	<u>15,353</u>
ARRA - Education of Homeless Children and Youth, Recovery Act	84.387	FY 12	<u>12,166</u>
Education Jobs Fund	84.410	FY 12	<u>321,202</u>
Area Education Agency (GPAEA):			
Special Education - Grants to States	84.027	FY 12	<u>135,585</u>
Title III - English Language Acquisition State Grants	84.365	FY 12	<u>520</u>
Total			<u>\$ 1,827,203</u>

See accompanying independent auditor's report.

Oskaloosa Community School District
Notes to Schedule of Expenditures of Federal Awards
June 30, 2012

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards presents the activity of all federal financial assistance programs of the Oskaloosa Community School District for the year ended June 30, 2012. All federal financial assistance received directly from federal agencies as well as federal financial assistance passed through other government agencies is included in the schedule. The information in 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.

Note 2. Significant Accounting Policies

For governmental funds, in accordance with the modified accrual basis of accounting, revenue from federal grants is recognized when they become both measureable and available. For proprietary funds, in accordance with the accrued basis of accounting, revenues from federal grants are recognized in the period they are earned. Expenditures of federal awards are recognized in the accounting period when the liability is incurred.

Note 3. Noncash Assistance

The schedule includes federal awards in the form of noncash assistance (commodities) received during the year in the amount of \$49,373 related to USDA Commodities grants provided by the U.S. Department of Agriculture passed through the Iowa Department of Education, CFDA No. 10.555.



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CERTIFIED PUBLIC ACCOUNTANTS

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
Oskaloosa Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the Oskaloosa Community School District, Oskaloosa, Iowa, as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 26, 2013. 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

The management of Oskaloosa Community School District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Oskaloosa 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 Oskaloosa Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Oskaloosa Community School District's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a 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 that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2012 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.

Oskaloosa 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 Oskaloosa 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 Oskaloosa Community School District and other parties to whom Oskaloosa Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Oskaloosa 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.

Van Maanen, Sietstra & Meyer, PC

Van Maanen, Sietstra & Meyer, PC
Certified Public Accountants

March 26, 2013



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CERTIFIED PUBLIC ACCOUNTANTS

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

To the Board of Education of Oskaloosa Community School District:

Compliance

We have audited Oskaloosa Community School District's compliance 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 Oskaloosa Community School District's major federal programs for the year ended June 30, 2012. Oskaloosa 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 Oskaloosa Community School District's management. Our responsibility is to express an opinion on Oskaloosa 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 Oskaloosa 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 Oskaloosa Community School District's compliance with those requirements.

In our opinion, Oskaloosa 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, 2012.

Internal Control Over Compliance

The management of Oskaloosa 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 Oskaloosa 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 Oskaloosa Community School District's internal control over compliance.

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.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Oskaloosa Community School District's responses to the 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 Oskaloosa 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 Oskaloosa Community School District and other parties to whom Oskaloosa Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

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**Oskaloosa Community School District
Schedule of Findings and Questioned Costs
Year Ended June 30, 2012**

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

- (a) Unqualified opinions were issued on the financial statements.
- (b) No material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over major programs were disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) Major programs were as follows:
 - Clustered programs:
 - CFDA Number 10.553 – School Breakfast Program
 - CFDA Number 10.555 – National School Lunch Program
 - CFDA Number 84.010 – Title I Grants to Local Educational Agencies
- (g) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (h) Oskaloosa Community School District qualified as a low-risk auditee.

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE

No matters were noted.

INTERNAL CONTROL DEFICIENCIES

No matters were noted.

Part III: Findings and Questioned Costs for Federal Awards:

INSTANCES OF NON-COMPLIANCE

No matters were noted.

INTERNAL CONTROL DEFICIENCIES

No matters were noted.

Oskaloosa Community School District
Schedule of Findings and Questioned Costs
Year Ended June 30, 2012

Part IV: Other Findings Related to Statutory Reporting:

IV-A-12 Certified Budget – Expenditures for the year ended June 30, 2012, exceeded the amended certified budget amounts in the instructional and non-instructional programs functions.

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

Response – Future budgets will be amended in sufficient amounts to ensure the certified budget is not exceeded.

Conclusion - Response accepted.

IV-B-12 Questionable Disbursements - No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

IV-C-12 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-12 Business Transactions – No business transactions between the District and District officials or employees were noted.

IV-E-12 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 ensure that coverage is adequate for current operations.

IV-F-12 Board Minutes - No transactions requiring Board approval which had not been approved by the Board were noted.

IV-G-12 Certified Enrollment – A variance in the basic enrollment data certified to the Department of Education was noted.

Recommendation – The certified enrollment data should be corrected for students who exit the District.

Response – We will correct the certified enrollment in the future for students exiting the system.

Conclusion - Response accepted.

IV-H-12 Supplementary Weighting – No variance regarding the supplementary weighting certified of the Iowa Department of Education were noted.

IV-I-12 Deposits and Investments - No instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the District's investment policy were noted.

IV-J-12 Certified Annual Report - The Certified Annual Report was not properly certified to the Iowa Department of Education by September 15, 2011.

IV-K-12 Deficit Balances - The Enterprise Fund-Student Construction had deficit balance as of June 30, 2012. The Special Revenue Fund-Student Activity had several deficit amounts as of June 30, 2012.

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

Response - We are monitoring these situations. We are currently analyzing alternatives to reverse these deficit balances. We must also note that the overall fund balance in the Student Activity Fund is positive.

Conclusion - Response accepted.

IV-L-12 Categorical Funding – No instances were noted of categorical funding used to supplant rather than supplement other funds.

**Oskaloosa Community School District
 Schedule of Findings and Questioned Costs
 Year Ended June 30, 2012**

IV-M-12 Statewide Sales and Services Tax – No instances of non-compliance with the use of the statewide sales and services tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.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, 2012, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$	2,630,105
Revenues/transfers in:			
Sales tax revenues	\$	2,259,082	
Other local revenues		70,811	2,329,893
			<u>4,959,998</u>
Expenditures/transfers out			
Support services		95,667	
Facilities acquisition		138,794	
Transfers to other funds:			
Debt service funds		2,580,390	2,814,851
			<u>2,814,851</u>
Ending balance		\$	<u>2,145,147</u>

For the year ended June 30, 2012, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.