

OSAGE COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2013

Contents

		<u>Page</u>
Officials		4
Independent Auditor's Report		5-6
Management's Discussion and Analysis (MD&A)		7-16
	<u>Exhibit</u>	
Basic Financial Statements:		
Statement of Net Position	A	18
Statement of Activities	B	19
Governmental Fund Financial Statements:		
Balance Sheet	C	20
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position	D	21
Statement of Revenues, Expenditures and Changes in Fund Balances	E	22
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	F	23
Proprietary Fund Financial Statements:		
Statement of Net Position	G	24
Statement of Revenues, Expenses and Changes in Fund Net Position	H	25
Statement of Cash Flows	I	26
Fiduciary Fund Financial Statements:		
Statement of Fiduciary Net Position	J	27
Statement of Changes in Fiduciary Net Position	K	28
Notes to Financial Statements		29-41
Required Supplementary Information:		
Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances - Budget and Actual - All Governmental Funds and Proprietary Fund		44
Notes to Required Supplementary Information - Budgetary Reporting		45
Schedule of Funding Progress for the Retiree Health Plan		46
Component Unit Financial Statements:		
Statement of Assets, Liabilities, and Net Position - Cash Basis - Component Unit		47
Statement of Support, Revenues and Expenses and Changes in Net Position - Cash Basis - Component Unit		48
Supplementary Information:	<u>Schedule</u>	
Nonmajor Governmental Funds:		
Combining Balance Sheet	1	50
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	2	51
Capital Project Accounts:		
Combining Balance Sheet	3	52
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	4	53
Capital Project Accounts:		
Combining Balance Sheet	5	54
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	6	55
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	7	56
Fiduciary Fund - Private Purpose Trust Funds:		
Combining Balance Sheet	8	57
Combining Statement of Changes in Fiduciary Net Position	9	58
Schedule of Revenues by Source and Expenditures by Function - All Governmental Fund Types	10	59
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>		60-61
Schedule of Findings		62-65

# *Osage Community School District*

Osage Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education</b>		
Konnie Snider	President	2015
Karla Mitchell	Vice President	2013
Neil Wubben	Board Member	2013
Herb Wright	Board Member	2015
Doug Lang	Board Member	2015
<b>School Officials</b>		
Steve Bass	Superintendent	2013
Helen Burrington	District Board Secretary/ District Treasurer	2013
Aaron Murphy	Attorney	2013

**NOLTE, CORNMAN & JOHNSON P.C.**  
**Certified Public Accountants**  
**(a professional corporation)**  
**117 West 3rd Street North, Newton, Iowa 50208-3040**  
**Telephone (641) 792-1910**

**INDEPENDENT AUDITOR'S REPORT**

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

**Report on the Financial Statements**

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 Osage Community School District, Osage, Iowa, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements listed in the table of contents.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

**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 Osage Community School District as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

## **Other Matters**

### *Required Supplementary Information*

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of Funding Progress for the Retiree Health Plan and the combining statements for the discretely presented component unit on pages 7 through 16 and 44 through 48 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 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 information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Osage Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the six years ended June 30, 2012 and another auditor previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the three years ended June 30, 2006 (which are not presented herein) and expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 10 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the 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 basic financial statements or to the basic 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.

## **Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated March 24, 2014 on our consideration of Osage Community School District's internal control over financial reporting and on 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 in considering Osage Community School District's internal control over financial reporting and compliance.



NOLTE, CORNMAN & JOHNSON, P.C.

March 24, 2014  
Newton, Iowa

---

---

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

---

---

Osage Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2013. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### **2013 FINANCIAL HIGHLIGHTS**

- General Fund revenues decreased from \$9,559,165 in fiscal 2012 to \$9,492,669 in fiscal 2013, while General Fund expenditures increased from \$8,392,466 in fiscal 2012 to \$8,696,180 in fiscal 2013. This resulted in an increase in the District's General Fund balance from \$2,191,521 in fiscal 2012 to \$2,988,010 in fiscal 2013, a 36.34% increase from the prior year.
- The decrease in General Fund revenues was attributable to a decrease in local tax and federal grant revenues in fiscal 2013. The increase in expenditures was due primarily to the increase in the instructional expenditures.
- The District received \$783,071 in statewide sales, services and use tax revenue during the year.

### **USING THIS ANNUAL REPORT**

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

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

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

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

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

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan and the financial statements for the discretely presented component unit.

Supplementary Information provides detailed information about the nonmajor governmental funds.

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

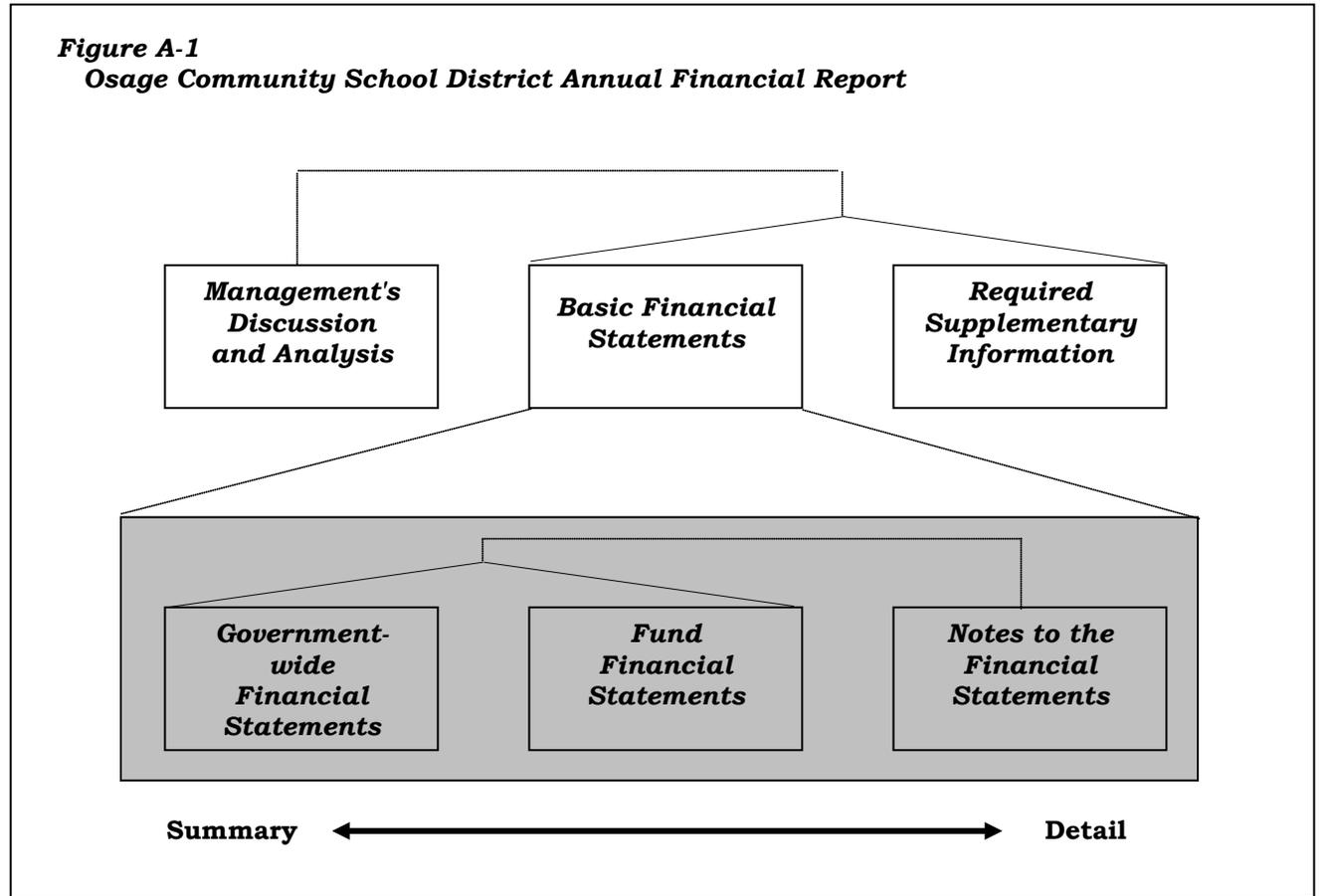


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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

## **REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES**

### **Government-wide Financial Statements**

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

---

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

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

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

### **Fund Financial Statements**

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

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

The District has three kinds of funds:

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

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

The required financial statements for the governmental funds include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances.

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

The required financial statements for proprietary funds include a Statement of Net Position, a Statement of Revenues, Expenses, and Changes in Net Position and a Statement of Cash Flows.

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

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

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

The required financial statements for fiduciary funds include a Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position.

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's total net position at June 30, 2013 compared to June 30, 2012.

	Governmental Activities		Business Type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2013	2012	2013	2012	2013	2012	2012-13
Current and other assets	\$ 10,776,668	9,740,784	140,429	170,864	10,917,097	9,911,648	10.14%
Capital assets	8,509,434	8,315,610	92,489	52,440	8,601,923	8,368,050	2.79%
Total assets	19,286,102	18,056,394	232,918	223,304	19,519,020	18,279,698	6.78%
Long-term liabilities	842,534	1,304,796	-	-	842,534	1,304,796	-35.43%
Other liabilities	4,949,920	5,263,498	13,616	13,756	4,963,536	5,277,254	-5.94%
Total liabilities	5,792,454	6,568,294	13,616	13,756	5,806,070	6,582,050	-11.79%
Net position:							
Invested in capital assets, net of related debt	7,769,434	7,160,610	92,489	52,440	7,861,923	7,213,050	9.00%
Restricted	1,873,026	1,492,682	-	-	1,873,026	1,492,682	25.48%
Unrestricted	3,851,188	2,834,808	126,813	157,108	3,978,001	2,991,916	32.96%
Total net position	\$ 13,493,648	11,488,100	219,302	209,548	13,712,950	11,697,648	17.23%

The District's combined net position increased by 17.23% or \$2,015,302, over the prior year. The largest portion of the District's net position is the invested in capital assets, less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net position represents resources that are subject to external restrictions, constitutional provisions, or enabling legislation on how they can be used. The District's restricted net position increased \$380,344, or 25.48% over the prior year. The increase in restricted net position can be attributed to the increase in the Capital Projects accounts balances.

Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraint established by debt covenants, enabling legislation, or the legal requirement - increased \$986,085 or 32.96%. The increase in unrestricted net position can be attributed to the increase in the fund balance of the General Fund.

Figure A-4 shows the changes in net position for the year ended June 30, 2013 compared to the year ended June 30, 2012.

Figure A-4							
Changes in Net Position							
	Governmental		Business Type		Total		Total
	Activities		Activities		School District		Change
	June 30,	June 30,	June 30,	June 30,	June 30,	June 30,	2012-13
	2013	2012	2013	2012	2013	2012	
Revenues:							
Program revenues:							
Charges for services	\$ 897,059	780,441	245,931	257,944	1,142,990	1,038,385	10.07%
Operating grants and contributions and restricted interest	730,966	709,262	217,122	194,679	948,088	903,941	4.88%
Capital grants and contributions and restricted interest	-	40,000	-	-	-	40,000	-100.00%
General revenues:							
Property tax	4,182,469	4,105,937	-	-	4,182,469	4,105,937	1.86%
Income surtax	298,602	257,219	-	-	298,602	257,219	16.09%
Statewide sales, services, and use tax	783,071	706,730	-	-	783,071	706,730	10.80%
Unrestricted state grants	4,465,810	4,456,882	-	-	4,465,810	4,456,882	0.20%
Nonspecific program federal grants	-	90,168	-	-	-	90,168	-100.00%
Unrestricted investment earnings	40,763	40,093	445	331	41,208	40,424	1.94%
Other	11,091	33,982	3,455	-	14,546	33,982	-57.19%
Total revenues	11,409,831	11,220,714	466,953	452,954	11,876,784	11,673,668	1.74%
Program expenses:							
Governmental activities:							
Instructional	6,313,354	5,731,316	-	-	6,313,354	5,731,316	10.16%
Support services	1,984,335	2,151,715	7,772	7,083	1,992,107	2,158,798	-7.72%
Non-instructional programs	-	-	449,427	425,443	449,427	425,443	5.64%
Other expenses	1,106,594	731,306	-	-	1,106,594	731,306	51.32%
Total expenses	9,404,283	8,614,337	457,199	432,526	9,861,482	9,046,863	9.00%
Changes in net position before special item	2,005,548	2,606,377	9,754	20,428	2,015,302	2,626,805	-23.28%
Special item:							
Loss on the sale of capital assets	-	(372,058)	-	-	-	(372,058)	-100.00%
Change in net position	2,005,548	2,234,319	9,754	20,428	2,015,302	2,254,747	-10.62%
Net position beginning of year	11,488,100	9,253,781	209,548	189,120	11,697,648	9,442,901	23.88%
Net position end of year	\$ 13,493,648	11,488,100	219,302	209,548	13,712,950	11,697,648	17.23%

In fiscal 2013, property tax and unrestricted state grants accounted for 75.80% of the revenue from governmental activities while charges for services and operating grants and contributions accounted for 99.16% of the revenue from business type activities.

The District's total revenues were approximately \$11.88 million of approximately \$11.41 million was for governmental activities and approximately \$0.47 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced an increase of 1.74% in revenues and a 9.00% increase in expenses. The increase in revenues can be attributed to the increase in charges for services and statewide sales, services and use tax. The increase in expenses can be attributed to increases in instructional and other expenses.

### Governmental Activities

Revenues for governmental activities were \$11,409,831 and expenses were \$9,404,283.

The following table presents the total and net cost of the District's major governmental activities, instruction, support services and other expenses, for the year ended June 30, 2013 compared to the year ended June 30, 2012.

	Total Cost of Services			Net Cost of Services		
	2013	2012	Change 2012-13	2013	2012	Change 2012-13
Instruction	\$ 6,313,354	5,731,316	10.16%	5,053,848	4,647,170	8.75%
Support services	1,984,335	2,151,715	-7.78%	1,979,548	2,080,163	-4.84%
Other expenses	1,106,594	731,306	51.32%	742,862	357,301	107.91%
Totals	\$ 9,404,283	8,614,337	9.17%	7,776,258	7,084,634	9.76%

For the year ended June 30, 2013:

- The cost financed by users of the District's programs was \$897,059.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$730,966.
- The net cost of governmental activities was financed with \$4,182,469 in property tax, \$298,602 in income surtax, \$783,071 in statewide sales, services and use tax, \$4,465,810 in unrestricted state grants, \$40,763 in interest income and \$11,091 in other general revenues.

### Business Type Activities

Revenues of the District's business type activities were \$466,953 and expenses were \$457,199. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

## INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balances of \$4,652,933, above last year's ending fund balances of \$3,441,798. This increase is primarily due to the increase in the General Fund balance.

---

## **Governmental Fund Highlights**

- The District's General Fund balance increased from \$2,191,521 on June 30, 2012 to \$2,988,010 on June 30, 2013. The improvement in the District's General Fund financial position is the product of many factors. A decrease in property tax and federal source revenues during the year led to a decrease in revenues. The increase in expenditures was due primarily to the increase in instructional expenditures. The decrease in revenues was enough to offset the increase in expenditures resulting in an increase in fund balance of \$796,489.
- The Capital Projects accounts balance increased from \$458,805 in fiscal 2012 to \$818,088 in fiscal 2013. The increase was due primarily to the increase in local tax revenue and the decrease in capital outlay expenditures as compared to the prior year.

## **Proprietary Fund Highlights**

- The Enterprise Funds net position increased from \$209,548 at June 30, 2012 to \$219,302 at June 30, 2013, representing an increase of approximately 4.65%. This can be attributed to the increase in federal source revenues.

## **BUDGETARY HIGHLIGHTS**

Over the course of the year, the District amended its budget one time to reflect additional expenditures associated with increased costs in the support services and other expenditures functional areas.

The District's revenues were \$207,433 more than budgeted revenues, a variance of 1.78%. The most significant variance resulted from the District receiving more in local sources than originally anticipated.

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

In spite of the District's budgetary practice, expenditures in the non-instructional programs functional area exceeded the budgeted amounts.

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

### **Capital Assets**

At June 30, 2013, the District had invested \$8,601,923, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net increase of 2.79% from last year. More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$932,507.

The original cost of the District's capital assets was \$15,328,547. Governmental funds account for \$15,093,181 with the remainder of \$235,366 in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the land improvements category. Land improvements totaled \$412,952 at June 30, 2013, compared to \$352,643 reported at June 30, 2012. The increase is due to the completion of a new parking lot at the administration building.

	Governmental		Business-Type		Total		Total
	Activities		Activities		School District		Change
	June 30,		June 30,		June 30,		June 30,
	2013	2012	2013	2012	2013	2012	2012-13
Land	\$ 422,000	422,000	-	-	422,000	422,000	0.00%
Buildings	6,949,303	6,853,795	-	-	6,949,303	6,853,795	1.39%
Land Improvements	412,952	352,643	-	-	412,952	352,643	17.10%
Machinery and equipment	725,179	687,172	92,489	52,440	817,668	739,612	10.55%
Total	\$ 8,509,434	8,315,610	92,489	52,440	8,601,923	8,368,050	2.79%

### Long-Term Debt

At June 30, 2013, the District had \$842,535 in other long-term debt outstanding. This represents a decrease of 35.43% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 5 to the financial statements.

The District had outstanding revenue bonds payable of \$330,000 at June 30, 2013.

At June 30, 2013, the District had outstanding energy loan notes payable of \$410,000 payable from the General Fund.

At June 30, 2013, the District had a termination benefits outstanding balance of \$102,535 payable from the Special Revenue, Management Levy Fund.

	Total		Total
	School District		Change
	June 30,		June 30,
	2013	2012	2012-13
Revenue bonds	\$ 330,000	655,000	-49.62%
Energy loan notes	410,000	500,000	-18.00%
Termination benefits	102,535	149,796	-31.55%
Total	\$ 842,535	1,304,796	-35.43%

### ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- Low allowable growth (supplemental state aid rate) over several years and enrollment fluctuations may negatively impact the District's spending authority. Contractual increases and program changes cannot be made without thorough consideration of our unspent authorized budget.
- Current law requires the state cost per pupil to be determined within 30 days of release of the governor's budget in the year prior to the budget year. The legislature should follow the law, by setting the cost per pupil as required, and allow school districts to meet planning, budgeting, and bargaining deadlines, as well as fully engage in school reform efforts.

---

## **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

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

BASIC FINANCIAL STATEMENTS

OSAGE COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
JUNE 30, 2013

	Primary Government		Component Unit	
	Governmental Activities	Business type Activities	Total	Osage Education Foundation
<b>ASSETS</b>				
Cash and cash equivalents	\$ 6,159,991	122,415	6,282,406	341,614
Receivables:				
Property tax:				
Delinquent	56,462	-	56,462	-
Succeeding year	3,842,278	-	3,842,278	-
Income surtax	263,928	-	263,928	-
Accounts	3,083	-	3,083	-
Due from other governments	425,762	-	425,762	-
Inventories	-	16,711	16,711	-
Net OPEB asset	25,164	1,303	26,467	-
Capital assets, net of accumulated depreciation	8,509,434	92,489	8,601,923	-
<b>TOTAL ASSETS</b>	<b>19,286,102</b>	<b>232,918</b>	<b>19,519,020</b>	<b>341,614</b>
<b>LIABILITIES</b>				
Accounts payable	149,679	-	149,679	-
Salaries and benefits payable	950,219	6,444	956,663	-
Accrued interest payable	7,744	-	7,744	-
Deferred revenue:				
Succeeding year property tax	3,842,278	-	3,842,278	-
Unearned revenue	-	7,172	7,172	-
Long-term liabilities:				
Portion due within one year:				
Revenue bonds payable	330,000	-	330,000	-
Energy loan notes payable	95,000	-	95,000	-
Termination benefits payable	37,736	-	37,736	-
Portion due after one year:				
Energy loan notes payable	315,000	-	315,000	-
Termination benefits payable	64,798	-	64,798	-
<b>TOTAL LIABILITIES</b>	<b>5,792,454</b>	<b>13,616</b>	<b>5,806,070</b>	<b>-</b>
<b>NET POSITION</b>				
Invested in capital assets, net of related debt	7,769,434	92,489	7,861,923	-
Restricted for:				
Scholarships	-	-	-	221,744
Categorical funding	318,382	-	318,382	-
Management levy purposes	227,144	-	227,144	-
Student activities	96,209	-	96,209	-
Support trust purposes	70,055	-	70,055	-
School infrastructure	441,354	-	441,354	-
Physical plant and equipment	376,734	-	376,734	-
Debt service	343,149	-	343,149	-
Unrestricted	3,851,187	126,813	3,978,000	119,870
<b>TOTAL NET POSITION</b>	<b>\$ 13,493,648</b>	<b>219,302</b>	<b>13,712,950</b>	<b>341,614</b>

SEE NOTES TO FINANCIAL STATEMENTS.

OSAGE COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2013

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Primary Government		Total	Component Unit Osage Education Foundation
				Govern- mental Activities	Business Type Activities		
Governmental activities:							
Instruction:							
Regular	\$ 3,678,016	342,669	82,704	(3,252,643)	-	(3,252,643)	-
Special	1,029,891	88,925	48,704	(892,262)	-	(892,262)	-
Other	1,605,447	461,386	235,118	(908,943)	-	(908,943)	-
	<u>6,313,354</u>	<u>892,980</u>	<u>366,526</u>	<u>(5,053,848)</u>	<u>-</u>	<u>(5,053,848)</u>	<u>-</u>
Support services:							
Student	168,794	-	-	(168,794)	-	(168,794)	-
Instructional staff	195,240	-	-	(195,240)	-	(195,240)	-
Administration	696,754	-	-	(696,754)	-	(696,754)	-
Operation and maintenance of plant	398,364	-	-	(398,364)	-	(398,364)	-
Transportation	525,183	4,079	708	(520,396)	-	(520,396)	-
	<u>1,984,335</u>	<u>4,079</u>	<u>708</u>	<u>(1,979,548)</u>	<u>-</u>	<u>(1,979,548)</u>	<u>-</u>
Long-term debt interest	35,046	-	-	(35,046)	-	(35,046)	-
Other expenses:							
AEA flowthrough	363,732	-	363,732	-	-	-	-
Depreciation(unallocated)*	707,816	-	-	(707,816)	-	(707,816)	-
	<u>1,071,548</u>	<u>-</u>	<u>363,732</u>	<u>(707,816)</u>	<u>-</u>	<u>(707,816)</u>	<u>-</u>
Total governmental activities	<u>9,404,283</u>	<u>897,059</u>	<u>730,966</u>	<u>(7,776,258)</u>	<u>-</u>	<u>(7,776,258)</u>	<u>-</u>
Business type activities:							
Support services:							
Operation and maintenance of plant	7,772	-	-	-	(7,772)	(7,772)	-
Non-instructional programs:							
Nutrition services	449,427	245,931	217,122	-	13,626	13,626	-
Total business type activities	<u>457,199</u>	<u>245,931</u>	<u>217,122</u>	<u>-</u>	<u>5,854</u>	<u>5,854</u>	<u>-</u>
Total primary government	<u>\$ 9,861,482</u>	<u>1,142,990</u>	<u>948,088</u>	<u>(7,776,258)</u>	<u>5,854</u>	<u>(7,770,404)</u>	<u>-</u>
Total component unit	<u>\$ 51,075</u>	<u>-</u>	<u>66,708</u>				<u>15,633</u>
<b>General Revenues:</b>							
Property tax levied for:							
General purposes				\$ 3,922,918	-	3,922,918	-
Capital outlay				259,551	-	259,551	-
Income surtax				298,602	-	298,602	-
Statewide sales, services and use tax				783,071	-	783,071	-
Unrestricted state grants				4,465,810	-	4,465,810	-
Unrestricted investment earnings				40,763	445	41,208	2,126
Other				11,091	3,455	14,546	30,099
Total general revenues				<u>9,781,806</u>	<u>3,900</u>	<u>9,785,706</u>	<u>32,225</u>
Change in net position				2,005,548	9,754	2,015,302	47,858
Net position beginning of year				11,488,100	209,548	11,697,648	293,756
Net position end of year				<u>\$ 13,493,648</u>	<u>219,302</u>	<u>13,712,950</u>	<u>341,614</u>

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

SEE NOTES TO FINANCIAL STATEMENTS.

OSAGE COMMUNITY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2013

	Capital			
	General	Projects	Nonmajor	Total
<b>ASSETS</b>				
Cash and pooled investments	\$ 3,792,428	620,087	855,009	5,267,524
Receivables:				
Property tax:				
Delinquent	49,709	3,364	3,389	56,462
Succeeding year	2,983,563	458,714	400,001	3,842,278
Income surtax	131,964	131,964	-	263,928
Accounts	3,083	-	-	3,083
Due from other governments	195,675	230,087	-	425,762
<b>TOTAL ASSETS</b>	<b>\$ 7,156,422</b>	<b>1,444,216</b>	<b>1,258,399</b>	<b>9,859,037</b>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 102,838	35,450	11,391	149,679
Salaries and benefits payable	950,047	-	172	950,219
Deferred revenue:				
Succeeding year property tax	2,983,563	458,714	400,001	3,842,278
Income surtax	131,964	131,964	-	263,928
Total liabilities	4,168,412	626,128	411,564	5,206,104
Fund balances:				
Restricted for:				
Categorical funding	318,382	-	-	318,382
Management levy purposes	-	-	329,678	329,678
Student activities	-	-	96,209	96,209
Support trust purposes	-	-	70,055	70,055
School infrastructure	-	441,354	-	441,354
Physical plant and equipment	-	376,734	-	376,734
Debt service	-	-	350,893	350,893
Assigned	73,564	-	-	73,564
Unassigned	2,596,064	-	-	2,596,064
Total fund balances	2,988,010	818,088	846,835	4,652,933
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 7,156,422</b>	<b>1,444,216</b>	<b>1,258,399</b>	<b>9,859,037</b>

SEE NOTES TO FINANCIAL STATEMENTS.

OSAGE COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF NET POSITION  
 JUNE 30, 2013

<b>Total fund balances of governmental funds (page 20)</b>	\$ 4,652,933
 <b>Amounts reported for governmental activities in the Statement of Net Position are different because:</b>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in in the governmental funds.	8,509,434
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(7,744)
Blending of the Internal Service Fund to be reflected at an entity-wide basis.	892,467
Accounts receivable income surtax, is not yet available to finance expenditures of the current fiscal period.	263,928
Other postemployment benefits are not yet available to finance expenditures of the current fiscal period	25,164
Long-term liabilities including revenue bonds payable, capital loan notes payable, and termination benefits payable not due and payable in the current period and, therefore, are not reported in the funds.	<u>(842,534)</u>
<b>Net position of governmental activities (page 18)</b>	<u><u>\$ 13,493,648</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

OSAGE COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2013

	General	Capital Projects	Nonmajor	Total
<b>REVENUES:</b>				
Local sources:				
Local tax	\$ 3,819,212	1,189,332	250,416	5,258,960
Tuition	323,143	-	-	323,143
Other	217,822	2,636	476,664	697,122
State sources	4,925,616	-	-	4,925,616
Federal sources	199,808	-	-	199,808
Total revenues	<u>9,485,601</u>	<u>1,191,968</u>	<u>727,080</u>	<u>11,404,649</u>
<b>EXPENDITURES:</b>				
Current:				
Instruction:				
Regular	3,734,030	-	99,798	3,833,828
Special	1,086,845	-	-	1,086,845
Other	1,182,081	-	512,880	1,694,961
	<u>6,002,956</u>	<u>-</u>	<u>612,678</u>	<u>6,615,634</u>
Support services:				
Student	203,507	-	-	203,507
Instructional staff	227,424	358	-	227,782
Administration	839,905	41,974	10,571	892,450
Operation and maintenance of plant	518,200	9,757	34,691	562,648
Transportation	428,445	58,219	11,759	498,423
	<u>2,217,481</u>	<u>110,308</u>	<u>57,021</u>	<u>2,384,810</u>
Capital outlay	-	378,140	-	378,140
Long-term debt:				
Principal	-	-	415,000	415,000
Interest and fiscal charges	-	-	43,266	43,266
	<u>-</u>	<u>-</u>	<u>458,266</u>	<u>458,266</u>
Other expenditures:				
AEA flowthrough	363,732	-	-	363,732
Total expenditures	<u>8,584,169</u>	<u>488,448</u>	<u>1,127,965</u>	<u>10,200,582</u>
Excess(Deficiency) of revenues over(under) expenditures	901,432	703,520	(400,885)	1,204,067
Other financing sources(uses):				
Transfer in	-	-	456,248	456,248
Transfer out	(112,011)	(344,237)	-	(456,248)
Insurance proceeds	7,068	-	-	7,068
Total other financing sources(uses)	<u>(104,943)</u>	<u>(344,237)</u>	<u>456,248</u>	<u>7,068</u>
Change in fund balances	796,489	359,283	55,363	1,211,135
Fund balance beginning of year	<u>2,191,521</u>	<u>458,805</u>	<u>791,472</u>	<u>3,441,798</u>
Fund balance end of year	<u>\$ 2,988,010</u>	<u>818,088</u>	<u>846,835</u>	<u>4,652,933</u>

SEE NOTES TO FINANCIAL STATEMENTS.

OSAGE COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF ACTIVITIES  
 YEAR ENDED JUNE 30, 2013

**Change in fund balances - total governmental funds (page 22)** \$ 1,211,135

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

Capital outlay 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 outlay, depreciation expense and loss on disposal of capital assets in the current year are as follows:

Capital outlay	\$ 1,116,197	
Depreciation expense	(920,255)	
Loss on disposal of capital assets	<u>(2,118)</u>	193,824

Net change in Internal Service Funds charged back against expenditures made for self-funded insurance at an entity-wide basis. 208,805

Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Current year repayments are as follows:  
 Repaid 415,000

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. 8,220

Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds. 5,182

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

Other postemployment benefits	\$ (83,880)	
Termination benefits	<u>47,262</u>	<u>(36,618)</u>

**Change in net position of governmental activities (page 19)** \$ 2,005,548

OSAGE COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
PROPRIETARY FUND  
JUNE 30, 2013

	Business Type	
	Activities: Enterprise Fund	Governmental Activities: Internal Service Fund
	School Nutrition	
<b>ASSETS</b>		
Cash and pooled investments	\$ 122,415	892,467
Inventories	16,711	-
Net OPEB asset	1,303	-
Capital assets, net of accumulated depreciation	92,489	-
<b>TOTAL ASSETS</b>	<b>232,918</b>	<b>892,467</b>
<b>LIABILITIES</b>		
Salaries and benefits payable	6,444	-
Unearned revenue	7,172	-
<b>TOTAL LIABILITIES</b>	<b>13,616</b>	<b>-</b>
<b>NET POSITION</b>		
Invested in capital assets	92,489	-
Unrestricted	126,813	892,467
<b>TOTAL NET POSITION</b>	<b>\$ 219,302</b>	<b>892,467</b>

SEE NOTES TO FINANCIAL STATEMENTS.

OSAGE COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2013

	Business Type	
	Activities: Enterprise Fund	Governmental Activities: Internal Service Fund
	School Nutrition	
Operating revenues:		
Local sources:		
Charges for services	\$ 245,931	-
Miscellaneous	3,455	1,084,083
Total operating revenues	<u>249,386</u>	<u>1,084,083</u>
Operating expenses:		
Support services:		
Operation and maintenance of plant:		
Services	7,772	-
Non-instructional programs:		
Food service operations:		
Salaries	140,433	-
Benefits	84,361	-
Services	458	-
Supplies	211,923	-
Depreciation	12,252	-
	<u>449,427</u>	<u>-</u>
Other enterprise operations:		
Benefits	-	875,278
Total operating expenses	<u>457,199</u>	<u>875,278</u>
Operating income(loss)	(207,813)	208,805
Non-operating revenues:		
Interest income	445	-
State sources	4,155	-
Federal sources	212,967	-
Total non-operating revenues	<u>217,567</u>	<u>-</u>
Change in net position	9,754	208,805
Net position beginning of year	<u>209,548</u>	<u>683,662</u>
Net position end of year	<u>\$ 219,302</u>	<u>892,467</u>

SEE NOTES TO FINANCIAL STATEMENTS.

OSAGE COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2013

	Business Type	
	Activities: Enterprise Fund School Nutrition	Governmental Activities: Internal Service Fund
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 247,324	-
Cash received from miscellaneous operating activities	3,455	1,084,083
Cash payments to employees for services	(220,385)	-
Cash payments to suppliers for goods or services	(168,337)	(875,278)
Net cash provided by(used in) operating activities	<u>(137,943)</u>	<u>208,805</u>
Cash flows from non-capital financing activities:		
State grants received	4,155	-
Federal grants received	166,446	-
Net cash provided by non-capital financing activities	<u>170,601</u>	<u>-</u>
Cash flows from capital and related financing activities:		
Purchase of capital assets	(52,301)	-
Cash flows from investing activities:		
Interest on investments	445	-
Net increase(decrease) in cash and cash equivalents	(19,198)	208,805
Cash and cash equivalents at beginning of year	141,613	683,662
Cash and cash equivalents at end of year	<u>\$ 122,415</u>	<u>892,467</u>
Reconciliation of operating income(loss) to net cash provided by(used in) operating activities:		
Operating income(loss)	\$ (207,813)	208,805
Adjustments to reconcile operating income(loss) to net cash provided by(used in) operating activities:		
Commodities consumed	46,521	-
Depreciation	12,252	-
Decrease in inventories	5,428	-
Decrease in accounts receivable	1,504	-
Decrease in accounts payable	(133)	-
Increase in salaries and benefits payable	104	-
Decrease in unearned revenue	(111)	-
Increase in other postemployment benefits	4,305	-
Net cash provided by(used in) operating activities	<u>\$ (137,943)</u>	<u>208,805</u>

## NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2013, the District received Federal commodities valued at \$46,521.

SEE NOTES TO FINANCIAL STATEMENTS.

OSAGE COMMUNITY SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUND  
JUNE 30, 2013

	<u>Private-</u> <u>Purpose Trust</u>
<b>ASSETS</b>	
Cash and pooled investments	\$ 830,148
<b>LIABILITIES</b>	<u>-</u>
<b>NET POSITION</b>	
Restricted for scholarships	\$ 830,148

SEE NOTES TO FINANCIAL STATEMENTS.

OSAGE COMMUNITY SCHOOL DISTRICT  
 STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
 FIDUCIARY FUND  
 YEAR ENDED JUNE 30, 2013

	Private- Purpose Trust
Additions:	
Local sources:	
Interest income	\$ 16,535
Deductions:	
Instruction:	
Regular:	
Scholarships awarded	20,600
Change in net position	(4,065)
Net position beginning of year	834,213
Net position end of year	\$ 830,148

SEE NOTES TO FINANCIAL STATEMENTS.

OSAGE COMMUNITY SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2013

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

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

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

**A. Reporting Entity**

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

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

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

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

B. Basis of Presentation

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

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

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

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

*Unrestricted net position* consists of net position that does not meet the definition of the two preceding categories. Unrestricted net position often has constraints on resources that are imposed by management, but can be removed or modified.

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

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

The District reports the following major governmental funds:

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

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

The District reports the following nonmajor proprietary fund:

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

The District reports the following other proprietary fund:

The Internal Service Fund is used to account for the partially self-funded health insurance operations of the District.

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

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

#### C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

D. Assets, Liabilities and Fund Balances

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

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

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

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

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

year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year.

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2011 assessed property valuations; is for the tax accrual period July 1, 2012 through June 30, 2013 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2012.

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

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

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

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

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

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

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

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

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

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

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

Fund Balances - 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.

Assigned - Amounts the Board intends to use for specific purposes.

Unassigned - All amounts not included in other spendable classifications.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2013 expenditures in the non-instructional programs functional area exceeded the budgeted amount.

(2) **Cash and Pooled Investments**

The District's deposits at June 30, 2013 were entirely covered by federal depository insurance or State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

At June 30, 2013 the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$43,075 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investments in the Iowa Schools Joint Investment Trust were rated AAA by Standard & Poor's Financial Services.

**(3) Interfund Transfers**

The detail of transfers for the year ended June 30, 2013 is as follows:

Transfer to	Transfer from	Amount
	Capital Projects:	
Debt Sinking:	Statewide Sales, Services	
\$520,000 Bond	and Use Tax	\$ 99,132
	Capital Projects:	
Debt Sinking:	Statewide Sales, Services	
\$1,100,000 Bond	and Use Tax	245,105
Debt Service	General	112,011
Total		\$ 456,248

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

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

**(4) Capital Assets**

Capital assets activity for the year ended June 30, 2013 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End Of Year
Business type activities:				
Machinery and equipment	\$ 183,065	52,301	-	235,366
Less accumulated depreciation	130,625	12,252	-	142,877
Business type activities capital assets, net	\$ 52,440	40,049	-	92,489

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 422,000	-	-	422,000
Total capital assets not being depreciated	422,000	-	-	422,000
Capital assets being depreciated:				
Buildings	10,292,874	778,141	-	11,071,015
Land improvements	416,022	85,492	-	501,514
Machinery and equipment	2,905,895	252,564	59,807	3,098,652
Total capital assets being depreciated	13,614,791	1,116,197	59,807	14,671,181
Less accumulated depreciation for:				
Buildings	3,439,079	682,633	-	4,121,712
Land improvements	63,379	25,183	-	88,562
Machinery and equipment	2,218,723	212,439	57,689	2,373,473
Total accumulated depreciation	5,721,181	920,255	57,689	6,583,747
Total capital assets being depreciated, net	7,893,610	195,942	2,118	8,087,434
Governmental activities capital assets, net	\$ 8,315,610	195,942	2,118	8,509,434

Depreciation expense was charged by the District as follows:

Governmental activities:		
Instruction:		
Regular		\$ 61,766
Other		22,930
Support services:		
Operation and maintenance of plant		18,444
Transportation		109,299
		212,439
Unallocated depreciation		707,816
Total governmental activities depreciation expense		\$ 920,255
Business type activities:		
Food services		\$ 12,252

**(5) Long-Term Liabilities**

A summary of changes in long-term debt for the year ended June 30, 2013 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Revenue bonds	\$ 655,000	-	325,000	330,000	330,000
Energy loan notes	500,000	-	90,000	410,000	95,000
Termination benefits	149,796	-	47,262	102,534	37,736
Total	\$ 1,304,796	-	462,262	842,534	462,736

**Revenue Bonds**

Details of the District's June 30, 2013 revenue bond indebtedness is as follows:

Year	Bond issue dated March 1, 2007			Bond issue dated December 6, 2007			Total		
Ending June 30,	Interest Rate	Principal	Interest	Interest Rate	Principal	Interest	Principal	Interest	Total
2014	4.35 %	\$ 95,000	2,065	4.30 %	\$ 235,000	5,052	\$ 330,000	7,117	337,117

The District has pledged future statewide sales, services and use tax revenues to repay the \$1,545,000 bonds issued March 1, 2007 and December 6, 2007. The bonds were issued for the purpose of defraying a portion of the cost of renovations at the school. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2014. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional limitation of the District. Annual principal and interest payments on the bonds are expected to require approximately 43 percent of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the bonds is \$337,117. For the current year \$325,000 in principal and \$21,249 in interest was paid on the bonds and total statewide sales, services and use tax revenues were \$783,071.

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

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

**Energy Loan Notes**

Details of the District's June 30, 2013 energy loan notes indebtedness is as follows:

Year	Energy Loan Notes dated March 1, 2007			
Ending June 30,	Interest Rate	Principal	Interest	Total
2014	4.40 %	\$ 95,000	18,040	113,040
2015	4.40	100,000	13,860	113,860
2016	4.40	105,000	9,460	114,460
2017	4.40	110,000	4,840	114,840
Total		\$ 410,000	46,200	456,200

**Termination Benefits (Early Retirement)**

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

Employees that had been granted early retirement benefits can elect to continue participation in the District's group health insurance plan until eligible for Medicare benefits whether or not the employee actually applies for Medicare benefits. The District will continue to pay up to \$536.75 of the retirees monthly premium for group single health insurance until the employee is eligible for Medicare, dies or fails to pay the balance of the premium that is due to continue coverage whichever is first to occur.

At June 30, 2013, the District has obligations to seven participants with a total liability of \$102,534. Actual early retirement expenditures for the year ended June 30, 2013 totaled \$47,262.

**(6) Pension and Retirement Benefits**

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

Plan members are required to contribute 5.78% of their annual salary and the District is required to contribute 8.67% of annual covered payroll. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2013, 2012 and 2011 were \$446,028, \$408,435, and \$341,481, respectively, equal to the required contributions for each year.

**(7) Other Postemployment Benefits**

Plan Description - The District operates a single-employer health plan which provides medical and prescription drug benefits for employees, retirees and their spouses. There are 97 active and 16 retired members in the plan. Participants must be age 55 or older at retirement.

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

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

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

The following table shows the components of the Districts OPEB cost for the year ended June 30, 2013, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 138,815
Interest on net OPEB obligation	(2,866)
Adjustment to annual required contribution	12,796
Annual OPEB cost	<u>148,745</u>
Contributions made	<u>(60,560)</u>
Increase in net OPEB obligation	88,185
Net OPEB obligation beginning of year	<u>(114,652)</u>
Net OPEB obligation end of year	<u><u>\$ (26,467)</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2013.

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, 2013 are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2011	85,689	150.76%	(75,404)
2012	82,817	147.39%	(114,652)
2013	148,745	40.71%	(26,467)

Funded Status and Funding Progress - As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2012 through June 30, 2013, the actuarial accrued liability was \$922,634, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$922,634. The covered payroll (annual payroll of active employees covered by the plan) was \$5,058,982, and the ratio of the UAAL to covered payroll was 18.24%. As of June 30, 2013, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are

made about the future. The schedule of funding progress, presented as required supplementary information in the section following the Notes to Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

As of July 1, 2012 actuarial valuation date, the Frozen Entry Age Actuarial Cost Method was used. The actuarial assumptions includes a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6%.

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

**(8) Risk Management**

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

**(9) Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$363,732 for the year ended June 30, 2013 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**(10) Budget Overexpenditure**

Per the Code of Iowa, expenditures may not legally exceed budgeted appropriations at the functional area level. During the year ended June 30, 2013, expenditures in the non-instructional programs functional area exceeded the amount budgeted.

**(11) Categorical Funding**

The District's restricted fund balance for categorical funding at June 30, 2013 is comprised of the following programs:

Program	Amount
Gifted and talented	\$ 110,234
Teacher salary supplement	28,831
Professional development	109,635
Beginning teacher mentoring	1,898
Market factor incentive	3,704
Professional development for model core curriculum	64,080
Total	<u>\$ 318,382</u>

# *Osage Community School District*

REQUIRED SUPPLEMENTARY INFORMATION

OSAGE COMMUNITY SCHOOL DISTRICT  
 BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENDITURES/EXPENSES AND  
 CHANGES IN BALANCES -  
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS  
 AND PROPRIETARY FUNDS  
 REQUIRED SUPPLEMENTARY INFORMATION  
 YEAR ENDED JUNE 30, 2013

	Governmental	Proprietary	Total	Budgeted Amounts		Final to Actual Variance
	Funds	Funds		Original	Final	
	Actual	Actual				
<b>Revenues:</b>						
Local sources	\$ 6,279,225	249,831	6,529,056	6,309,799	6,309,799	219,257
Intermediate sources	-	-	-	1,300	1,300	(1,300)
State sources	4,925,616	4,155	4,929,771	5,083,070	5,083,070	(153,299)
Federal sources	199,808	212,967	412,775	270,000	270,000	142,775
Total revenues	11,404,649	466,953	11,871,602	11,664,169	11,664,169	207,433
<b>Expenditures/Expenses:</b>						
Instruction	6,615,634	-	6,615,634	6,804,300	6,804,300	188,666
Support services	2,384,810	7,772	2,392,582	2,429,000	2,500,000	107,418
Non-instructional programs	-	449,427	449,427	430,000	430,000	(19,427)
Other expenditures	1,200,138	-	1,200,138	1,134,768	1,500,000	299,862
Total expenditures/expenses	10,200,582	457,199	10,657,781	10,798,068	11,234,300	576,519
Excess of revenues over expenditures/expenses	1,204,067	9,754	1,213,821	866,101	429,869	783,952
Other financing sources, net	7,068	-	7,068	-	-	7,068
Excess of revenues and other financing sources over expenditures/expenses	1,211,135	9,754	1,220,889	866,101	429,869	791,020
Balance beginning of year	3,441,798	209,548	3,651,346	4,675,584	4,675,584	(1,024,238)
Balance end of year	\$ 4,652,933	219,302	4,872,235	5,541,685	5,105,453	(233,218)

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

OSAGE COMMUNITY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING  
YEAR ENDED JUNE 30, 2013

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

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

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment, increasing budgeted expenditures by \$436,232

During the year ended June 30, 2013, the expenditures in the non-instructional programs functional area exceeded the budgeted amounts.

OSAGE COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FUNDING PROGRESS FOR THE  
RETIREE HEALTH PLAN  
REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2013

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll ( c )	UAAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	\$ -	\$ 949,154	\$ 949,154	0.00%	\$ 5,241,565	18.11%
2011	July 1, 2009	-	949,154	949,154	0.00%	5,058,171	18.76%
2012	July 1, 2009	-	949,154	949,154	0.00%	5,061,147	18.75%
2013	July 1, 2012	-	922,634	922,634	0.00%	5,058,982	18.24%

See Note 7 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

OSAGE COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ASSETS, LIABILITIES AND  
NET POSITION - CASH BASIS  
COMPONENT UNIT  
JUNE 30, 2013

	Osage Education Foundation
<b>ASSETS</b>	
Cash and cash equivalents	\$ 341,614
<b>LIABILITIES</b>	-
<b>NET POSITION</b>	
Restricted for scholarships	221,744
Unrestricted	119,870
<b>TOTAL NET POSITION</b>	\$ 341,614

OSAGE COMMUNITY SCHOOL DISTRICT  
STATEMENT OF SUPPORT AND REVENUE, EXPENSES AND  
CHANGES IN NET POSITION - CASH BASIS  
COMPONENT UNIT  
YEAR ENDED JUNE 30, 2013

	Osage Education Foundation
Support and Revenue:	
Interest	\$ 2,126
Scholarship contributions	66,708
Other	30,099
Total support and revenue	98,933
 Expenses:	
Publishing	3,581
Scholarships	18,100
Grants	18,135
Construction services	1,013
Other	10,246
Total expenses	51,075
Excess of support and revenue over expenses	47,858
Net position beginning of year	293,756
Net position end of year	\$ 341,614

SUPPLEMENTARY INFORMATION

OSAGE COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2013

	Special Revenue					
	Management	Student	Support	Total	Debt	Total
	Levy	Activity	Trust		Service	
<b>ASSETS</b>						
Cash and pooled investments	\$ 326,289	107,772	70,055	504,116	350,893	855,009
Receivables:						
Property tax:						
Delinquent	3,389	-	-	3,389	-	3,389
Succeeding year	400,001	-	-	400,001	-	400,001
<b>TOTAL ASSETS</b>	<b>\$ 729,679</b>	<b>107,772</b>	<b>70,055</b>	<b>907,506</b>	<b>350,893</b>	<b>1,258,399</b>
<b>LIABILITIES AND FUND BALANCES</b>						
Liabilities:						
Accounts payable	\$ -	11,391	-	11,391	-	11,391
Salaries and benefits payable	-	172	-	172	-	172
Deferred revenue:						
Succeeding year property tax	400,001	-	-	400,001	-	400,001
Total Liabilities	400,001	11,563	-	411,564	-	411,564
Fund balances:						
Restricted for:						
Management levy purposes	329,678	-	-	329,678	-	329,678
Student activities	-	96,209	-	96,209	-	96,209
Support trust purposes	-	-	70,055	70,055	-	70,055
Debt service	-	-	-	-	350,893	350,893
Total fund balances	329,678	96,209	70,055	495,942	350,893	846,835
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 729,679</b>	<b>107,772</b>	<b>70,055</b>	<b>907,506</b>	<b>350,893</b>	<b>1,258,399</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

OSAGE COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 YEAR ENDED JUNE 30, 2013

	Special Revenue					
	Management	Student	Support	Total	Debt	Total
	Levy	Activity	Trust		Service	
REVENUES:						
Local sources:						
Local tax	\$ 250,416	-	-	250,416	-	250,416
Other	5,149	461,387	8,896	475,432	1,232	476,664
TOTAL REVENUES	255,565	461,387	8,896	725,848	1,232	727,080
EXPENDITURES:						
Current:						
Instruction:						
Regular	94,090	-	5,708	99,798	-	99,798
Other	-	512,880	-	512,880	-	512,880
Support services:						
Administration	10,571	-	-	10,571	-	10,571
Operation and maintenance of plant	34,691	-	-	34,691	-	34,691
Transportation	11,759	-	-	11,759	-	11,759
Long-term debt:						
Principal	-	-	-	-	415,000	415,000
Interest and fiscal charges	-	-	-	-	43,266	43,266
TOTAL EXPENDITURES	151,111	512,880	5,708	669,699	458,266	1,127,965
Excess(Deficiency) of revenues over(under) expenditures	104,454	(51,493)	3,188	56,149	(457,034)	(400,885)
Other financing sources(uses):						
Transfer in	-	-	-	-	456,248	456,248
Change in fund balances	104,454	(51,493)	3,188	56,149	(786)	55,363
Fund balances beginning of year	225,224	147,702	66,867	439,793	351,679	791,472
Fund balances end of year	\$ 329,678	96,209	70,055	495,942	350,893	846,835

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

OSAGE COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 CAPITAL PROJECT ACCOUNTS  
 JUNE 30, 2013

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
<b>ASSETS</b>			
Cash and pooled investments	\$ 246,717	373,370	620,087
Receivables:			
Property tax:			
Delinquent	-	3,364	3,364
Succeeding year	-	458,714	458,714
Income surtax	-	131,964	131,964
Due from other governments	230,087	-	230,087
<b>TOTAL ASSETS</b>	<b>\$ 476,804</b>	<b>967,412</b>	<b>1,444,216</b>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ 35,450	-	35,450
Deferred revenue:			
Succeeding year property tax	-	458,714	458,714
Income surtax	-	131,964	131,964
Total liabilities	35,450	590,678	626,128
Fund balances:			
Restricted for:			
School infrastructure	441,354	-	441,354
Physical plant and equipment	-	376,734	376,734
Total fund balances	441,354	376,734	818,088
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 476,804</b>	<b>967,412</b>	<b>1,444,216</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

OSAGE COMMUNITY SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCE  
 CAPITAL PROJECT ACCOUNTS  
 YEAR ENDED JUNE 30, 2013

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
REVENUES:			
Local sources:			
Local tax	\$ 783,071	406,261	1,189,332
Other	1,098	1,538	2,636
TOTAL REVENUES	<u>784,169</u>	<u>407,799</u>	<u>1,191,968</u>
EXPENDITURES:			
Support services:			
Instructional staff	358	-	358
Administration	-	41,974	41,974
Operation and maintenance of plant	-	9,757	9,757
Transportation	-	58,219	58,219
Other expenditures:			
Capital outlay	334,356	43,784	378,140
TOTAL EXPENDITURES	<u>334,714</u>	<u>153,734</u>	<u>488,448</u>
Excess(Deficiency) of revenues over(under) expenditures	449,455	254,065	703,520
Other financing uses:			
Transfer out	(344,237)	-	(344,237)
Change in fund balances	105,218	254,065	359,283
Fund balances beginning of year	336,136	122,669	458,805
Fund balances end of year	<u>\$ 441,354</u>	<u>376,734</u>	<u>818,088</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

OSAGE COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 DEBT SERVICE FUND  
 JUNE 30, 2013

	Debt Service Fund		
	Debt	Debt	
	Sinking	Sinking	
	\$520,000	\$1,100,000	
	Bond	Bond	Total
<b>ASSETS</b>			
Cash and pooled investments	\$ 101,867	249,026	350,893
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities	\$ -	-	-
Fund balances:			
Restricted for debt service	101,867	249,026	350,893
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 101,867</b>	<b>249,026</b>	<b>350,893</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

OSAGE COMMUNITY SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCE  
 DEBT SERVICE FUND  
 YEAR ENDED JUNE 30, 2013

	Debt Service Fund			
	Debt Sinking Debt Service	\$520,000 Bond	\$1,100,000 Debt Sinking Bond	Total
REVENUES:				
Local sources:				
Other	\$ -	359	873	1,232
EXPENDITURES:				
Long-term debt:				
Principal	90,000	95,000	230,000	415,000
Interest and fiscal charges	22,011	6,205	15,050	43,266
TOTAL EXPENDITURES	112,011	101,205	245,050	458,266
Deficiency of revenues under expenditures	(112,011)	(100,846)	(244,177)	(457,034)
Other financing sources:				
Transfer in	112,011	99,132	245,105	456,248
Change in fund balances	-	(1,714)	928	(786)
Fund balance beginning of year	-	103,581	248,098	351,679
Fund balance end of year	\$ -	101,867	249,026	350,893

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

OSAGE COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
 YEAR ENDED JUNE 30, 2013

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
SADD	\$ 772	-	-	772
Activity Deposit	-	100	65	35
Dramatics	5,247	15,177	20,424	-
Speech	140	-	131	9
Project Prom	4,741	7,208	7,588	4,361
Band Trip	6,576	-	3,423	3,153
Chorus Trip	28,724	94,633	123,357	-
Cheerleaders	2,426	3,884	4,776	1,534
Magazine Sales	-	15,190	10,701	4,489
Class of 2013	242	1,740	1,982	-
Class of 2014	-	3,613	3,455	158
FFA	29,889	86,491	104,980	11,400
Future Teachers	370	-	238	132
Boys Cross Country Camp	2,415	1,790	1,393	2,812
Annual	1,710	9,089	8,513	2,286
Spanish	2,152	100	-	2,252
Student Council	1,796	11,791	11,526	2,061
IT Club	64	-	35	29
Math Club	1,208	925	540	1,593
Weightlifting	652	635	727	560
Boys Basketball Camp	479	1,240	775	944
Football Camp	3,947	13,977	13,955	3,969
Baseball Camp	5,263	6,484	5,759	5,988
Wrestling Camp	850	7,827	8,118	559
Girls Basketball Camp	4,101	1,020	977	4,144
Volleyball Camp	200	4,476	4,601	75
Softball Camp	6,827	11,792	9,045	9,574
Concession Stand	-	40,053	40,053	-
Girls Tennis Camp	740	723	766	697
Computer	389	80	-	469
Girls Track Camp	1,327	8,632	5,624	4,335
Boys Track Camp	3,761	5,129	6,022	2,868
Football Activity Tickets	1,471	-	1,471	-
FCCLA	1,386	-	-	1,386
Golf Camp	1,647	619	1,344	922
Girls Cross Country Camp	59	1,704	1,701	62
Athletics	1,346	98,414	97,655	2,105
M.S. Student Council	16,861	5,937	8,615	14,183
M.S. Special Olympics	7,924	914	2,545	6,293
Total	\$ 147,702	461,387	512,880	96,209

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

OSAGE COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 FIDUCIARY FUND - PRIVATE PURPOSE TRUST  
 JUNE 30, 2013

	Private-Purpose Trust			
	Raub Scholarship	Heiden Scholarship	Neuwohner Scholarship	Total
<b>ASSETS</b>				
Cash and pooled investments	\$ 824,234	3,799	2,115	830,148
<b>LIABILITIES</b>	-	-	-	-
<b>NET POSITION</b>				
Restricted for scholarships	\$ 824,234	3,799	2,115	830,148

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

OSAGE COMMUNITY SCHOOL DISTRICT  
 COMBINING STATEMENT OF CHANGES IN NET POSITION  
 FIDUCIARY FUND - PRIVATE PURPOSE TRUST FUNDS  
 YEAR ENDED JUNE 30, 2013

	Raub Scholarship	Heiden Scholarship	Neuwohner Scholarship	Total
ADDITIONS:				
Local sources:				
Interest income	\$ 16,523	-	12	16,535
DEDUCTIONS:				
Instruction:				
Regular:				
Scholarships awarded	19,500	1,000	100	20,600
Change in net position	(2,977)	(1,000)	(88)	(4,065)
Net position beginning of year	827,211	4,799	2,203	834,213
Net position end of year	\$ 824,234	3,799	2,115	830,148

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Modified Accrual Basis									
	Years Ended June 30,									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Revenues:										
Local sources:										
Local tax	\$ 5,258,960	4,988,583	4,853,515	4,047,345	3,950,449	3,603,586	3,701,018	3,329,036	3,128,088	3,130,230
Tuition	323,143	237,696	240,060	289,057	310,603	284,780	269,587	356,273	335,005	351,671
Other	697,122	664,361	692,348	630,213	901,546	796,975	896,666	805,274	790,760	640,956
Intermediate sources	-	-	1,300	-	-	13,500	5,320	60,393	61,346	62,442
State sources	4,925,616	4,931,900	4,727,890	4,321,318	5,009,633	4,809,155	4,481,766	4,236,604	4,126,057	3,776,755
Federal sources	199,808	316,871	496,765	856,346	313,052	229,919	294,409	276,208	166,592	177,334
Total	\$ 11,404,649	11,139,411	11,011,878	10,144,279	10,485,283	9,737,915	9,648,766	9,063,788	8,607,848	8,139,388
Expenditures:										
Current:										
Instruction:										
Regular	\$ 3,833,828	3,793,121	3,889,013	3,995,367	4,106,799	3,825,992	3,577,442	3,247,202	3,062,556	3,224,960
Special	1,086,845	1,033,714	949,475	1,050,526	1,258,870	1,183,503	1,170,500	1,166,899	1,114,163	1,236,387
Other	1,694,961	1,447,377	1,474,549	1,488,766	1,500,093	1,335,884	1,470,359	1,296,333	1,194,772	913,930
Support services:										
Student	203,507	229,819	249,955	248,460	191,890	241,288	259,527	277,336	282,087	250,492
Instructional staff	227,782	235,303	186,098	311,547	316,816	299,352	506,278	294,270	312,190	303,819
Administration	892,450	866,358	773,571	921,508	932,912	917,423	658,137	799,481	707,799	643,447
Operation and maintenance										
of plant	562,648	523,496	531,577	632,102	690,287	653,128	640,493	631,683	544,878	522,112
Transportation	498,423	509,434	369,562	415,195	485,642	388,917	478,265	469,451	291,496	288,899
Non-instructional programs	-	-	-	750	-	-	-	-	1,830	9,607
Capital outlay	378,140	536,309	203,774	273,448	1,156,038	1,222,873	817,998	347,813	280,178	412,623
Long-term debt:										
Principal	415,000	406,667	373,333	520,000	300,000	145,000	140,000	130,000	125,000	115,000
Interest	43,266	61,446	72,476	94,583	114,878	74,558	24,295	37,493	44,079	49,558
Other expenditures:										
AEA flow-through	363,732	374,005	412,962	411,195	355,317	333,811	318,582	298,926	293,352	290,290
Total	\$ 10,200,582	10,017,049	9,486,345	10,363,447	11,409,542	10,621,729	10,061,876	8,996,887	8,254,380	8,261,124

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

**NOLTE, CORNMAN & JOHNSON P.C.**  
**Certified Public Accountants**  
**(a professional corporation)**  
117 West 3rd Street North, Newton, Iowa 50208-3040  
Telephone (641) 792-1910

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

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

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Osage Community School District as of and for the year ended June 30, 2013, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 24, 2014.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Osage Community School District's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Osage Community School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Osage Community School District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified deficiencies in internal control we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in Part I of the accompanying Schedule of Findings as item I-A-13 to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part I of the accompanying Schedule of Findings as items I-B-13 and I-C-13 to be significant deficiencies.

## **Compliance and Other Matters**

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

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2013 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

## **Osage Community School District's Responses to Findings**

Osage Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. Osage Community School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

  
NOLTE, CORNMAN & JOHNSON, P.C.

March 24, 2014  
Newton, Iowa

OSAGE COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2013

**Part I: Findings Related to the Financial Statements:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**INTERNAL CONTROL DEFICIENCIES:**

I-A-13 Segregation of Duties - One important aspect of internal accounting control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. One individual may perform two or more functions in each of the following areas for the District:

- 1) Cash - initiating cash receipt and disbursement transactions and handling and recording cash.
- 2) Investments - investing, detailed recordkeeping, custody of investments and reconciling earnings.
- 3) Receipts - collecting and depositing; recording, journalizing, posting and reconciling.
- 4) Disbursements - check preparation, recording and reconciling.
- 5) Inventories - ordering, receiving, issuing and storing.
- 6) Capital assets - purchasing, recording and reconciling.
- 7) Wire transfers - processing and approving.
- 8) Payroll - recording approved pay rates and deductions, recordkeeping and posting
- 9) Computer systems - performing all general accounting functions and controlling all data input and output.
- 10) School lunch program - collecting and depositing; journalizing, posting, reconciling, and check preparation.

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

Response - The District will continue to review procedures and implement additional controls where possible.

Conclusion - Response accepted.

I-B-13 Purchase Orders - We noted during our audit that the District currently uses purchase orders in the purchasing process, however we noted instances of purchase orders dated after the supplies had been ordered or received in the Student Activity Fund.

Recommendation - The advantage of using a purchase order system is that approvals of the items being purchased are noted prior to ordering of the items. In addition, when the items are approved and the purchase order is properly generated, it also reflects on the financial records as an outstanding order, which represents the amount as an obligation against the budget. When monitoring actual expenses, it can be helpful to know the outstanding orders which will be subsequently paid, therefore allowing the person who approves purchase orders the insight to know if there is still available funding to make the purchase.

Although districts are not required to use a purchase order system, the benefits to financial management make the system desirable. The District's current purchase order system should be reviewed and necessary changes made so that all disbursements are approved by the appropriate administrator before ordering of supplies takes place.

Response - The District will continue to review procedures to insure that purchase orders are utilized appropriately.

Conclusion - Response accepted.

I-C-13 Gate Receipts - We noted that the District does not have ticket takers at athletic events and performances reconcile the tickets sold to cash collected prior to handing the money over to administrators to be deposited.

Recommendation - The District should have internal control procedures established for handling cash for all activity events, including athletic events and communicate the policies and procedures to the individuals involved. The Board would of course, approve any policies that the District's business office should be involved in developing the detailed procedures. At a minimum the procedures should be:

- a. Cash or change boxes should be established with a specified amount.
- b. The District should use pre-numbered tickets.
- c. Two or more individuals should be involved in the cash collection/ticket sales process. In addition to cash collection/ticket sales procedures, the individuals should be instructed to not leave the cash/change boxes unattended under any circumstances.
- d. At the end of the event, cash should be counted and reconciled (by two or more individuals) to sales/pre-numbered tickets sold including the amount of the beginning cash.
- e. To reconcile, the next unsold ticket number less the beginning ticket number determines the number of tickets sold. This number, times the price per ticket equals total sales. Total sales compared to total collected should reconcile. Variances, if any should be minimal.
- f. A reconciliation form should be completed and signed off by the individuals responsible for counting and reconciling the cash.
- g. The cash and change box should be turned into the Athletic Director (AD) or designee responsible for the "accounting" function at the event.
- h. The AD or designee should be required to take the cash collections to the night depository at the bank or at a minimum, lock the cash collections in the District's vault or other secure location at the District's office for deposit on the next working day. District procedures should prohibit individuals from taking cash collections home.

- i. A pre-numbered receipt should be issued by the Business Office the next working day in the amount of the confirmed deposit.
- j. Administrative personnel should periodically review/test the process to ensure procedures are working as prescribed.

Response - The District will continue to monitor and utilize the Osage gate reconciliation verification process for the handling and reconciliation of cash at events.

Conclusion - Response accepted.

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

II-A-13 Certified Budget - District expenditures for the year ended June 30, 2013 exceeded the certified amounts in the non-instructional programs functional area.

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 - The District will monitor expenditures and amend the budget when necessary.

Conclusion - Response accepted.

II-B-13 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.

II-C-13 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

II-D-13 Business Transactions - No business transactions between the District and District officials were noted.

II-E-13 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

II-F-13 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

II-G-13 Certified Enrollment - We noted a variance in the basic enrollment data certified to the Department of Education. The number of resident students was understated by 0.72.

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

Response - The District's auditor will contact the Iowa Department of Education and Department of Management to resolve this matter. The District has corrected its aid and levy to show the adjustment.

Conclusion - Response accepted.

II-H-13 Supplementary Weighting - No variance regarding the supplementary weighting certified to the Iowa Department of Education were noted.

- II-I-13 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- II-J-13 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.
- II-K-13 Categorical Funding - No instance were noted of categorical funding being used to supplant rather than supplement other funds.
- II-L-13 Statewide Sales, Services and Use Tax - No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2013, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$ 336,136
Revenues:		
Sales tax revenues	\$ 783,071	
Other local revenues	1,098	784,169
		1,120,305
Expenditures/transfer out:		
School infrastructure	289,030	
Equipment	29,514	
Other	16,170	
Transfer to other funds:		
Debt service fund	344,237	678,951
Ending balance		\$ 441,354

For the year ended June 30, 2013, the District did not reduce any levies as a result of the monies received under Chapter 423E or 423F of the Code of Iowa.

- II-M-13 Officiating Contracts - We noted during our audit that the Board President was not signing athletic officiating contracts for the District. According to Chapter 291.1 of the Code of Iowa, the Board President shall sign all contracts entered into by the District.

Recommendation - The District should have the Board President sign all contracts the District enters into, to comply with Chapter 291.1 of the Code of Iowa.

Response - In the future, contracts the District enters into shall bear the Board President's signature.

Conclusion - Response accepted.