

OSAGE COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2014

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Osage Community School District

**Osage Community School District**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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**Board of Education**

**(Before September 2013 Election)**

Konnie Snider	President	2015
Karla Mitchell	Vice President	2013
Neil Wubben	Board Member	2013
Herb Wright	Board Member	2015
Doug Lang	Board Member	2015

**(After September 2013 Election)**

Konnie Snider	President	2015
Herb Wright	Vice President	2015
Doug Lang	Board Member	2015
Rick Sletten	Board Member	2017
Tracey Mooberry	Board Member	2017

**School Officials**

Steve Bass	Superintendent	2014
Helen Burrington	Board Treasurer/Board Secretary	2014
Aaron Murphy	Attorney	2014

**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, 2014, 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, 2014, 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 42 through 46 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 seven years ended June 30, 2013 (which are not presented herein) and expressed unmodified opinions on those financial statements, and another auditor previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the two years ended June 30, 2006 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 9 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 18, 2015 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 18, 2015  
Newton, Iowa

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

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Osage Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2014. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### **2014 FINANCIAL HIGHLIGHTS**

- General Fund revenues decreased from \$9,492,669 in fiscal year 2013 to \$9,090,812 in fiscal year 2014, while General Fund expenditures increased from \$8,696,180 in fiscal year 2013 to \$9,173,186 in fiscal year 2014. This resulted in a decrease in the District's General Fund balance from \$2,988,010 at June 30, 2013 to \$2,905,636 at June 30, 2014, a 2.76% decrease from the prior year.
- The decrease in General Fund revenues was attributable to a decrease in local tax revenues received in fiscal year 2014, as compared to the prior year while the increase in expenses is the result of negotiated salaries and benefits paid to District employees.
- The District received \$818,277 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 custodian for the benefit of those outside of the District.

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

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

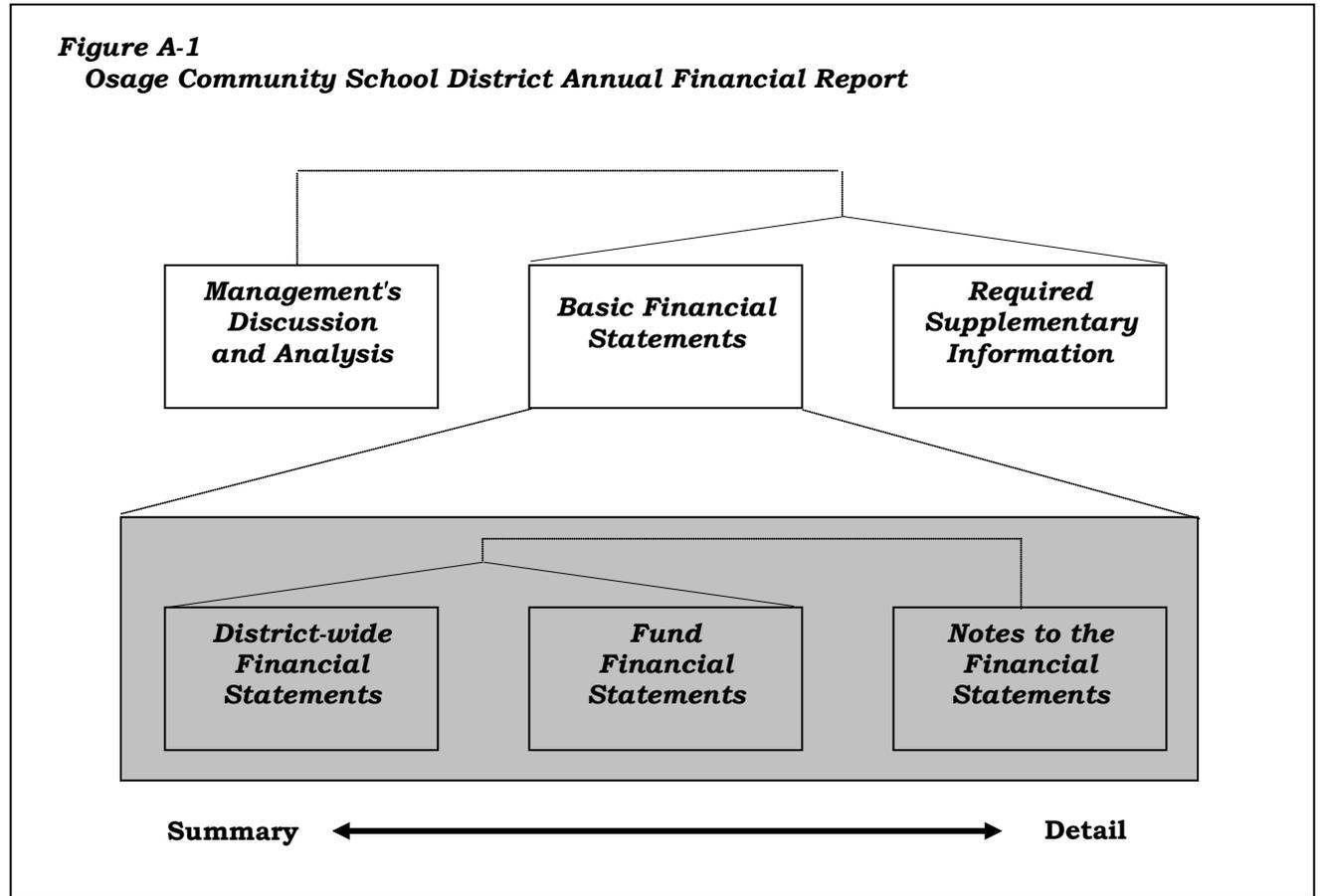


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses, e.g., food service	Instances in which the district administers resources on behalf of someone else, such as scholarship programs.
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, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. All of the current year’s revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

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The two government-wide financial statements report the District's net position and how it has changed. Net position is one way to measure the District's financial health or financial 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 three 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.
- *Component Unit:* The Osage Education Foundation was established for the purpose of giving financial assistance to the Osage Community School District by providing post high school scholarship support to graduates of the school district.

### **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 Fund.

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 which is used to account for the partially self-funded health insurance operations of the District.

The required financial statements for proprietary funds include a Statement of Net Position, a Statement of Revenues, Expenses, and Changes in Fund 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 governmental fund financial statements follow the governmental fund financial statements.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's total net position at June 30, 2014 compared to June 30, 2013.

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2014	2013	2014	2013	2014	2013	2013-14
Current and other assets	\$ 11,638,613	10,776,668	171,139	140,429	11,809,752	10,917,097	8.18%
Capital assets	8,361,547	8,509,434	82,241	92,489	8,443,788	8,601,923	-1.84%
Total assets	20,000,160	19,286,102	253,380	232,918	20,253,540	19,519,020	3.76%
Long-term liabilities	373,953	842,534	3,051	-	377,004	842,534	-55.25%
Other liabilities	1,238,939	1,107,642	15,180	13,616	1,254,119	1,121,258	11.85%
Total liabilities	1,612,892	1,950,176	18,231	13,616	1,631,123	1,963,792	-16.94%
Deferred inflows of resources	3,857,293	3,842,278	-	-	3,857,293	3,842,278	0.39%
Net position:							
Net investment in capital assets	8,046,547	7,769,434	82,241	92,489	8,128,788	7,861,923	3.39%
Restricted	2,941,419	1,873,026	-	-	2,941,419	1,873,026	57.04%
Unrestricted	3,542,009	3,851,188	152,908	126,813	3,694,917	3,978,001	-7.12%
Total net position	\$ 14,529,975	13,493,648	235,149	219,302	14,765,124	13,712,950	7.67%

The District's combined net position increased by 7.67% or \$1,052,174, from 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 \$1,068,393, or 57.04% from the prior year. The increase in restricted net position is primarily attributed to the increase in fund balance of the Capital Projects: Statewide Sales, Services and Use Tax Fund.

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 - decreased \$283,084 or 7.12%. The decrease in unrestricted net position can be attributed to a decrease in the fund balance of the General Fund, along with a decrease in the District's income surtax receivable compared to the prior year and an increase in the District's restricted balance for categorical funding.

Figure A-4 shows the changes in net position for the year ended June 30, 2014 compared to the year ended June 30, 2013.

Figure A-4							
Changes in Net Position							
	Governmental		Business Type		Total		Total
	Activities		Activities		District		Change
	June 30,		June 30,		June 30,		June 30,
	2014	2013	2014	2013	2014	2013	2013-14
Revenues:							
Program revenues:							
Charges for service	\$ 825,547	897,059	248,085	245,931	1,073,632	1,142,990	-6.07%
Operating grants, contributions and restricted interest	766,464	730,966	219,723	217,122	986,187	948,088	4.02%
General revenues:							
Property tax	3,849,441	4,182,469	-	-	3,849,441	4,182,469	-7.96%
Income surtax	179,004	298,602	-	-	179,004	298,602	-40.05%
Statewide sales, services, and use tax	818,277	783,071	-	-	818,277	783,071	4.50%
Unrestricted state grants	4,664,309	4,465,810	-	-	4,664,309	4,465,810	4.44%
Unrestricted investment earnings	41,068	40,763	603	445	41,671	41,208	1.12%
Other	65,807	11,091	3,078	3,455	68,885	14,546	373.57%
Total revenues	11,209,917	11,409,831	471,489	466,953	11,681,406	11,876,784	-1.65%
Program expenses:							
Instructional	6,555,012	6,313,354	-	-	6,555,012	6,313,354	3.83%
Support services	2,898,129	1,984,335	4,285	7,772	2,902,414	1,992,107	45.70%
Non-instructional programs	-	-	451,357	449,427	451,357	449,427	0.43%
Other expenses	720,449	1,106,594	-	-	720,449	1,106,594	-34.89%
Total expenses	10,173,590	9,404,283	455,642	457,199	10,629,232	9,861,482	7.79%
Change in net position	1,036,327	2,005,548	15,847	9,754	1,052,174	2,015,302	-47.79%
Net position beginning of year	13,493,648	11,488,100	219,302	209,548	13,712,950	11,697,648	17.23%
Net position end of year	\$ 14,529,975	13,493,648	235,149	219,302	14,765,124	13,712,950	7.67%

In fiscal year 2014, property tax and unrestricted state grants accounted for 75.95% of the revenue from governmental activities while charges for services and operating grants and contributions accounted for 99.22% of the revenue from business type activities.

The District's total revenues were approximately \$11.68 million of approximately \$11.21 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 a decrease of 1.65% in revenues and a 7.79% increase in expenses. The decrease in revenues can be attributed to the decrease in property tax revenues received while the increase in expenses can be primarily attributed to increases in expenses incurred in the support services functional area compared to the prior year.

### Governmental Activities

Revenues for governmental activities were \$11,209,917 and expenses were \$10,173,590 for the year ended June 30, 2014.

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, 2014 compared to the year ended June 30, 2013.

	Total Cost of Services			Net Cost of Services		
	2014	2013	Change 2013-14	2014	2013	Change 2013-14
Instruction	\$ 6,555,012	6,313,354	3.83%	5,374,869	5,053,848	6.35%
Support services	2,898,129	1,984,335	46.05%	2,861,074	1,979,548	44.53%
Other expenses	720,449	1,106,594	-34.89%	345,636	742,862	-53.47%
Totals	\$ 10,173,590	9,404,283	8.18%	8,581,579	7,776,258	10.36%

For the year ended June 30, 2014:

- The cost financed by users of the District's programs was \$825,547.
- Federal and state governments along with contributions from local sources subsidized certain programs with grants and contributions totaling \$766,464.
- The net cost of governmental activities was financed with \$3,849,441 in property tax, \$179,004 in income surtax, \$818,277 in statewide sales, services and use tax, \$4,664,309 in unrestricted state grants, \$41,068 in interest income and \$65,807 in other general revenues.

### Business Type Activities

Revenues of the District's business type activities for the year ended June 30, 2014 were \$471,489 and expenses totaled \$455,642. 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, investment income and other general revenues.

## 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 \$5,451,984, above last year's ending fund balances of \$4,652,933. This increase is primarily due to the increase in the fund balance of the Capital Projects Fund.

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## **Governmental Fund Highlights**

- The District's General Fund balance decreased from \$2,988,010 at June 30, 2013 to \$2,905,636 at June 30, 2014. The decrease in the District's General Fund financial position is the product of many factors. A decrease in local tax revenues during the year led to a decrease in revenues. The increase in expenditures was due primarily to an increase in negotiated salaries and benefits paid to District employees. Total expenditures outpaced total revenues during the resulting ensuring a decrease in ending fund balance.
- The Capital Projects Fund balance increased from \$818,088 at June 30, 2013 to \$1,789,050 at June 30, 2014. The increase was due primarily to the increase in state and local tax revenue received and a decrease in capital outlay expenditures incurred as compared to the prior year.

## **Proprietary Fund Highlights**

- The Enterprise, School Nutrition Fund net position increased from \$219,302 at June 30, 2013 to \$235,149 at June 30, 2014, representing an increase of approximately 7.23%. This increase in net position can be primarily attributed to an increase in charges for service and federal revenues received as compared to the prior year. This increase in revenues coupled with a decrease in salaries and benefits expenditures incurred ensured an increase in ending net position.

## **BUDGETARY HIGHLIGHTS**

The District's revenues were \$240,436 more than budgeted revenues, a variance of 2.07%. The most significant variance resulted from the District receiving more in state sources than originally anticipated.

It is not the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District's budget is developed utilizing realistic projections of revenues and expenditures. The district 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 support services and non-instructional programs functional areas exceeded the amounts budgeted.

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

### **Capital Assets**

At June 30, 2014, the District had invested \$8,443,788, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net decrease of 1.84% from last year. More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$541,701.

The original cost of the District's capital assets was \$15,656,996. Governmental funds account for \$15,419,613 with the remainder of \$237,353 in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the buildings category. The District's Buildings totaled \$6,949,303 at June 30, 2013, compared to \$6,681,404 reported at June 30, 2014. This decrease is primarily due to annual depreciation expense incurred by the District during fiscal year 2014.

Figure A-6  
Capital Assets, Net of Depreciation

	Governmental Activities		Business-Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2014	2013	2014	2013	2014	2013	2013-14
Land	\$ 422,000	422,000	-	-	422,000	422,000	0.00%
Construction in progress	16,506	-	-	-	16,506	-	100.00%
Buildings	6,681,404	6,949,303	-	-	6,681,404	6,949,303	-3.86%
Land Improvements	387,768	412,952	-	-	387,768	412,952	-6.10%
Machinery and equipment	853,869	725,179	82,241	92,489	936,110	817,668	14.49%
Total	\$ 8,361,547	8,509,434	82,241	92,489	8,443,788	8,601,923	-1.84%

### Long-Term Debt

At June 30, 2014, the District had \$377,004 in other long-term debt outstanding. This represents a decrease of 55.25% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 6 to the financial statements.

At June 30, 2014, the District had outstanding energy loan notes payable of \$315,000 payable from the General Fund.

At June 30, 2014, the District had a total net OPEB liability of \$62,004. \$58,953 of this total is attributable to the District's governmental activities, while the remaining \$3,051 is attributed to the District's business type activities.

Figure A-7  
Outstanding Long-Term Obligations

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2014	2013	2014	2013	2014	2013	2013-14
Revenue bonds	\$ -	330,000	-	-	-	330,000	-100.00%
Energy loan notes	315,000	410,000	-	-	315,000	410,000	-23.17%
Termination benefits	-	102,534	-	-	-	102,534	-100.00%
Net OPEB liability	58,953	-	3,051	-	62,004	-	100.00%
Total	\$ 373,953	842,534	3,051	-	377,004	842,534	-55.25%

### 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 and unknown 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.

- 
- The legislature needs to set the cost per pupil as required to 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, 2014

	Primary Government			Component Unit
	Governmental Activities	Business Type Activities	Total	Osage Education Foundation
<b>ASSETS</b>				
Cash and cash equivalents	\$ 7,246,056	149,198	7,395,254	433,740
Receivables:				
Property tax:				
Delinquent	53,174	-	53,174	-
Succeeding year	3,857,293	-	3,857,293	-
Income surtax	97,812	-	97,812	-
Due from other governments	384,278	-	384,278	-
Inventories	-	21,941	21,941	-
Capital assets, net of accumulated depreciation	8,361,547	82,241	8,443,788	-
<b>TOTAL ASSETS</b>	20,000,160	253,380	20,253,540	433,740
<b>LIABILITIES</b>				
Accounts payable	205,813	-	205,813	-
Salaries and benefits payable	1,031,480	7,042	1,038,522	-
Advances from grantors	491	-	491	-
Accrued interest payable	1,155	-	1,155	-
Unearned revenue	-	8,138	8,138	-
Long-term liabilities:				
Portion due within one year:				
Energy loan notes payable	100,000	-	100,000	-
Portion due after one year:				
Energy loan notes payable	215,000	-	215,000	-
Net OPEB liability	58,953	3,051	62,004	-
<b>TOTAL LIABILITIES</b>	1,612,892	18,231	1,631,123	-
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable property tax revenues	3,857,293	-	3,857,293	-
<b>NET POSITION</b>				
Net investment in capital assets	8,046,547	82,241	8,128,788	-
Restricted for:				
Scholarships	-	-	-	291,532
Categorical funding	395,071	-	395,071	-
Management levy purposes	572,141	-	572,141	-
Student activities	116,610	-	116,610	-
Support trust purposes	68,547	-	68,547	-
School infrastructure	1,274,538	-	1,274,538	-
Physical plant and equipment	514,512	-	514,512	-
Unrestricted	3,542,009	152,908	3,694,917	142,208
<b>TOTAL NET POSITION</b>	\$ 14,529,975	235,149	14,765,124	433,740

SEE NOTES TO FINANCIAL STATEMENTS.

OSAGE COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2014

	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Unit Osage Education Foundation
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Primary Government		Total	
				Govern- mental Activities	Business Type Activities		
Functions/Programs							
Governmental activities:							
Instruction:							
Regular	\$ 3,876,275	309,654	38,364	(3,528,257)	-	(3,528,257)	-
Special	1,141,625	42,961	46,298	(1,052,366)	-	(1,052,366)	-
Other	1,537,112	472,932	269,934	(794,246)	-	(794,246)	-
	6,555,012	825,547	354,596	(5,374,869)	-	(5,374,869)	-
Support services:							
Student	211,025	-	31,427	(179,598)	-	(179,598)	-
Instructional staff	388,901	-	5,200	(383,701)	-	(383,701)	-
Administration	1,011,309	-	-	(1,011,309)	-	(1,011,309)	-
Operation and maintenance of plant	768,367	-	-	(768,367)	-	(768,367)	-
Transportation	518,527	-	428	(518,099)	-	(518,099)	-
	2,898,129	-	37,055	(2,861,074)	-	(2,861,074)	-
Long-term debt interest	18,852	-	-	(18,852)	-	(18,852)	-
Other expenses:							
AEA flowthrough	374,813	-	374,813	-	-	-	-
Depreciation(unallocated)*	326,784	-	-	(326,784)	-	(326,784)	-
	701,597	-	374,813	(326,784)	-	(326,784)	-
Total governmental activities	10,173,590	825,547	766,464	(8,581,579)	-	(8,581,579)	-
Business type activities:							
Support services:							
Operation and maintenance of plant	4,285	-	-	-	(4,285)	(4,285)	-
Non-instructional programs:							
Food service operations	451,357	248,085	219,723	-	16,451	16,451	-
Total business type activities	455,642	248,085	219,723	-	12,166	12,166	-
Total primary government	\$ 10,629,232	1,073,632	986,187	(8,581,579)	12,166	(8,569,413)	-
Total component unit	\$ 64,123	-	70,700				6,577
<b>General Revenues:</b>							
Property tax levied for:							
General purposes				\$ 3,389,909	-	3,389,909	-
Capital outlay				459,532	-	459,532	-
Income surtax				179,004	-	179,004	-
Statewide sales, services and use tax				818,277	-	818,277	-
Unrestricted state grants				4,664,309	-	4,664,309	-
Unrestricted investment earnings				41,068	603	41,671	4,362
Other				65,807	3,078	68,885	81,187
Total general revenues				9,617,906	3,681	9,621,587	85,549
Change in net position				1,036,327	15,847	1,052,174	92,126
Net position beginning of year				13,493,648	219,302	13,712,950	341,614
Net position end of year				\$ 14,529,975	235,149	14,765,124	433,740

\* 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, 2014

	General	Capital Projects	Nonmajor	Total
<b>ASSETS</b>				
Cash and pooled investments	\$ 3,969,283	1,527,042	755,991	6,252,316
Receivables:				
Property tax:				
Delinquent	41,412	6,186	5,576	53,174
Succeeding year	3,150,839	506,454	200,000	3,857,293
Income surtax	48,906	48,906	-	97,812
Due from other governments	128,456	255,822	-	384,278
<b>TOTAL ASSETS</b>	<b>\$ 7,338,896</b>	<b>2,344,410</b>	<b>961,567</b>	<b>10,644,873</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 201,964	-	3,849	205,813
Salaries and benefits payable	1,031,060	-	420	1,031,480
Advances from grantors	491	-	-	491
Total liabilities	1,233,515	-	4,269	1,237,784
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	3,150,839	506,454	200,000	3,857,293
Income surtax	48,906	48,906	-	97,812
Total deferred inflows of resources	3,199,745	555,360	200,000	3,955,105
Fund balances:				
Restricted for:				
Categorical funding	395,071	-	-	395,071
Management levy purposes	-	-	572,141	572,141
Student activities	-	-	116,610	116,610
Support trust purposes	-	-	68,547	68,547
School infrastructure	-	1,274,538	-	1,274,538
Physical plant and equipment	-	514,512	-	514,512
Assigned	74,090	-	-	74,090
Unassigned	2,436,475	-	-	2,436,475
Total fund balances	2,905,636	1,789,050	757,298	5,451,984
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 7,338,896</b>	<b>2,344,410</b>	<b>961,567</b>	<b>10,644,873</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, 2014

<b>Total fund balances of governmental funds (page 20)</b>	\$	5,451,984
 <i>Amounts reported for governmental activities in the Statement of Net Position are different because:</i>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in in the governmental funds.		8,361,547
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.		(1,155)
Blending of the Internal Service Fund to be reflected at an entity-wide basis.		993,740
Accounts receivable income surtax, is not yet available to finance expenditures of the current fiscal year, and therefore, is recognized as deferred inflows of resources in the governmental funds.		97,812
Long-term liabilities including capital loan notes payable, and other postemployment benefits payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.		<u>(373,953)</u>
<b>Net position of governmental activities (page 18)</b>	<b>\$</b>	<b><u>14,529,975</u></b>

SEE NOTES TO FINANCIAL STATEMENTS.

OSAGE COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2014

	General	Capital Projects	Nonmajor	Total
<b>REVENUES:</b>				
Local sources:				
Local tax	\$ 3,161,713	632,092	400,756	4,194,561
Tuition	308,065	-	-	308,065
Other	214,554	41,126	397,186	652,866
State sources	5,185,125	818,277	-	6,003,402
Federal sources	217,139	-	-	217,139
Total revenues	<u>9,086,596</u>	<u>1,491,495</u>	<u>797,942</u>	<u>11,376,033</u>
<b>EXPENDITURES:</b>				
Current:				
Instruction:				
Regular	3,941,276	10,176	106,748	4,058,200
Special	1,143,829	-	-	1,143,829
Other	1,170,918	-	366,659	1,537,577
	<u>6,256,023</u>	<u>10,176</u>	<u>473,407</u>	<u>6,739,606</u>
Support services:				
Student	211,278	-	-	211,278
Instructional staff	389,172	-	-	389,172
Administration	867,587	158,062	12,296	1,037,945
Operation and maintenance of plant	547,850	9,593	36,854	594,297
Transportation	413,393	114,070	13,836	541,299
	<u>2,429,280</u>	<u>281,725</u>	<u>62,986</u>	<u>2,773,991</u>
Capital outlay	-	242,347	-	242,347
Long-term debt:				
Principal	-	-	425,000	425,000
Interest and fiscal charges	-	-	25,441	25,441
	<u>-</u>	<u>-</u>	<u>450,441</u>	<u>450,441</u>
Other expenditures:				
AEA flowthrough	374,813	-	-	374,813
Total expenditures	<u>9,060,116</u>	<u>534,248</u>	<u>986,834</u>	<u>10,581,198</u>
Excess(Deficiency) of revenues over(under) expenditures	26,480	957,247	(188,892)	794,835
Other financing sources(uses):				
Transfer in	-	13,715	113,070	126,785
Transfer out	(113,070)	-	(13,715)	(126,785)
Sale of equipment	4,216	-	-	4,216
Total other financing sources(uses)	<u>(108,854)</u>	<u>13,715</u>	<u>99,355</u>	<u>4,216</u>
Change in fund balances	(82,374)	970,962	(89,537)	799,051
Fund balances beginning of year	<u>2,988,010</u>	<u>818,088</u>	<u>846,835</u>	<u>4,652,933</u>
Fund balances end of year	<u>\$ 2,905,636</u>	<u>1,789,050</u>	<u>757,298</u>	<u>5,451,984</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, 2014

**Change in fund balances - total governmental funds (page 22)** \$ 799,051

*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	\$ 386,238	
Depreciation expense	(529,466)	
Loss on disposal of capital assets	<u>(4,659)</u>	(147,887)

Net change in Internal Service Funds charged back against expenditures made for self-funded insurance at an entity-wide basis. 101,273

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. 425,000

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. 6,589

Income surtax account receivable is not available to finance expenditures of the current year and is recognized as deferred inflows of resources in the governmental funds. (166,116)

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	\$ (84,117)	
Termination benefits	<u>102,534</u>	<u>18,417</u>

**Change in net position of governmental activities (page 19)** \$ 1,036,327

SEE NOTES TO FINANCIAL STATEMENTS.

OSAGE COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
JUNE 30, 2014

	Business Type	
	Activities: Enterprise Fund	Governmental Activities: Internal Service Fund
	School Nutrition	
<b>ASSETS</b>		
Cash and pooled investments	\$ 149,198	993,740
Inventories	21,941	-
Capital assets, net of accumulated depreciation	82,241	-
<b>TOTAL ASSETS</b>	<b>253,380</b>	<b>993,740</b>
<b>LIABILITIES</b>		
Salaries and benefits payable	7,042	-
Unearned revenue	8,138	-
Net OPEB liability	3,051	-
<b>TOTAL LIABILITIES</b>	<b>18,231</b>	<b>-</b>
<b>NET POSITION</b>		
Net investment in capital assets	82,241	-
Unrestricted	152,908	993,740
<b>TOTAL NET POSITION</b>	<b>\$ 235,149</b>	<b>993,740</b>

SEE NOTES TO FINANCIAL STATEMENTS.

OSAGE COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2014

	Business Type	
	Activities: Enterprise Fund	Governmental Activities: Internal Service Fund
	School Nutrition	Fund
Operating revenues:		
Local sources:		
Charges for service	\$ 248,085	-
Miscellaneous	3,078	101,273
Total operating revenues	<u>251,163</u>	<u>101,273</u>
Operating expenses:		
Support services:		
Operation and maintenance of plant:		
Services	4,285	-
Non-instructional programs:		
Food service operations:		
Salaries	138,269	-
Benefits	83,468	-
Services	144	-
Supplies	217,241	-
Depreciation	12,235	-
	<u>451,357</u>	<u>-</u>
Total operating expenses	<u>455,642</u>	<u>-</u>
Operating income(loss)	(204,479)	101,273
Non-operating revenues:		
Interest income	603	-
State sources	3,898	-
Federal sources	215,825	-
Total non-operating revenues	<u>220,326</u>	<u>-</u>
Change in net position	15,847	101,273
Net position beginning of year	<u>219,302</u>	<u>892,467</u>
Net position end of year	<u>\$ 235,149</u>	<u>993,740</u>

SEE NOTES TO FINANCIAL STATEMENTS.

OSAGE COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2014

	Business Type Activities: Enterprise Fund	Governmental Activities: Internal Service Fund
	School Nutrition	
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 249,051	-
Cash received from miscellaneous operating activities	3,078	101,273
Cash payments to employees for services	(216,785)	-
Cash payments to suppliers for goods or services	(179,918)	-
Net cash provided by(used in) operating activities	<u>(144,574)</u>	<u>101,273</u>
Cash flows from non-capital financing activities:		
State grants received	3,898	-
Federal grants received	168,843	-
Net cash provided by non-capital financing activities	<u>172,741</u>	<u>-</u>
Cash flows from capital and related financing activities:		
Purchase of capital assets	(1,987)	-
Cash flows from investing activities:		
Interest on investments	603	-
Net increase in cash and cash equivalents	26,783	101,273
Cash and cash equivalents beginning of year	122,415	892,467
Cash and cash equivalents end of year	<u>\$ 149,198</u>	<u>993,740</u>
Reconciliation of operating income(loss) to net cash provided by(used in) operating activities:		
Operating income(loss)	\$ (204,479)	101,273
Adjustments to reconcile operating income(loss) to net cash provided by(used in) operating activities:		
Commodities consumed	46,982	-
Depreciation	12,235	-
Increase in inventories	(5,230)	-
Increase in salaries and benefits payable	598	-
Increase in unearned revenue	966	-
Increase in other postemployment benefits	4,354	-
Net cash provided by(used in) operating activities	<u>\$ (144,574)</u>	<u>101,273</u>

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

During the year ended June 30, 2014, the District received Federal commodities valued at \$46,982.

SEE NOTES TO FINANCIAL STATEMENTS.

OSAGE COMMUNITY SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUND  
JUNE 30, 2014

	<u>Private- Purpose Trust Scholarships</u>
<b>ASSETS</b>	
Cash and pooled investments	\$ 829,777
<b>LIABILITIES</b>	<u>-</u>
<b>NET POSITION</b>	
Restricted for scholarships	<u>\$ 829,777</u>

SEE NOTES TO FINANCIAL STATEMENTS.

OSAGE COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUND  
YEAR ENDED JUNE 30, 2014

	<u>Private- Purpose Trust Scholarships</u>
Additions:	
Local sources:	
Interest income	\$ 16,539
Donations	90
Total revenues	<u>16,629</u>
Deductions:	
Instruction:	
Regular:	
Scholarships awarded	<u>17,000</u>
Change in net position	(371)
Net position beginning of year	<u>830,148</u>
Net position end of year	<u>\$ 829,777</u>

SEE NOTES TO FINANCIAL STATEMENTS.

OSAGE COMMUNITY SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014

**(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 service.

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

*Net investment in capital assets* 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. Enabling legislation did not result in any restricted net position.

*Unrestricted net position* consists of net position that does not meet the definition of the two preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those 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, Deferred Inflows of Resources and Fund Balances

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

Cash, Cash Equivalents and Pooled Investments - 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, 2012 assessed property valuations; is for the tax accrual period July 1, 2013 through June 30, 2014 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2013.

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
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.

Advances from Grantors - Grant proceeds which have been received by the District but will be spent in a succeeding fiscal year.

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.

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

Deferred inflows of resources 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.

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. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2014 expenditures in the support services and non-instructional programs functional areas exceeded the amounts budgeted.

**(2) Cash and Pooled Investments**

The District’s deposits at June 30, 2014 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, 2014 the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$11,521 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 interfund transfers for the year ended June 30, 2014 is as follows:

Transfer to	Transfer from	Amount
Capital Projects: Physical Plant and Equipment Levy	Debt Sinking: \$520,000 Bond	\$ 4,674
Capital Projects: Physical Plant and Equipment Levy	Debt Sinking: \$1,100,000 Bond	9,041
Debt Service	General	113,070
Total		<u>\$ 126,785</u>

The transfer from the Debt Service: \$520,000 Bond Fund and the Debt Service: \$1,100,000 Bond Fund to the Capital Projects: Physical Plant and Equipment Levy Fund were needed to close the Debt Service accounts.

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) 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 5.95% of their annual salary and the District is required to contribute 8.93% of annual covered payroll. Contribution requirements are established by State statute. The District’s contribution to IPERS for the years ended June 30, 2014, 2013 and 2012 were \$476,757, \$446,028, and \$408,435, respectively, equal to the required contributions for each year.

**(5) Capital Assets**

Capital assets activity for the year ended June 30, 2014 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 422,000	-	-	422,000
Construction in progress	-	16,506	-	16,506
Total capital assets not being depreciated	<u>422,000</u>	<u>16,506</u>	<u>-</u>	<u>438,506</u>
Capital assets being depreciated:				
Buildings	11,071,015	33,701	-	11,104,716
Land improvements	501,514	-	-	501,514
Machinery and equipment	3,098,652	336,031	59,806	3,374,877
Total capital assets being depreciated	<u>14,671,181</u>	<u>369,732</u>	<u>59,806</u>	<u>14,981,107</u>
Less accumulated depreciation for:				
Buildings	4,121,712	301,600	-	4,423,312
Land improvements	88,562	25,184	-	113,746
Machinery and equipment	2,373,473	202,682	55,147	2,521,008
Total accumulated depreciation	<u>6,583,747</u>	<u>529,466</u>	<u>55,147</u>	<u>7,058,066</u>
Total capital assets being depreciated, net	<u>8,087,434</u>	<u>(159,734)</u>	<u>4,659</u>	<u>7,923,041</u>
Governmental activities capital assets, net	<u>\$ 8,509,434</u>	<u>(143,228)</u>	<u>4,659</u>	<u>8,361,547</u>
Business type activities:				
Machinery and equipment	\$ 235,366	1,987	-	237,353
Less accumulated depreciation	142,877	12,235	-	155,112
Business type activities capital assets, net	<u>\$ 92,489</u>	<u>(10,248)</u>	<u>-</u>	<u>82,241</u>
Depreciation expense was charged by the District as follows:				
Governmental activities:				
Instruction:				
Regular			\$	78,958
Other				16,769
Support services:				
Operation and maintenance of plant				19,465
Transportation				87,490
				<u>202,682</u>
Unallocated depreciation				<u>326,784</u>
Total governmental activities depreciation expense			\$	<u>529,466</u>
Business type activities:				
Food service operations			\$	<u>12,235</u>

**(6) Long-Term Liabilities**

A summary of changes in long-term debt for the year ended June 30, 2014 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Governmental activities:					
Revenue bonds	\$ 330,000	-	330,000	-	-
Energy loan notes	410,000	-	95,000	315,000	100,000
Termination benefits*	102,534	-	102,534	-	-
Net OPEB liability	-	58,953	-	58,953	-
Total	\$ 842,534	-	527,534	373,953	100,000
Business type activities:					
Net OPEB liability	\$ -	3,051	-	3,051	-

\* The remaining portion of the termination benefit liability at June 30, 2014 is now accounted for as an explicit benefit in the Net OPEB liability.

**Energy Loan Notes**

Details of the District's June 30, 2014 energy loan notes indebtedness is as follows:

Year Ending June 30,	Energy Loan Notes dated March 1, 2007			
	Interest Rate	Principal	Interest	Total
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		\$ 315,000	28,160	343,160

**Termination Benefits**

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 non-continuous 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, 2014, the District has obligations to seven participants. The remaining liability as of June 30, 2014 is now accounted for as an explicit benefit as part of the District's net OPEB liability.

**(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. The District also pays District retirees health insurance premiums until the retiree becomes eligible for medicare. These benefits are accounted for as an explicit benefit.

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 any 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, 2014, the amount actually contributed to the plan and changes in the District’s net OPEB obligation:

Annual required contribution	\$ 130,977
Interest on net OPEB obligation	(662)
Adjustment to annual required contribution	<u>7,215</u>
Annual OPEB cost	137,530
Contributions made	<u>(49,059)</u>
Increase in net OPEB obligation	88,471
Net OPEB obligation beginning of year	<u>(26,467)</u>
Net OPEB obligation end of year	<u><u>\$ 62,004</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, 2014.

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

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2012	\$ 82,817	147.39%	\$ (114,652)
2013	148,745	40.71%	(26,467)
2014	137,530	35.67%	62,004

Funded Status and Funding Progress - As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2013 through June 30, 2014, the actuarial accrued liability was \$872,522, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$872,522. The covered payroll (annual payroll of active employees covered by the plan) was \$5,159,289, and the ratio of the UAAL to covered payroll was 16.91%. As of June 30, 2014, 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 for the Retiree Health Plan, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents 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 \$374,813 for the year ended June 30, 2014 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, 2014, expenditures in the support services and non-instructional programs functional areas exceeded the amounts budgeted.

**(11) Construction Commitments**

As of June 30, 2014, the District has not entered into any construction contracts. However at June 30, 2014, the District has incurred architectural fees as construction in progress for upgrades to the District's middle school and gymnasium. These projects are expected to begin in fiscal year 2015. Once completed, the costs of the projects will be added to the District's capital asset listing.

**(12) Categorical Funding**

The District's restricted fund balance for categorical funding at June 30, 2014 is comprised of the following programs:

<u>Program</u>	<u>Amount</u>
Gifted and talented	\$ 113,762
Beginning teacher mentoring and induction	436
Teacher salary supplement	31,242
Four-year-old preschool state aid	6,466
Successful progression for early readers	17,618
Professional development for model core curriculum	80,814
Professional development	132,558
Market factor incentive	3,704
Teacher leadership grants	8,471
Total	<u>\$ 395,071</u>

**(13) Reconciliation of Governmental Fund Balance to Net Position**

The following is the detailed reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position:

	<u>Net investment in capital assets</u>	<u>Unassigned/ Unrestricted</u>
Fund balance (Exhibit C)	\$ -	2,436,475
Capital assets, net of accumulated depreciation	8,361,547	-
Energy loan note capitalized indebtedness	(315,000)	-
Accrued interest payable	-	(1,155)
Income surtax receivable	-	97,812
Net OPEB liability	-	(58,953)
Assigned fund balance	-	74,090
Internal service fund	-	993,740
Net position (Exhibit A)	<u>\$ 8,046,547</u>	<u>3,542,009</u>

**(14) Prospective Accounting Change**

The Governmental Accounting Standards Board has issued Statement No. 68 Accounting and Financial Reporting for Pensions - an Amendment to GASB No. 27. This statement will be implemented for the fiscal year ending June 30, 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, the Statement of Net Position is expected to include a significant liability for the government's proportionate share of the employee pension plan.

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, 2014

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to Actual Variance
	Funds	Fund		Original	Final	
	Actual	Actual				
Revenues:						
Local sources	\$ 5,155,492	251,766	5,407,258	5,918,718	5,918,718	(511,460)
State sources	6,003,402	3,898	6,007,300	5,202,368	5,202,368	804,932
Federal sources	217,139	215,825	432,964	486,000	486,000	(53,036)
Total revenues	11,376,033	471,489	11,847,522	11,607,086	11,607,086	240,436
Expenditures/Expenses:						
Instruction	6,739,606	-	6,739,606	7,100,663	7,100,663	361,057
Support services	2,773,991	4,285	2,778,276	2,740,090	2,740,090	(38,186)
Non-instructional programs	-	451,357	451,357	450,000	450,000	(1,357)
Other expenditures	1,067,601	-	1,067,601	1,310,542	1,310,542	242,941
Total expenditures/expenses	10,581,198	455,642	11,036,840	11,601,295	11,601,295	564,455
Excess of revenues over expenditures/expenses	794,835	15,847	810,682	5,791	5,791	804,891
Other financing sources, net	4,216	-	4,216	-	-	4,216
Excess of revenues and other financing sources over expenditures/expenses	799,051	15,847	814,898	5,791	5,791	809,107
Balances beginning of year	4,652,933	219,302	4,872,235	4,663,574	4,663,574	208,661
Balances end of year	\$ 5,451,984	235,149	5,687,133	4,669,365	4,669,365	1,017,768

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

OSAGE COMMUNITY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING  
YEAR ENDED JUNE 30, 2014

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.

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

During the year ended June 30, 2014, the expenditures in the support services and non-instructional programs functional areas exceeded the amounts budgeted.

OSAGE COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FUNDING PROGRESS FOR THE  
RETIREE HEALTH PLAN  
REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2014

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	\$ -	\$ 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%
2014	July 1, 2012	-	872,522	872,522	0.00%	5,159,289	16.91%

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 NET POSITION - CASH BASIS  
COMPONENT UNIT  
JUNE 30, 2014

	Osage Education Foundation
<b>ASSETS</b>	
Cash and cash equivalents	\$ 433,740
<b>LIABILITIES</b>	
	-
<b>NET POSITION</b>	
Restricted for scholarships	291,532
Unrestricted	142,208
<b>TOTAL NET POSITION</b>	<b>\$ 433,740</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

OSAGE COMMUNITY SCHOOL DISTRICT  
STATEMENT OF SUPPORT AND REVENUE, EXPENSES AND  
CHANGES IN NET POSITION - CASH BASIS  
COMPONENT UNIT  
YEAR ENDED JUNE 30, 2014

	Osage Education Foundation
Support and Revenue:	
Interest	\$ 4,362
Scholarship contributions	70,700
Other	81,187
Total support and revenue	156,249
Expenses:	
Publishing	3,894
Scholarships	20,000
Grants	18,500
Other	21,729
Total expenses	64,123
Change in net position	92,126
Net position beginning of year	341,614
Net position end of year	\$ 433,740

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SUPPLEMENTARY INFORMATION

OSAGE COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2014

	Special Revenue			
	Management Levy	Student Activity	Support Trust	Total
<b>ASSETS</b>				
Cash and pooled investments	\$ 566,565	120,879	68,547	755,991
Receivables:				
Property tax:				
Delinquent	5,576	-	-	5,576
Succeeding year	200,000	-	-	200,000
<b>TOTAL ASSETS</b>	<b>\$ 772,141</b>	<b>120,879</b>	<b>68,547</b>	<b>961,567</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ -	3,849	-	3,849
Salaries and benefits payable	-	420	-	420
Total liabilities	-	4,269	-	4,269
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	200,000	-	-	200,000
Fund balances:				
Restricted for:				
Management levy purposes	572,141	-	-	572,141
Student activities	-	116,610	-	116,610
Support trust purposes	-	-	68,547	68,547
Total fund balances	572,141	116,610	68,547	757,298
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 772,141</b>	<b>120,879</b>	<b>68,547</b>	<b>961,567</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, 2014

	Special Revenue				Debt Service	Total Nonmajor Governmental Funds
	Management Levy	Student Activity	Support Trust	Total		
REVENUES:						
Local sources:						
Local tax	\$ 400,756	-	-	400,756	-	400,756
Other	6,778	387,060	3,155	396,993	193	397,186
<b>TOTAL REVENUES</b>	<b>407,534</b>	<b>387,060</b>	<b>3,155</b>	<b>797,749</b>	<b>193</b>	<b>797,942</b>
EXPENDITURES:						
Current:						
Instruction:						
Regular	102,085	-	4,663	106,748	-	106,748
Other	-	366,659	-	366,659	-	366,659
Support services:						
Administration	12,296	-	-	12,296	-	12,296
Operation and maintenance of plant	36,854	-	-	36,854	-	36,854
Transportation	13,836	-	-	13,836	-	13,836
Long-term debt:						
Principal	-	-	-	-	425,000	425,000
Interest and fiscal charges	-	-	-	-	25,441	25,441
<b>TOTAL EXPENDITURES</b>	<b>165,071</b>	<b>366,659</b>	<b>4,663</b>	<b>536,393</b>	<b>450,441</b>	<b>986,834</b>
Excess(Deficiency) of revenues over(under) expenditures	242,463	20,401	(1,508)	261,356	(450,248)	(188,892)
Other financing sources(uses):						
Transfer in	-	-	-	-	113,070	113,070
Transfers out	-	-	-	-	(13,715)	(13,715)
<b>Total other financing sources(uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>99,355</b>	<b>99,355</b>
Change in fund balances	242,463	20,401	(1,508)	261,356	(350,893)	(89,537)
Fund balances beginning of year	329,678	96,209	70,055	495,942	350,893	846,835
Fund balances end of year	\$ 572,141	116,610	68,547	757,298	-	757,298

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

OSAGE COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 CAPITAL PROJECT ACCOUNTS  
 JUNE 30, 2014

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
<b>ASSETS</b>			
Cash and pooled investments	\$ 1,018,716	508,326	1,527,042
Receivables:			
Property tax:			
Delinquent	-	6,186	6,186
Succeeding year	-	506,454	506,454
Income surtax	-	48,906	48,906
Due from other governments	255,822	-	255,822
<b>TOTAL ASSETS</b>	<b>\$ 1,274,538</b>	<b>1,069,872</b>	<b>2,344,410</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>			
Liabilities	\$ -	-	-
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	-	506,454	506,454
Income surtax	-	48,906	48,906
Total deferred inflows of resources	-	555,360	555,360
Fund balances:			
Restricted for:			
School infrastructure	1,274,538	-	1,274,538
Physical plant and equipment	-	514,512	514,512
Total fund balances	1,274,538	514,512	1,789,050
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 1,274,538</b>	<b>1,069,872</b>	<b>2,344,410</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, 2014

	Capital Projects		Total
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	
REVENUES:			
Local sources:			
Local tax	\$ -	632,092	632,092
Other	39,407	1,719	41,126
State sources	818,277	-	818,277
<b>TOTAL REVENUES</b>	<b>857,684</b>	<b>633,811</b>	<b>1,491,495</b>
EXPENDITURES:			
Current:			
Instruction:			
Regular	-	10,176	10,176
Support services:			
Administration	-	158,062	158,062
Operation and maintenance of plant	-	9,593	9,593
Transportation	-	114,070	114,070
Other expenditures:			
Capital outlay	24,500	217,847	242,347
<b>TOTAL EXPENDITURES</b>	<b>24,500</b>	<b>509,748</b>	<b>534,248</b>
Excess of revenues over expenditures	833,184	124,063	957,247
Other financing sources:			
Transfer in	-	13,715	13,715
Change in fund balances	833,184	137,778	970,962
Fund balances beginning of year	441,354	376,734	818,088
Fund balances end of year	<b>\$ 1,274,538</b>	<b>514,512</b>	<b>1,789,050</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, 2014

	Debt Service Fund			Total
	Debt Service	Debt Sinking \$520,000 Bond	Debt Sinking \$1,100,000 Bond	
REVENUES:				
Local sources:				
Other	\$ -	56	137	193
EXPENDITURES:				
Long-term debt:				
Principal	95,000	95,000	235,000	425,000
Interest and fiscal charges	18,070	2,249	5,122	25,441
TOTAL EXPENDITURES	113,070	97,249	240,122	450,441
Deficiency of revenues under expenditures	(113,070)	(97,193)	(239,985)	(450,248)
Other financing sources(uses):				
Transfer in	113,070	-	-	113,070
Transfer out	-	(4,674)	(9,041)	(13,715)
Total other financing sources(uses)	113,070	(4,674)	(9,041)	99,355
Change in fund balances	-	(101,867)	(249,026)	(350,893)
Fund balances beginning of year	-	101,867	249,026	350,893
Fund balances end of year	\$ -	-	-	-

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

OSAGE COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
 YEAR ENDED JUNE 30, 2014

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
SADD	\$ 772	-	-	772
Activity Deposit	35	-	35	-
Dramatics	-	12,201	9,085	3,116
Speech	9	-	-	9
Project Prom	4,361	12,199	10,804	5,756
Band Trip	3,153	39,051	27,486	14,718
Chorus Trip	-	1,752	-	1,752
Cheerleaders	1,534	9,491	7,802	3,223
Magazine Sales	4,489	12,775	5,389	11,875
Class of 2014	158	2,370	2,245	283
Class of 2015	-	3,819	3,329	490
FFA	11,400	89,141	75,882	24,659
Future Teachers	132	504	298	338
Boys Cross Country Camp	2,812	5,088	3,996	3,904
Annual	2,286	8,531	4,802	6,015
Spanish Club	2,252	-	-	2,252
Student Council	2,061	12,311	12,128	2,244
IT Club	29	-	29	-
Math Club	1,593	-	1,425	168
Weightlifting Club	560	1,816	1,329	1,047
Boys Basketball Camp	944	2,106	1,516	1,534
Football Camp	3,969	13,656	17,445	180
Baseball Camp	5,988	3,095	9,083	-
Wrestling Camp	559	7,940	8,435	64
Girls Basketball Camp	4,144	11,241	9,559	5,826
Volleyball Camp	75	925	501	499
Softball Camp	9,574	11,547	18,867	2,254
Concession Stand	-	37,644	37,644	-
Girls Tennis Camp	697	1,390	1,613	474
Computer Club	469	-	99	370
Girls Track Camp	4,335	14,276	12,946	5,665
Boys Track Camp	2,868	1,786	4,525	129
FCCLA	1,386	-	-	1,386
Golf Camp	922	1,499	919	1,502
Girls Cross Country Camp	62	4,177	4,042	197
Athletics	2,105	54,274	56,379	-
M.S. Student Council	14,183	5,719	14,355	5,547
M.S. Special Olympics	6,293	4,736	2,667	8,362
Total	\$ 96,209	387,060	366,659	116,610

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

OSAGE COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 FIDUCIARY FUND - PRIVATE PURPOSE TRUST FUND  
 JUNE 30, 2014

	Private-Purpose Trust Fund			
	Raub Scholarship	Heiden Scholarship	Neuwohner Scholarship	Total
<b>ASSETS</b>				
Cash and pooled investments	\$ 825,062	2,602	2,113	829,777
<b>LIABILITIES</b>	-	-	-	-
<b>NET POSITION</b>				
Restricted for scholarships	\$ 825,062	2,602	2,113	829,777

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

OSAGE COMMUNITY SCHOOL DISTRICT  
 COMBINING STATEMENT OF CHANGES IN NET POSITION  
 FIDUCIARY FUND - PRIVATE PURPOSE TRUST FUND  
 YEAR ENDED JUNE 30, 2014

	Private Purpose Trust Fund			Total
	Raub Scholarship	Heiden Scholarship	Neuwohner Scholarship	
ADDITIONS:				
Local sources:				
Interest income	\$ 16,478	53	8	16,539
Donations	-	-	90	90
	<u>16,478</u>	<u>53</u>	<u>98</u>	<u>16,629</u>
DEDUCTIONS:				
Instruction:				
Regular:				
Scholarships awarded	15,650	1,250	100	17,000
Change in net position	828	(1,197)	(2)	(371)
Net position beginning of year	<u>824,234</u>	<u>3,799</u>	<u>2,115</u>	<u>830,148</u>
Net position end of year	<u>\$ 825,062</u>	<u>2,602</u>	<u>2,113</u>	<u>829,777</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Modified Accrual Basis									
	Years Ended June 30,									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Revenues:										
Local sources:										
Local tax	\$ 4,194,561	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
Tuition	308,065	323,143	237,696	240,060	289,057	310,603	284,780	269,587	356,273	335,005
Other	652,866	697,122	664,361	692,348	630,213	901,546	796,975	896,666	805,274	790,760
Intermediate sources	-	-	-	1,300	-	-	13,500	5,320	60,393	61,346
State sources	6,003,402	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
Federal sources	217,139	199,808	316,871	496,765	856,346	313,052	229,919	294,409	276,208	166,592
Total	\$ 11,376,033	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
Expenditures:										
Current:										
Instruction:										
Regular	\$ 4,058,200	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
Special	1,143,829	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
Other	1,537,577	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
Support services:										
Student	211,278	203,507	229,819	249,955	248,460	191,890	241,288	259,527	277,336	282,087
Instructional staff	389,172	227,782	235,303	186,098	311,547	316,816	299,352	506,278	294,270	312,190
Administration	1,037,945	892,450	866,358	773,571	921,508	932,912	917,423	658,137	799,481	707,799
Operation and maintenance of plant	594,297	562,648	523,496	531,577	632,102	690,287	653,128	640,493	631,683	544,878
Transportation	541,299	498,423	509,434	369,562	415,195	485,642	388,917	478,265	469,451	291,496
Non-instructional programs	-	-	-	-	750	-	-	-	-	1,830
Capital outlay	242,347	378,140	536,309	203,774	273,448	1,156,038	1,222,873	817,998	347,813	280,178
Long-term debt:										
Principal	425,000	415,000	406,667	373,333	520,000	300,000	145,000	140,000	130,000	125,000
Interest	25,441	43,266	61,446	72,476	94,583	114,878	74,558	24,295	37,493	44,079
Other expenditures:										
AEA flow-through	374,813	363,732	374,005	412,962	411,195	355,317	333,811	318,582	298,926	293,352
Total	\$ 10,581,198	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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

**NOLTE, CORNMAN & JOHNSON P.C.**  
**Certified Public Accountants**  
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**Independent Auditor's Report on Internal Control over Financial Reporting and on  
Compliance and Other Matters Based on an Audit of Financial Statements Performed in  
Accordance with Government Auditing Standards**

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

We have audited 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, 2014, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 18, 2015.

**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 a material weakness 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-14 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-14 and I-C-14 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, 2014 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 18, 2015  
Newton, Iowa

OSAGE COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2014

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

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**INTERNAL CONTROL DEFICIENCIES:**

I-A-14 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) Capital assets - purchasing, recording and reconciling.
- 6) Computer systems - performing all general accounting functions and controlling all data input and output.
- 7) 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-14 Detailed Deposit Slips - We noted during our audit instances of deposit slips that lacked detail as to the make-up of the deposit. Lack of detail on deposit slips makes subsequent reconciliation of receipts to the deposits very difficult.

Recommendation - Better internal controls would be achieved if the District developed procedures to document the composition of each deposit on the deposit slips. This would allow an individual to determine which receipts are included in any given deposit, and subsequently reconcile that all money collected for which a receipt was issued, was included in the deposit.

Response - The District will review procedures and implement additional controls to better document the composition of deposits.

Conclusion - Response accepted.

I-C-14 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 handling and reconciling cash at events.

Conclusion - Response acknowledged. Better internal controls would be achieved with the use of pre-numbered tickets at all District performances and events which require an admission.

OSAGE COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2014

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

II-A-14 Certified Budget - District expenditures for the year ended June 30, 2014 exceeded the certified amounts in the support services and non-instructional programs functional areas.

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 in the future.

Conclusion - Response accepted.

II-B-14 Questionable Disbursements - We noted during our audit a disbursement for magazine fundraiser prizes to being awarded to students who were top sellers from the Magazine Sales account within the Student Activity Fund. Giving prizes for a fundraiser does not appear to meet public purpose as defined in an Attorney General's opinion dated April 25, 1979.

Recommendation - The District should review the procedures in place and refrain from purchasing prizes to be given to students as part of District fundraisers to be in compliance with Attorney General's opinion dated April 25, 1979.

Response - The District will refrain from purchasing prizes to be given to students as part of District fundraisers.

Conclusion - Response accepted.

II-C-14 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-14 Business Transactions - No business transactions between the District and District officials were noted.

II-E-14 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-14 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

II-G-14 Certified Enrollment - No variances in the basic enrollment data certified to the Department of Education were noted.

II-H-14 Supplementary Weighting - No variance regarding the supplementary weighting certified to the Iowa Department of Education were noted.

- II-I-14 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-14 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-14 Categorical Funding - No instance were noted of categorical funding being used to supplant rather than supplement other funds.
- II-L-14 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, 2014, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$ 441,354
Revenues:		
Sales tax revenues	\$ 818,277	
Other local revenues	<u>39,407</u>	<u>857,684</u>
		1,299,038
Expenditures/transfer out:		
School infrastructure		<u>24,500</u>
Ending balance		<u><u>\$ 1,274,538</u></u>

For the year ended June 30, 2014, the District did not reduce any levies as a result of the monies received under Chapter 423E or 423F of the Code of Iowa.