

OTTUMWA COMMUNITY SCHOOL DISTRICT
OTTUMWA, IOWA

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

JUNE 30, 2007

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OTTUMWA COMMUNITY SCHOOL DISTRICT

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<u>Board of Education</u>		
(Before September 2006 Election)		
Mark Zeller	President	2008
Carol Mitchell	Vice President	2006
R. Payson Moreland	Board Member	2006
Pat Curran	Board Member	2007
Bob Warren	Board Member	2007
Cindy Kurtz-Hopkins	Board Member	2007
Ron Oswalt	Board Member	2008

<u>Board of Education</u>		
(After September 2006 Election)		
Mark Zeller	President	(Resigned 10-23-06) 2007
Carol Mitchell	President	(Elected 11-13-06) 2009
R. Payson Moreland	Vice President	(Elected 11-13-06) 2009
Bob Warren	Board Member	2007
Pat Curran	Board Member	2007
Cindy Kurtz-Hopkins	Board Member	2007
Ron Oswalt	Board Member	2008
Doug Mathias	Board Member	(Appointed 11-13-06) 2007

<u>School Officials</u>		
Dr. Jon Sheldahl	Superintendent	2010
John Donner	Business Manager District Secretary/Treasurer	2007
Richard Gaumer	Attorney	Indefinite

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of
Ottumwa Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Ottumwa Community School District, Iowa, as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Ottumwa Community School District at June 30, 2007, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated November 7, 2007 on our consideration of Ottumwa 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 and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and budgetary comparison information on pages 7 through 17 and 52 through 53 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Ottumwa Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2006 (none of which are presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 8, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Oskaloosa, Iowa
November 7, 2007

MANAGEMENT'S DISCUSSION AND ANALYSIS

Ottumwa 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, 2007. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

Financial Highlights

- The District's financial status continued to improve during the 2007 fiscal year with net assets increasing by 19% to \$13.7 million.
- The District's General Fund unreserved, undesignated fund balance increased to \$1,724,792 or a \$137,853 increase from 2006. In 2006 the District had a negative balance of \$2,053,568 and a solvency ratio of negative 7.1%. In 2007 the unreserved, undesignated balance is \$1,724,792 or a \$3,778,360 improvement, with a positive solvency ratio of 4.6%.
- The District just completed the third year of collecting a one percent sales tax, with funds to be used for school infrastructure and property tax reduction. The District is using the funds for an addition to one of our elementary schools and is breaking ground for a \$13 million addition/renovation at our middle school that is scheduled for completion in the Fall of 2009. The addition to the middle school will allow the addition of 6th grade at the middle school, freeing up space at the elementary buildings.
- The District's self-funded insurance fund ended the year with net assets of \$423,780 after accounting for \$325,000 of incurred but not reported claims.

Overview of the Financial Statements

This report consists of three parts: management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *District-wide financial statements* that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are *fund financial statements* that focus on individual parts of the District, reporting the District's operations in more detail than the District-wide statements.
- The statements for *governmental funds* explain how basic services, such as regular and special education, were financed in the short term as well as what remains for future spending.
- The statements for *proprietary funds* offer short-term and long-term financial information about the activities the District operates like businesses, such as food services.
- The statements for *fiduciary funds* provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

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

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

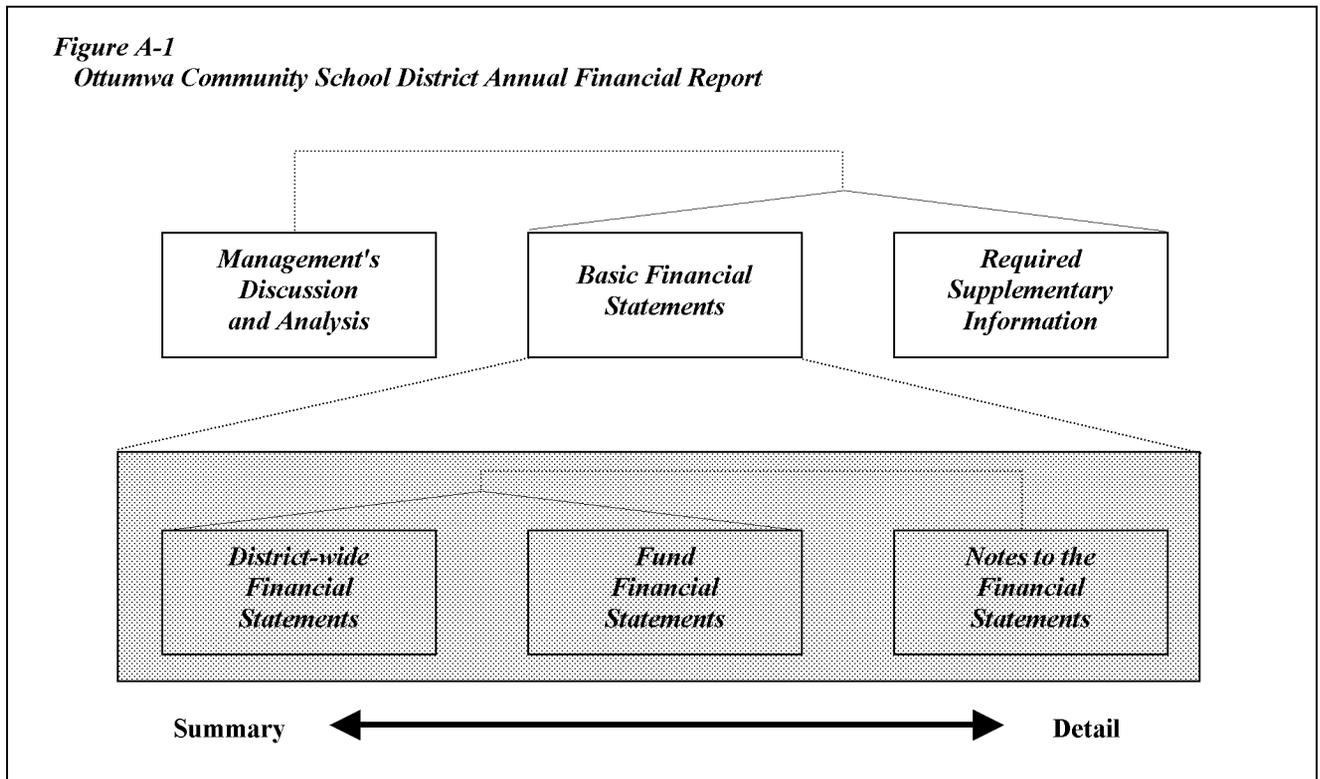


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain. The remainder of this overview section of the management’s discussion and analysis highlights the structure and contents of each of the statements.

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

District-wide Statements

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

The two District-wide statements report the District's *net assets* and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating, respectively.
- To assess the District's overall health, you need to consider additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities.

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

- *Governmental activities*: Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business-type activities*: The District charges fees to help cover the costs of certain services it provides. The District's School Nutrition Program, Student Construction and Child Care Programs are included here.

Fund Financial Statements

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

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

The District has three kinds of funds:

- *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. Because this information does not encompass the additional long-term focus of the District-wide statements, additional information at the bottom of the governmental fund statements explains the relationship or differences between the two statements.

- The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Fund.
- *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 District-wide statements.
 - The District's enterprise funds, one type of proprietary fund, are the same as its business-type activities, but provide more detail and additional information, such as cash flows. The District currently has three enterprise funds, the School Nutrition Fund Student Construction and Prime Time Youth Care.
- *Fiduciary funds:* The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust and Agency funds.
 - Private-Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.

The District is responsible for ensuring that 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 District-wide financial statements because it cannot use these assets to finance its operations.

Financial Analysis of the District as a Whole

Net assets - Figure A-3 below provides a summary of the District's net assets for the year ended June 30, 2007 compared to June 30, 2006.

Figure A-3 Condensed Statement of Net assets (in thousands of dollars)

	<u>Governmental</u> <u>Activities</u>		<u>Business-type</u> <u>Activities</u>		<u>Total</u> <u>School District</u>		<u>Total</u> <u>Change</u>
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	
Current and other assets	17,629	17,912	840	774	18,468	18,686	-1.2%
Capital assets	14,906	12,693	260	131	15,167	12,824	18.2%
Total Assets	32,535	30,605	1,100	905	33,635	31,510	6.7%
Long-term obligations	6,794	7,242			6,794	7,242	-6.2%
Other liabilities	12,993	12,653	158	136	13,151	12,789	2.8%
Total Liabilities	19,787	19,895	158	136	19,945	20,031	-0.4%
Net assets							
Invested in capital assets, net of debt	8,791	5,963	260	131	9,052	6,094	48.5%
Restricted	2,246	3,033			2,246	3,033	25.9%
Unrestricted	1,711	1,713	682	638	2,393	2,351	1.8%
Total Net Assets	12,748	10,709	942	770	13,690	11,479	19.3%

The District's combined net assets increased by \$2,211,552 or 19.3% during the fiscal year. Governmental activities total net assets increased by \$2,038,869 with Business type activities increasing by \$172,683. Total assets increased by \$2,125,483 , of which \$2,342,037 was from increases to capital assets, while total liabilities declined by \$86,069.

Statement of Activities and changes to net assets.
Figure A-4

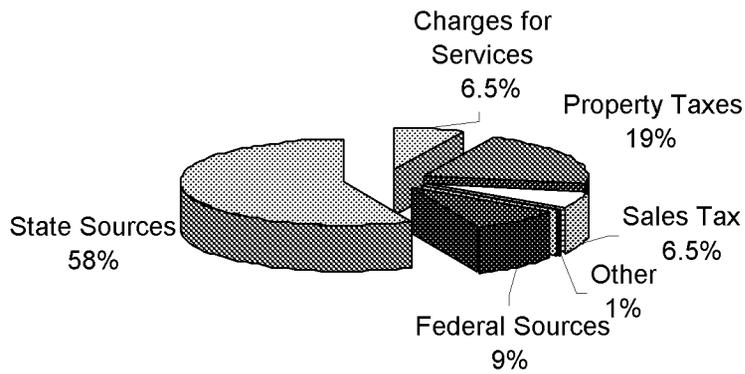
Figure A-4 Statement of Activities

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total School District</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Revenues						
Program Revenues						
Charges for services	1,797,581	1,759,742	1,052,107	1,139,130	2,849,688	2,898,872
Operating grants and contributions	5,959,905	5,706,197	1,191,703	1,119,325	7,151,608	6,825,522
Capital grants and contributions	202,886	68,584			202,886	68,584
General Revenues						
Property and other taxes	8,335,192	8,503,757			8,335,192	8,503,757
Local option sales tax	2,882,207	2,670,924			2,882,207	2,670,924
State foundation aid	21,976,905	20,561,779			21,976,905	20,561,779
Other	405,354	366,251	17,621	12,721	422,975	378,972
Total Revenues	41,560,030	39,637,234	2,261,431	2,271,176	43,821,461	41,908,410
Expenditures						
Instruction	25,512,355	24,223,988			25,512,355	24,223,988
Pupil and instructional services	2,602,300	2,889,937			2,602,300	2,889,937
Administrative and business services	3,901,729	3,380,097			3,901,729	3,380,097
Maintenance and operations	3,569,178	3,446,864			3,569,178	3,446,864
Transportation	1,175,278	1,152,823			1,175,278	1,152,823
Other	2,743,848	2,874,640			2,743,848	2,874,640
Non Instructional	16,473	54,216	2,088,748	2,092,072	2,105,221	2,146,288
Total Expenditures	39,521,161	38,022,565	2,088,748	2,092,072	41,609,909	40,114,637
Change in net assets	2,038,869	1,614,669	172,683	179,104	2,211,552	1,793,773
Net assets beginning of year	10,709,039	9,094,370	769,545	590,441	11,478,584	9,684,811
Net assets end of year	12,747,908	10,709,039	942,228	769,545	13,690,136	11,478,584

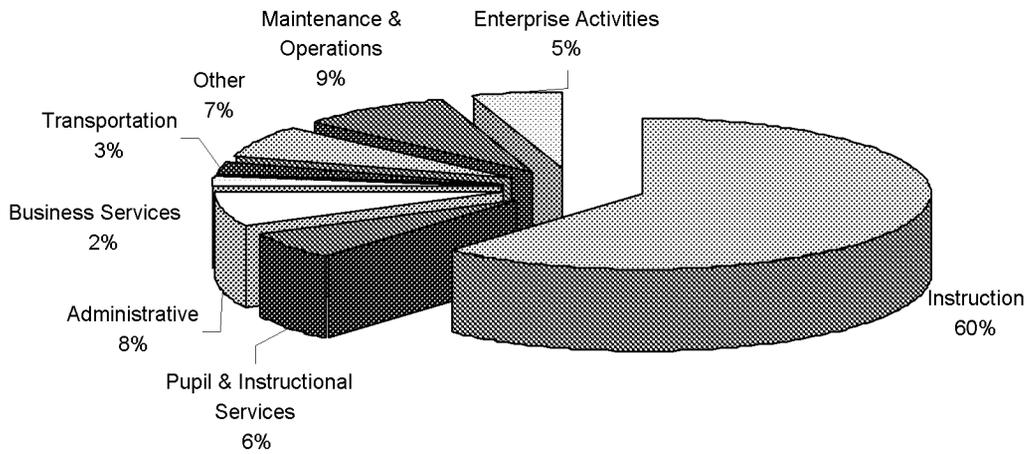
District revenues rose by 4.6% or a \$1.9 million increase from the previous year. Expenditures grew by \$1.5 million to \$41.6 million, a 3.7% increase with revenue exceeding expenditures by \$2.2 million.

State sources provided 61% of the funding for governmental programs with local property taxes amounting to \$8.3 million, or 20% and federal funds were 6%. Governmental activities accounted for 95% of total district expenditures. Within the governmental funds the largest expenditures were for instructional programs (60.0%), maintenance and operations (8.5%), and administrative and business services (9.2%).

Sources of District Revenue for Fiscal 2007



Expenditures for Fiscal 2007



Financial Analysis of the District's Funds

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

Governmental Fund Highlights

- The District's General Fund unreserved, undesignated fund balance increased to \$1,724,792 or a \$137,853 increase from 2006. In 2000 the District had a negative balance of \$2,053,568 and a negative solvency ratio of -7.1%. Fiscal year 2007 ended with an unreserved, undesignated balance of \$1,724,792, a \$3,778,360 improvement from 2000 and has a positive 4.6% solvency ratio.
- Of the other funds that make up governmental funds, the following showed increases in fund balance from the previous year: Management \$116,165 an increase of \$101,681, Student Activities \$578,109 an increase of \$24,979. Funds that showed a decrease in fund balance from the previous year : Debt Service \$637,095 a decrease of \$269,943, decrease is attributed to reduction in reserve requirement, Capital Projects \$930,132 a decrease of \$668,602 which was expected as major construction projects were in progress.
- The District looking forward to the completion of a four classroom and media center addition at Eisenhower Elementary in time for class in the fall of 2007. A \$13 million addition and renovation to Evans Middle School was started in June with completion scheduled for the fall of 2009.

Proprietary Fund Highlights

The School Nutrition Fund net assets increased from \$560,646 on June 30, 2006 to \$681,702 on June 30th 2007, representing an increase of \$121,056. Revenue increased by 3.6% with expenditures increasing 2.4%.

The District's Youth Care Program showed an operating profit of \$12,944 for the fiscal year leaving a positive balance of \$33,241 or 18% of annual operating expenses.

Budgetary Highlights

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 its private-purpose trust and agency funds. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared in accordance with generally accepted accounting principles. Over the course of the year, the District amended its annual operating budget one time to reflect additional revenue and expenditures associated with federal grants and a building improvement project. A schedule showing the original and final budget amounts compared to the District's actual financial activity is included in the required supplementary information section of this report.

Legal Budgetary Highlights

- The District's total actual receipts were approximately \$905,763 less than the total budgeted receipts, a variance of less than 2.0%. Total expenditures were approximately \$2,100,000 less than budgeted, a variance of 4.6%. This variance in expenditures was due mainly to construction projects not completed by year end and grants carried over to the next fiscal year.
- The District's certified budget was not exceeded in any functional area.

Capital Asset and Debt Administration

Capital Assets

Capital Assets 6/30/2007

	Governmental Activities		Business-Type		District Total
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>
Land	472,677	320,904			472,677
Construction in progress	2,033,526	149,447			2,033,526
Buildings	27,983,595	27,177,279			27,983,595
Improvements non Bldgs	658,733	359,219			658,733
Furniture and Equipment	720,885	708,885	605,840	435,544	1,326,725
Accumulated Depreciation	<u>16,963,101</u>	<u>16,022,520</u>	<u>345,545</u>	<u>304,185</u>	<u>17,308,646</u>
Capital Assets net	14,906,315	12,693,214	260,295	131,359	15,166,610

Of the \$30 million cost of the District's depreciable capital assets (buildings and equipment) \$17 million has been depreciated or 58% of the original value.

Long-Term Debt

	Outstanding	Retired		Outstanding
	<u>2006</u>	<u>2006</u>	<u>2006</u>	<u>2006</u>
General Obligation Bonds 1998	<u>6,730,000</u>	<u>615,000</u>		<u>6,115,000</u>

Early retirement commitments increased by \$176,796 or 54% as a larger than normal number of teachers opted for early retirement as the District phased out its current early retirement incentive package in June 2007. The early retirement liability at June 30, 2007 is \$501,995, and the District also has \$176,854 in compensated absences liabilities.

Factors Bearing on the District's Future

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

- The District's primary source of revenue is the State of Iowa's school aid formula, under which the state sets a state wide per pupil funding amount. State allowable growth for 2007-08 and 2008-09 is set at 4%.
- The other key element of the state foundation formula is certified enrollment. For 2008 the District will experience a 4.1% decline in enrollment. Previous years' enrollment was a decline of .6% in 2006 and a decline of 1.9% in 2007.
- The District has two large capital projects in progress. In the fall of 2007, a five room addition to Eisenhower Elementary School was put into use. In the summer of 2007, construction of a \$13 million addition and remodeling project at Evans Middle School was begun. The addition at Evans Middle School will allow adding 6th grade to this site and is expected to be completed in fall of 2009.
- The District issued \$10 million of School Infrastructure Local Option Sales and Service Tax Revenue Bonds to finance the Evans Middle School project. U.S. Bank, National Association was the purchaser with principal repayments starting July of 2009 and the final payment due June of 2014. Bond payment will be made from the one cent Local Options Sales Tax Funds.
- The Evans Middle School project will include a new cafeteria and production kitchen for the 2008-09 school year, allowing for the replacement of some of the older nutrition equipment.

- Salaries and benefits constitute 79% of the District's general fund expenditures, contract settlements for 2007-08 averaged about 4.15%. Three of the five union contracts (Teachers, Food Service and Custodial/Maintenance Workers) will be up for negotiation in June 2008. Multi-year agreements are in place for the following groups for 2008-09: Education Associates (minimum 2% maximum 4%) and Office Personnel 2.75%.

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 John Donner, Business Manager, Ottumwa Community School District, 422 McCarroll Drive, Ottumwa, Iowa, 52501.

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Basic Financial Statements

OTTUMWA COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS
June 30, 2007

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and pooled investments	\$ 8,731,780	\$ 718,206	\$ 9,449,986
Receivables:			
Property tax:			
Current year	179,121	-	179,121
Succeeding year	7,493,000	-	7,493,000
Accrued interest	25,311	-	25,311
Accounts	18,679	-	18,679
Due from other governments	1,106,984	-	1,106,984
Inventories	73,607	122,211	195,818
Capital assets, net of accumulated depreciation (note 4)	14,906,315	260,295	15,166,610
Total assets	32,534,797	1,100,712	33,635,509
Liabilities			
Accounts payable	1,088,084	31,540	1,119,624
Salaries and benefits payable	3,855,443	126,944	3,982,387
Accrued interest payable	23,364	-	23,364
Claims incurred but not reported	325,000	-	325,000
Deferred revenue:			
Succeeding year property tax	7,493,000	-	7,493,000
Other	208,149	-	208,149
Long-term liabilities (note 5):			
Portion due within one year:			
Early retirement	148,037	-	148,037
Bonds payable	635,000	-	635,000
Compensated absences	176,854	-	176,854
Portion due after one year:			
Early retirement	353,958	-	353,958
Bonds payable	5,480,000	-	5,480,000
Total liabilities	19,786,889	158,484	19,945,373

OTTUMWA COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS
June 30, 2007

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
Net Assets			
Invested in capital assets, net of related debt	\$ 8,791,315	\$ 260,295	\$ 9,051,610
Restricted for:			
State grants	123,550	-	123,550
Other special revenue purposes	578,109	-	578,109
Debt service	613,731	-	613,731
Capital projects	930,132	-	930,132
Unrestricted	<u>1,711,071</u>	<u>681,933</u>	<u>2,393,004</u>
Total net assets	<u>\$ 12,747,908</u>	<u>\$ 942,228</u>	<u>\$ 13,690,136</u>

See notes to financial statements.

OTTUMWA COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

Year Ended June 30, 2007

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Governmental Activities:				
Instruction:				
Regular instruction	\$ 16,826,839	\$ 652,218	\$ 2,245,726	\$ -
Special instruction	5,034,925	248,541	1,165,785	-
Other instruction	3,650,591	842,205	153,738	-
	<u>25,512,355</u>	<u>1,742,964</u>	<u>3,565,249</u>	<u>-</u>
Support services:				
Student services	1,205,545	-	567,182	-
Instructional staff services	1,396,755	-	287,030	-
Administration services	3,901,729	37,938	6,572	-
Operation and maintenance of plant services	3,569,178	16,679	12,670	-
Transportation services	1,175,278	-	8,729	-
	<u>11,248,485</u>	<u>54,617</u>	<u>882,183</u>	<u>-</u>
Non-instructional programs	<u>16,473</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	23,167	-	31,881	202,886
Long-term debt interest and fiscal charges	307,137	-	-	-
AEA flowthrough	1,480,592	-	1,480,592	-
Depreciation (unallocated) *	932,952	-	-	-
	<u>2,743,848</u>	<u>-</u>	<u>1,512,473</u>	<u>202,886</u>
Total governmental activities	<u>39,521,161</u>	<u>1,797,581</u>	<u>5,959,905</u>	<u>202,886</u>

Net (Expense) Revenue
and Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
\$ (13,928,895)	\$ -	\$ (13,928,895)
(3,620,599)	-	(3,620,599)
(2,654,648)	-	(2,654,648)
(20,204,142)	-	(20,204,142)
(638,363)	-	(638,363)
(1,109,725)	-	(1,109,725)
(3,857,219)	-	(3,857,219)
(3,539,829)	-	(3,539,829)
(1,166,549)	-	(1,166,549)
(10,311,685)	-	(10,311,685)
(16,473)	-	(16,473)
211,600	-	211,600
(307,137)	-	(307,137)
-	-	-
(932,952)	-	(932,952)
(1,028,489)	-	(1,028,489)
(31,560,789)	-	(31,560,789)

OTTUMWA COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

Year Ended June 30, 2007

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Business-Type Activities:				
Support services:				
Food service operations	\$ 76,788	\$ -	\$ -	-
Other programs	14,285	-	-	-
	<u>91,073</u>	<u>-</u>	<u>-</u>	<u>-</u>
Non-instructional programs:				
Food service operations	1,660,361	676,692	1,166,501	-
Other programs	170,222	169,640	25,202	-
	<u>1,830,583</u>	<u>846,332</u>	<u>1,191,703</u>	<u>-</u>
Other expenses:				
Other programs	167,092	205,775	-	-
	<u>167,092</u>	<u>205,775</u>	<u>-</u>	<u>-</u>
Total business-type activities	<u>2,088,748</u>	<u>1,052,107</u>	<u>1,191,703</u>	<u>-</u>
Total	\$ <u>41,609,909</u>	\$ <u>2,849,688</u>	\$ <u>7,151,608</u>	\$ <u>202,886</u>

General Revenues:

Property tax levied for:

 General purposes
 Local option sales and services tax
 Unrestricted state grants
 Unrestricted investment earnings
 Other

Total general revenues

Change in net assets

Net assets beginning of year

Net assets end of year

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

See notes to financial statements.

Net (Expense) Revenue
and Changes in Net Assets

	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Total</u>
\$	-	\$ (76,788)	\$ (76,788)
	-	(14,285)	(14,285)
	-	(91,073)	(91,073)
	-	182,832	182,832
	-	24,620	24,620
	-	207,452	207,452
	-	38,683	38,683
	-	155,062	155,062
	(31,560,789)	155,062	(31,405,727)
\$	8,335,192	-	\$ 8,335,192
	2,882,207	-	2,882,207
	21,976,905	-	21,976,905
	366,928	17,621	384,549
	38,426	-	38,426
	33,599,658	17,621	33,617,279
	2,038,869	172,683	2,211,552
	10,709,039	769,545	11,478,584
\$	<u>12,747,908</u>	<u>\$ 942,228</u>	<u>\$ 13,690,136</u>

OTTUMWA COMMUNITY SCHOOL DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2007

	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets			
Cash and pooled investments	\$ 5,853,252	\$ 2,124,723	\$ 7,977,975
Receivables:			
Property tax:			
Current year	169,214	9,907	179,121
Succeeding year	6,833,000	660,000	7,493,000
Accrued interest	25,311	-	25,311
Due from other governments	607,074	499,910	1,106,984
Inventories	<u>73,607</u>	<u>-</u>	<u>73,607</u>
Total assets	<u>\$ 13,561,458</u>	<u>\$ 3,294,540</u>	<u>\$ 16,855,998</u>

OTTUMWA COMMUNITY SCHOOL DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2007

	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
 Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 692,776	\$ 371,604	\$ 1,064,380
Salaries and benefits payable	3,854,008	1,435	3,855,443
Deferred revenue:			
Succeeding year property tax	6,833,000	660,000	7,493,000
Other	208,149	-	208,149
Total liabilities	<u>11,587,933</u>	<u>1,033,039</u>	<u>12,620,972</u>
 Fund balance:			
Reserved for:			
Inventories	73,607	-	73,607
State grants	123,550	-	123,550
Debt service	-	637,095	637,095
Unreserved:			
Designated:			
Educational trust	51,576	-	51,576
Undesignated:			
Reported in nonmajor Special Revenue Funds	-	694,274	694,274
Undesignated	1,724,792	930,132	2,654,924
Total fund balances	<u>1,973,525</u>	<u>2,261,501</u>	<u>4,235,026</u>
 Total liabilities and fund balances	 <u>\$ 13,561,458</u>	 <u>\$ 3,294,540</u>	 <u>\$ 16,855,998</u>

See notes to financial statements.

OTTUMWA COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET ASSETS
 June 30, 2007

Total fund balances of governmental funds	\$ 4,235,026
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	14,906,315
The Internal Service fund balance is incorporated into governmental activity net assets due to the integral nature of the services performed.	423,780
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.	(23,364)
Long-term liabilities, including bonds payable and compensated absences, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(6,793,849)</u>
Net assets of governmental activities	\$ <u><u>12,747,908</u></u>

See notes to financial statements.

OTTUMWA COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2007

	General	Nonmajor Governmental Funds	Total
Revenues:			
Local sources:			
Local tax	\$ 7,865,353	\$ 3,342,723	\$ 11,208,076
Tuition	707,458	-	707,458
Other	552,157	1,036,957	1,589,114
Intermediate sources	17,871	-	17,871
State sources	25,428,296	515	25,428,811
Federal sources	2,405,739	202,886	2,608,625
Total revenues	<u>36,976,874</u>	<u>4,583,081</u>	<u>41,559,955</u>
Expenditures:			
Current:			
Instruction	<u>24,391,378</u>	<u>1,032,733</u>	<u>25,424,111</u>
Support services:			
Student services	1,205,542	4,108	1,209,650
Instructional staff services	1,394,278	-	1,394,278
Administration services	3,863,223	14,474	3,877,697
Operation and maintenance of plant services	3,426,939	168,950	3,595,889
Transportation services	1,155,899	19,380	1,175,279
	<u>11,045,881</u>	<u>206,912</u>	<u>11,252,793</u>
Non-instructional programs	<u>10,445</u>	<u>6,028</u>	<u>16,473</u>
Other expenditures:			
Facilities acquisition	-	3,224,850	3,224,850
Long term debt:			
Principal	-	615,000	615,000
Interest and fiscal charges	-	309,443	309,443
AEA flowthrough	1,480,592	-	1,480,592
	<u>1,480,592</u>	<u>4,149,293</u>	<u>5,629,885</u>
Total expenditures	<u>36,928,296</u>	<u>5,394,966</u>	<u>42,323,262</u>
Excess (deficiency) of revenues over (under) expenditures	<u>48,578</u>	<u>(811,885)</u>	<u>(763,307)</u>

OTTUMWA COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2007

	General	Nonmajor Governmental Funds	Total
Other financing sources (uses):			
Sale of equipment	\$ 75	\$ -	\$ 75
Interfund transfers in (note 3)	-	607,000	607,000
Interfund transfers out (note 3)	-	(607,000)	(607,000)
Total other financing sources (uses)	75	-	75
Net change in fund balances	48,653	(811,885)	(763,232)
Fund balances beginning of year	1,924,872	3,073,386	4,998,258
Fund balances end of year	\$ 1,973,525	\$ 2,261,501	\$ 4,235,026

See notes to financial statements.

OTTUMWA 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, 2007

Net change in fund balances - total governmental funds \$ (763,232)

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

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

Expenditures for capital assets	\$ 3,222,682	
Depreciation expense	<u>(1,009,581)</u>	2,213,101

The change in net assets of the Internal Service Fund represents an overcharge for services to governmental activities. Expenses for governmental activities are adjusted to reflect this overcharge. 138,143

Repayment of long-term liabilities is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets. 615,000

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, however, interest expense is recognized as the interest accrues, regardless of when it is due. 2,306

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. (166,449)

Change in net assets of governmental activities \$ 2,038,869

See notes to financial statements.

OTTUMWA COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS
PROPRIETARY FUND
June 30, 2007

	<u>Enterprise Funds</u>	<u>Internal Service Fund</u>
Assets		
Cash and cash equivalents	\$ 718,206	\$ 753,805
Accounts receivable	-	18,679
Inventories	122,211	-
Capital assets, net of accumulated depreciation (note 4)	<u>260,295</u>	<u>-</u>
Total assets	<u>1,100,712</u>	<u>772,484</u>
Liabilities		
Accounts payable	31,540	23,704
Salaries and benefits payable	126,944	-
Claims incurred but not reported	<u>-</u>	<u>325,000</u>
Total liabilities	<u>158,484</u>	<u>348,704</u>
Net Assets		
Invested in capital assets	260,295	-
Unrestricted	<u>681,933</u>	<u>423,780</u>
Total net assets	<u>\$ 942,228</u>	<u>\$ 423,780</u>

See notes to financial statements.

OTTUMWA COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUND
Year Ended June 30, 2007

	Enterprise Funds	Internal Service Fund
Operating revenues:		
Local sources:		
Charges for services	\$ 1,052,107	\$ 2,536,937
Operating expenses:		
Support services:		
Salaries	66,275	-
Benefits	7,817	-
Purchased services	14,285	-
Supplies	2,696	-
	91,073	-
Non-instructional programs:		
Salaries	647,906	-
Benefits	96,722	-
Purchased services	38,153	2,427,576
Supplies	1,006,442	-
Depreciation	41,360	-
	1,830,583	2,427,576
Facilities acquisition and construction:		
Salaries	6,754	-
Benefits	865	-
Purchased services	13,806	-
Supplies	145,667	-
	167,092	-
Total expenses	2,088,748	2,427,576
Operating income (loss)	(1,036,641)	109,361
Non-operating revenues:		
Interest on investments	17,621	28,782
State sources	21,117	-
Federal sources	1,170,586	-
Total non-operating revenues	1,209,324	28,782
Change in net assets	172,683	138,143
Net assets beginning of year	769,545	285,637
Net assets end of year	\$ 942,228	\$ 423,780

See notes to financial statements.

OTTUMWA COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
Year Ended June 30, 2007

	<u>Enterprise Funds</u>	<u>Internal Service Fund</u>
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 674,523	\$ -
Cash received from miscellaneous operating activities	377,584	2,580,328
Cash payments to employees for services	(820,220)	-
Cash payments to suppliers for goods or services	<u>(1,110,016)</u>	<u>(2,415,600)</u>
Net cash provided by (used in) operating activities	<u>(878,129)</u>	<u>164,728</u>
Cash flows from non-capital financing activities:		
State grants received	21,117	-
Federal grants received	<u>1,058,867</u>	<u>-</u>
Net cash provided by non-capital financing activities	<u>1,079,984</u>	<u>-</u>
Cash flows from capital and related financing activities:		
Acquisition of capital assets	<u>(170,296)</u>	<u>-</u>
Cash flows from investing activities:		
Interest on investments	<u>17,621</u>	<u>28,782</u>
Net increase in cash and cash equivalents	49,180	193,510
Cash and cash equivalents beginning of year	<u>669,026</u>	<u>560,295</u>
Cash and cash equivalents end of year	<u>\$ 718,206</u>	<u>\$ 753,805</u>

OTTUMWA COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
Year Ended June 30, 2007

	<u>Enterprise Funds</u>	<u>Internal Service Fund</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:		
Operating income (loss)	\$ (1,036,641)	\$ 109,361
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Depreciation	41,360	-
Commodities used	111,719	-
Decrease in accounts receivable	-	43,391
(Increase) in inventories	(17,436)	-
Increase in accounts payable	16,750	11,976
Increase in salaries and benefits payable	<u>6,119</u>	<u>-</u>
Net cash provided by (used in) operating activities	<u>\$ (878,129)</u>	<u>\$ 164,728</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2007, the District received \$111,719 of federal commodities.

See notes to financial statements.

OTTUMWA COMMUNITY SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
June 30, 2007

	<u>Private Purpose Trust</u>
	<u>Scholarship</u>
Assets:	
Cash and pooled investments	\$ <u>81,434</u>
Liabilities:	
Accounts payable	<u>1,325</u>
Net assets:	
Reserved for scholarships	\$ <u><u>80,109</u></u>

See notes to financial statements.

OTTUMWA COMMUNITY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
Year Ended June 30, 2007

		Private Purpose Trust
		<u>Scholarship</u>
Additions:		
Local sources:		
Gifts and contributions	\$	11,256
Interest		<u>4,090</u>
Total additions		<u>15,346</u>
Deductions:		
Non-instructional programs:		
Community services operations		<u>10,995</u>
Change in net assets		4,351
Net assets beginning of year		<u>75,758</u>
Net assets end of year	\$	<u><u>80,109</u></u>
See notes to financial statements.		

OTTUMWA COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

Note 1. Summary of Significant Accounting Policies

Ottumwa 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 City of Ottumwa, Iowa, and agricultural territory in Wapello County. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

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

A. Reporting Entity

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

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

B. Basis of Presentation

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

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

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

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

OTTUMWA COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

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

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

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

The District reports the following major governmental fund:

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

The District reports three nonmajor enterprise funds: the School Nutrition Fund, used to account for the food service operations of the District, the Youth Care, used to account for daycare operations, and the Career Academy House, used to account for the student-built house activities. The District also reports one internal service fund: the self-funded insurance fund, used to account for the District's self-funded health and dental insurance activity.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

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

OTTUMWA COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

Note 1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

OTTUMWA COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity

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

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

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

Property Tax Receivable – Property tax in Governmental Funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Current year property tax receivable represents unpaid taxes from the current year. 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 District-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

The property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2005 assessed property valuations; is for the tax accrual period July 1, 2006 through June 30, 2007 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2006.

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.

OTTUMWA COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

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

Asset Class	Amount
Land	\$ 4,000
Buildings	4,000
Improvements other than buildings	4,000
Furniture and equipment:	
School Nutrition Fund Equipment	300
Other furniture and equipment	4,000

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

Asset Class	Estimated Useful Lives
Buildings	20-50 years
Improvements other than buildings	15 years
Furniture and equipment	5-12 years

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

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

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied, and unearned grant revenues.

OTTUMWA COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Compensated Absences – District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the District-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2007. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

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

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

Invested in capital assets, net of related debt – In the District-wide Statement of Net Assets, the net asset balance invested in capital assets, net of related debt is equal to the capital assets balances, including restricted capital assets, less accumulated depreciation and the outstanding balances of any bonds, notes, or other debt that are attributable to the acquisition, construction, or improvement of those assets.

Restricted Net Assets – In the District-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgets and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2007, expenditures did not exceed the amounts budgeted.

Note 2. Cash and Pooled Investments

The District's deposits in banks at June 30, 2007 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

OTTUMWA COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

Note 2. Cash and Pooled Investments (continued)

At June 30, 2007, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	Amortized Cost
Diversified Portfolio	\$ 41,872

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

Credit Risk – The investment in the Iowa Schools Joint Investment Trust was rated Aaa by Moody’s Investors Service.

Note 3. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2007 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects	\$ 607,000

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

OTTUMWA COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

Note 4. Capital Assets

Capital assets activity for the year ended June 30, 2007 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 320,904	\$ 151,773	\$ -	\$ 472,677
Construction in progress	149,447	2,033,526	149,447	2,033,526
Total capital assets not being depreciated	470,351	2,185,299	149,447	2,506,203
Capital assets being depreciated:				
Buildings	27,177,279	866,316	60,000	27,983,595
Improvements other than buildings	359,219	299,514	-	658,733
Furniture and equipment	708,885	21,000	9,000	720,885
Total capital assets being depreciated	28,245,383	1,186,830	69,000	29,363,213
Less accumulated depreciation for:				
Buildings	15,356,261	934,357	60,000	16,230,618
Improvements other than buildings	32,798	43,915	-	76,713
Furniture and equipment	633,461	31,309	9,000	655,770
Total accumulated depreciation	16,022,520	1,009,581	69,000	16,963,101
Total capital assets being depreciated, net	12,222,863	177,249	-	12,400,112
Governmental activities capital assets, net	\$ 12,693,214	\$ 2,362,548	\$ 149,447	\$ 14,906,315

OTTUMWA COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

Note 4. Capital Assets (continued)

	<u>Balance Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance End of Year</u>
Business-type activities:				
Furniture and equipment	\$ 435,544	\$ 170,296	\$ -	\$ 605,840
Less accumulated depreciation	<u>304,185</u>	<u>41,360</u>	<u>-</u>	<u>345,545</u>
Business-type activities capital assets, net	<u>\$ 131,359</u>	<u>\$ 128,936</u>	<u>\$ -</u>	<u>\$ 260,295</u>

Depreciation expense was charged by the District to the following functions:

Governmental activities:

Instruction:

Regular

\$ 47,582

Support services:

Administration

13,580

Operation and maintenance of plant services

15,467

76,629

Unallocated depreciation

932,952

Total governmental activities depreciation expense

\$ 1,009,581

Business-type activities:

Food service operations

\$ 41,360

OTTUMWA COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

Note 5. Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2007 is as follows:

	Early Retirement	General Obligation Bonds	Compensated Absences	Total
Balance beginning of year	\$ 325,199	\$ 6,730,000	\$ 187,201	\$ 7,242,400
Additions	292,241	-	176,854	469,095
Reductions	115,445	615,000	187,201	917,646
	<u>\$ 501,995</u>	<u>\$ 6,115,000</u>	<u>\$ 176,854</u>	<u>\$ 6,793,849</u>
Balance end of year				
Due within one year	<u>\$ 148,037</u>	<u>\$ 635,000</u>	<u>\$ 176,854</u>	<u>\$ 959,891</u>

Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five and employees must have completed fifteen years of continuous service to the District. Employees must complete an application which is required to be approved by the Board of Education.

The early retirement incentive for each eligible certified employee is equal to \$3,500 annual payments for up to five years, until the employee reaches age 65, or until the employee becomes eligible for Medicare, whichever comes first. Eligible non-certified employees must be at least age fifty-five and have been employed by the District for seven to ten years (depending on their employee group) or more. The early retirement incentive for non-certified employees is employee single health insurance for the next three years until the retiree qualifies for Medicare or reaches age 65.

At June 30, 2007, the District has obligations to 56 participants with a total liability of \$501,995. Actual early retirement expenditures for the year ended June 30, 2007 totaled \$115,445. Early retirement is recorded as a long-term liability of the Governmental Activities in the District-wide financial statements.

OTTUMWA COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

Note 6. Long-Term Liabilities (continued)

Bonds Payable

Details of the District's June 30, 2007 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Interest Rates	Issue dated September 1, 1998		
		Principal	Interest	Total
2008	4.500 %	\$ 635,000	\$ 280,367	\$ 915,367
2009	4.500	680,000	251,793	931,793
2010	4.500	710,000	221,193	931,193
2011	4.600	745,000	189,242	934,242
2012	4.600	795,000	154,973	949,973
2013	4.600	810,000	118,402	928,402
2014	4.625	850,000	81,143	931,143
2015	4.700	890,000	41,830	931,830
		<u>\$ 6,115,000</u>	<u>\$ 1,338,943</u>	<u>\$ 7,453,943</u>

During the year ended June 30, 2007, the District retired \$615,000 in general obligation bonds.

Note 6. Pension and Retirement Benefits

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

Plan members are required to contribute 3.70% of their annual covered salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2007, 2006, and 2005.

Contribution requirements are established by State statute. The District's contributions to IPERS for the years ended June 30, 2007, 2006, and 2005 were \$1,492,317, \$1,436,007, and \$1,372,935, respectively, equal to the required contributions for each year.

Note 7. Risk Management

Self-Funded Health and Dental Insurance

Health – The District has a self-funded insurance plan for employee medical coverage. The District contributes to the self-insurance plan an amount equal to 125% of regular insurance coverage plus an amount for terminal funding. The fund reinsures for stop-loss insurance for individual claims in excess of \$40,000 per year and aggregate total claims of 125% of expected claims. A third party administrator is paid a fee to process the claims.

OTTUMWA COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

Note 7. Risk Management (continued)

Self-Funded Health and Dental Insurance (continued)

Dental – The District has a self-funded dental insurance plan for employee dental coverage. District employees contribute to the insurance plan and the plan reimburses the insurance carrier monthly for the claims paid plus pays an administrative fee. Professional services through the plan for the participants are limited to a combined maximum payment of \$750 per member per benefit period.

Payments are made to the plans based on actuarial estimates of amounts needed to pay prior and current year claims and to establish a reserve for incurred but unpaid claims. The reserve for the Self-Funded Health and Self-Funded Dental plans was \$423,780 at June 30, 2007 and is recorded in the Internal Service Fund. The incurred but not reported claims liability of \$325,000 is reported as a liability of the Internal Service Fund at June 30, 2007.

Ottumwa 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.

Note 8. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$1,480,592 for the year ended June 30, 2007 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Note 9. Construction Commitments

The District entered into various contracts totaling \$13,244,454 for various improvement projects. As of June 30, 2007, costs of \$1,102,758 had been incurred against the contracts. The balance of \$12,141,696 remaining at June 30, 2007 will be paid as work on the project progresses.

Note 10. Subsequent Event

On July 19, 2007, the District issued \$10,000,000 in School Infrastructure Local Option Sales and Services Tax Revenue Bonds. The bonds have an interest rate of 4.18% and are payable through June 30, 2015. The bonds will be retired using the District's local option sales and services tax revenues.

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Required Supplementary Information

OTTUMWA COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Revenues, Expenditures and Changes in Balances –
 Budget and Actual – All Governmental Funds
 and Proprietary Fund
 Required Supplementary Information
 Year Ended June 30, 2007

	Governmental	Proprietary	Total	Budgeted Amounts		Final to Actual Variance
	Funds - Actual	Fund - Actual		Original	Final	
REVENUES:						
Local sources	\$ 13,504,648	\$ 1,069,728	\$ 14,574,376	\$ 15,325,670	\$ 15,325,670	\$ (751,294)
Intermediate sources	17,871	-	17,871	52,000	52,000	(34,129)
State sources	25,428,811	21,117	25,449,928	24,629,479	24,629,479	820,449
Federal sources	2,608,625	1,170,586	3,779,211	4,720,000	4,720,000	(940,789)
Total revenues	41,559,955	2,261,431	43,821,386	44,727,149	44,727,149	(905,763)
EXPENDITURES:						
Instruction	25,424,111	-	25,424,111	26,251,086	26,251,086	826,975
Support services	11,252,793	91,073	11,343,866	11,632,000	11,632,000	288,134
Non-instructional programs	16,473	1,830,583	1,847,056	2,115,000	2,115,000	267,944
Other expenditures	5,629,885	167,092	5,796,977	4,733,063	6,533,063	736,086
Total expenditures	42,323,262	2,088,748	44,412,010	44,731,149	46,531,149	2,119,139
Excess (deficiency) of revenues over (under) expenditures	(763,307)	172,683	(590,624)	(4,000)	(1,804,000)	1,213,376
Other financing sources, net	75	-	75	-	-	75
Excess (deficiency) of revenues and other financing sources over (under) expenditures	(763,232)	172,683	(590,549)	(4,000)	(1,804,000)	1,213,451
Balance beginning of year	4,998,258	769,545	5,767,803	4,274,952	4,274,952	1,492,851
Balance end of year	<u>\$ 4,235,026</u>	<u>\$ 942,228</u>	<u>\$ 5,177,254</u>	<u>\$ 4,270,952</u>	<u>\$ 2,470,952</u>	<u>\$ 2,706,302</u>

See accompanying independent auditor's report.

OTTUMWA COMMUNITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING
June 30, 2007

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

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except internal service, 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 accrual 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 function level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing budgeted expenditures by \$1,800,000.

During the year ended June 30, 2007, expenditures did not exceed the amounts budgeted in any of the four functional areas.

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Other Supplementary Information

OTTUMWA COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2007

	<u>Special Revenue</u>				<u>Total</u>
	<u>Management Levy</u>	<u>Student Activity</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
Assets					
Cash and pooled investments	\$ 107,081	\$ 611,155	\$ 637,095	\$ 769,392	\$ 2,124,723
Receivables:					
Property tax:					
Current year	9,907	-	-	-	9,907
Succeeding year	394,000	-	266,000	-	660,000
Due from other governments	-	-	-	499,910	499,910
 Total assets	 <u>\$ 510,988</u>	 <u>\$ 611,155</u>	 <u>\$ 903,095</u>	 <u>\$ 1,269,302</u>	 <u>\$ 3,294,540</u>
Liabilities and Fund Equity					
Liabilities:					
Accounts payable	\$ 823	\$ 31,611	\$ -	\$ 339,170	\$ 371,604
Salaries and benefits payable	-	1,435	-	-	1,435
Deferred revenue:					
Succeeding year property tax	394,000	-	266,000	-	660,000
Total liabilities	<u>394,823</u>	<u>33,046</u>	<u>266,000</u>	<u>339,170</u>	<u>1,033,039</u>
Fund equity:					
Fund balances:					
Reserved for:					
Debt service	-	-	637,095	-	637,095
Unreserved:					
Undesignated	116,165	578,109	-	930,132	1,624,406
Total fund equity	<u>116,165</u>	<u>578,109</u>	<u>637,095</u>	<u>930,132</u>	<u>2,261,501</u>
 Total liabilities and fund equity	 <u>\$ 510,988</u>	 <u>\$ 611,155</u>	 <u>\$ 903,095</u>	 <u>\$ 1,269,302</u>	 <u>\$ 3,294,540</u>

See accompanying independent auditor's report.

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OTTUMWA COMMUNITY SCHOOL DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 Year Ended June 30, 2007

	Special Revenue			
	Management Levy	Student Activity	Physical Plant and Equipment Levy	Debt Service
Revenues:				
Local sources:				
Local tax	\$ 460,516	\$ -	\$ -	\$ -
Other	37,937	873,365	-	47,500
State sources	515	-	-	-
Federal sources	-	-	14,608	-
Total revenues	498,968	873,365	14,608	47,500
Expenditures:				
Current:				
Instruction	207,835	824,898	-	-
Support services:				
Student services	-	4,108	-	-
Administration services	14,474	-	-	-
Operation and maintenance of plant services	168,950	-	-	-
Transportation services	-	19,380	-	-
Non instructional programs	6,028	-	-	-
Other expenditures:				
Facilities acquisition	-	-	14,608	-
Long term debt:				
Principal	-	-	-	615,000
Interest and fiscal charges	-	-	-	309,443
Total expenditures	397,287	848,386	14,608	924,443
Excess (deficiency) of revenues over (under) expenditures	101,681	24,979	-	(876,943)
Other financing sources (uses):				
Interfund transfers in	-	-	-	607,000
Interfund transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	607,000

<u>Capital Projects</u>	<u>Total</u>
\$ 2,882,207	\$ 3,342,723
78,155	1,036,957
-	515
188,278	202,886
<u>3,148,640</u>	<u>4,583,081</u>
-	1,032,733
-	4,108
-	14,474
-	168,950
-	19,380
-	6,028
3,210,242	3,224,850
-	615,000
-	309,443
<u>3,210,242</u>	<u>5,394,966</u>
(61,602)	(811,885)
-	607,000
<u>(607,000)</u>	<u>(607,000)</u>
<u>(607,000)</u>	<u>-</u>

OTTUMWA COMMUNITY SCHOOL DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2007

	Special Revenue			
	Management Levy	Student Activity	Physical Plant and Equipment Levy	Debt Service
Excess (deficiency) of revenues over (under) expenditures and other financing uses	\$ 101,681	\$ 24,979	\$ -	\$ (269,943)
Fund balances beginning of year	14,484	553,130	-	907,038
Fund balances end of year	\$ 116,165	\$ 578,109	\$ -	\$ 637,095

See accompanying independent auditor's report.

<u>Capital Projects</u>	<u>Total</u>
\$ (668,602)	\$ (811,885)
<u>1,598,734</u>	<u>3,073,386</u>
<u>\$ 930,132</u>	<u>\$ 2,261,501</u>

OTTUMWA COMMUNITY SCHOOL DISTRICT

 COMBINING SCHEDULE OF NET ASSETS
 ENTERPRISE FUNDS
 June 30, 2007

	School Nutrition	Youth Care	Career Academy House	Total
Assets				
Cash and pooled investments	\$ 416,672	\$ 65,341	\$ 236,193	\$ 718,206
Inventories	101,741	-	20,470	122,211
Capital assets, net of accumulated depreciation	260,295	-	-	260,295
Total assets	778,708	65,341	256,663	1,100,712
Liabilities				
Accounts payable	1,432	8,349	21,759	31,540
Salaries and benefits payable	95,574	23,751	7,619	126,944
Total liabilities	97,006	32,100	29,378	158,484
Net Assets				
Invested in capital assets, net of related debt	260,295	-	-	260,295
Unrestricted	421,407	33,241	227,285	681,933
Total net assets	\$ 681,702	\$ 33,241	\$ 227,285	\$ 942,228

See accompanying independent auditor's report.

OTTUMWA COMMUNITY SCHOOL DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGE IN NET ASSETS
 ENTERPRISE FUNDS
 Year Ended June 30, 2007

	School Nutrition	Youth Care	Career Academy House	Total
Operating revenues:				
Local sources:				
Charges for services	\$ 676,692	\$ 169,640	\$ 205,775	\$ 1,052,107
Operating expenses:				
Support services:				
Salaries	66,275	-	-	66,275
Benefits	7,817	-	-	7,817
Purchased services	-	14,285	-	14,285
Supplies	2,696	-	-	2,696
	<u>76,788</u>	<u>14,285</u>	<u>-</u>	<u>91,073</u>
Non-instructional programs:				
Salaries	531,474	116,432	-	647,906
Benefits	84,024	12,698	-	96,722
Purchased services	26,592	11,561	-	38,153
Supplies	976,911	29,531	-	1,006,442
Depreciation	41,360	-	-	41,360
	<u>1,660,361</u>	<u>170,222</u>	<u>-</u>	<u>1,830,583</u>
Facilities acquisition and construction:				
Salaries	-	-	6,754	6,754
Benefits	-	-	865	865
Purchased services	-	-	13,806	13,806
Supplies	-	-	145,667	145,667
	<u>-</u>	<u>-</u>	<u>167,092</u>	<u>167,092</u>
Total operating expenses	<u>1,737,149</u>	<u>184,507</u>	<u>167,092</u>	<u>2,088,748</u>
Operating income (loss)	<u>(1,060,457)</u>	<u>(14,867)</u>	<u>38,683</u>	<u>(1,036,641)</u>
Non-operating revenues:				
Interest on investments	15,012	2,609	-	17,621
State sources	21,117	-	-	21,117
Federal sources	1,145,384	25,202	-	1,170,586
Total non-operating revenues	<u>1,181,513</u>	<u>27,811</u>	<u>-</u>	<u>1,209,324</u>
Change in net assets	121,056	12,944	38,683	172,683
Net assets beginning of year, as restated	<u>560,646</u>	<u>20,297</u>	<u>188,602</u>	<u>769,545</u>
Net asset end of year	<u>\$ 681,702</u>	<u>\$ 33,241</u>	<u>\$ 227,285</u>	<u>\$ 942,228</u>

See accompanying independent auditor's report.

OTTUMWA COMMUNITY SCHOOL DISTRICT

COMBINING SCHEDULE OF CASH FLOWS
ENTERPRISE FUNDS
Year Ended June 30, 2007

	School Nutrition	Youth Care	Career Academy House	Total
Cash flows from operating activities:				
Cash received from sale of lunches and breakfasts	\$ 674,523	\$ -	\$ -	\$ 674,523
Cash received from miscellaneous operating activities	2,169	169,640	205,775	377,584
Cash payments to employees for services	(688,452)	(131,768)	-	(820,220)
Cash payments to suppliers for goods or services	(917,986)	(52,235)	(139,795)	(1,110,016)
Net cash provided by (used in) operating activities	<u>(929,746)</u>	<u>(14,363)</u>	<u>65,980</u>	<u>(878,129)</u>
Cash flows from non-capital financing activities:				
State grants received	21,117	-	-	21,117
Federal grants received	1,033,665	25,202	-	1,058,867
Net cash provided by non-capital financing activities	<u>1,054,782</u>	<u>25,202</u>	<u>-</u>	<u>1,079,984</u>
Cash flows from capital and related financing activities:				
Acquisition of capital assets	<u>(170,296)</u>	<u>-</u>	<u>-</u>	<u>(170,296)</u>
Cash flows from investing activities:				
Interest on investments	<u>15,012</u>	<u>2,609</u>	<u>-</u>	<u>17,621</u>
Net increase (decrease) in cash and cash equivalents	(30,248)	13,448	65,980	49,180
Cash and cash equivalents at beginning of year	<u>446,920</u>	<u>51,893</u>	<u>170,213</u>	<u>669,026</u>
Cash and cash equivalents at end of year	<u>\$ 416,672</u>	<u>\$ 65,341</u>	<u>\$ 236,193</u>	<u>\$ 718,206</u>

OTTUMWA COMMUNITY SCHOOL DISTRICT
COMBINING SCHEDULE OF CASH FLOWS
ENTERPRISE FUNDS
Year Ended June 30, 2007

	<u>School Nutrition</u>	<u>Youth Care</u>	<u>Career Academy House</u>	<u>Total</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:				
Operating income (loss)	\$ (1,060,457)	\$ (14,867)	\$ 38,683	\$ (1,036,641)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	41,360	-	-	41,360
Commodities used	111,719	-	-	111,719
(Increase) decrease in inventories	(18,547)	-	1,111	(17,436)
Increase (decrease) in accounts payable	(4,959)	3,142	18,567	16,750
Increase (decrease) in salaries and benefits payable	1,138	(2,638)	7,619	6,119
Net cash provided by (used in) operating activities	<u>\$ (929,746)</u>	<u>\$ (14,363)</u>	<u>\$ 65,980</u>	<u>\$ (878,129)</u>

See accompanying independent auditor's report.

OTTUMWA COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 Year Ended June 30, 2007

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
District-Wide:				
Interest	\$ 47,283	\$ 31,159	\$ 9,400	\$ 69,042
Musical Fees	40,458	2,037	1,363	41,132
Administration	13,311	4,600	14,000	3,911
Trips	222,598	326,249	331,839	217,008
Other	12,656	24,806	20,572	16,890
Agassiz	5,394	6,350	9,010	2,734
Douma	9,214	21,520	21,751	8,983
Eisenhower	8,367	15,656	13,707	10,316
Horace Mann	1,493	30,560	24,494	7,559
James Team	800	11,113	9,894	2,019
Pickwick	27,001	19,038	13,691	32,348
Wildwood	8,246	16,884	13,334	11,796
Wilson	4,043	11,246	8,454	6,835
Evans	47,392	41,855	32,826	56,421
High School	102,468	360,379	373,238	89,609
Alternative High School	2,406	2,413	3,313	1,506
Less: Intrafund Transfers	-	(52,500)	(52,500)	-
 Total	 \$ 553,130	 \$ 873,365	 \$ 848,386	 \$ 578,109

See accompanying independent auditor's report.

OTTUMWA COMMUNITY SCHOOL DISTRICT
SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION

ALL GOVERNMENTAL FUNDS
FOR THE LAST FOUR YEARS

	Modified Accrual Basis Years Ended June 30,			
	2007	2006	2005	2004
Revenues:				
Local sources:				
Local tax	\$ 11,208,076	\$ 11,164,979	\$ 10,981,439	\$ 9,154,683
Tuition	707,458	703,647	674,413	656,652
Other	1,589,114	1,496,771	1,468,688	1,947,936
Intermediate sources	17,871	19,195	44,665	7,193
State sources	25,428,811	23,539,622	22,598,252	22,286,299
Federal sources	2,608,625	2,682,677	3,321,783	3,349,311
Total revenues	\$ 41,559,955	\$ 39,606,891	\$ 39,089,240	\$ 37,402,074
Expenditures:				
Instruction	\$ 25,424,111	\$ 24,393,086	\$ 23,843,305	\$ 23,014,703
Support services:				
Student services	1,209,650	1,489,444	1,576,887	1,180,904
Instructional staff services	1,394,278	1,398,523	1,163,541	952,636
Administration services	3,877,697	3,394,586	3,052,393	3,010,152
Operation and maintenance of plant services	3,595,889	3,512,685	3,240,112	3,381,279
Transportation services	1,175,279	1,148,380	1,032,484	987,835
Non-instructional programs	16,473	54,216	18,886	96,537
Other expenditures:				
Facilities acquisition	3,224,850	991,970	1,187,999	1,159,943
Long-term debt:				
Principal	615,000	550,000	525,000	500,000
Interest and fiscal charges	309,443	339,318	364,242	763,052
AEA flowthrough	1,480,592	1,395,915	1,341,364	1,345,454
Total expenditures	\$ 42,323,262	\$ 38,668,123	\$ 37,346,213	\$ 36,392,495

See accompanying independent auditor's report.

OTTUMWA COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2007

Grantor / Program	CFDA Number	Grant Number	Expenditures
Indirect:			
U. S. Department of Agriculture:			
Iowa Department of Education:			
Food Donation (non-cash)	10.550	FY 07	\$ <u>111,719</u>
School Nutrition Cluster Programs:			
School Breakfast Program	10.553	FY 07	128,491
National School Lunch Program	10.555	FY 07	910,326
Summer Food Service Program for Children	10.556	FY 07	<u>20,050</u>
			<u>1,058,867</u>
			<u>1,170,586</u>
U. S. Department of Education:			
Iowa Department of Education:			
Migrant Education - State Grant Program	84.011	FY 07	<u>126,185</u>
Title 1 Grants to Local Educational Agencies	84.010	5049-GC-07	85,000
Title 1 Grants to Local Educational Agencies	84.010	5049-G-07	<u>891,941</u>
			<u>976,941</u>
Grants for State Assessments and Related Activities	84.369	FY 07	<u>33,649</u>
State Grants for Innovative Programs	84.298	FY 07	<u>9,213</u>
Improving Teacher Quality State Grants	84.367	FY 06	85,826
Improving Teacher Quality State Grants	84.367	FY 07	<u>200,624</u>
			<u>286,450</u>
Safe and Drug-Free Schools and Communities - State Grants	84.186	FY 07	<u>23,919</u>
Tech-Prep Education	84.243	FY 07	<u>76,496</u>
Fund for the Improvement of Education	84.215	FY 07	<u>209,822</u>
Reading First State Grants	84.215	FY 07	<u>165,844</u>
Education for Homeless Children and Youth	84.196	FY 07	<u>14,780</u>
Comprehensive School Reform Demonstration	84.332	FY 07	<u>50,000</u>

OTTUMWA COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2007

Grantor / Program	CFDA Number	Grant Number	Expenditures
Indirect (continued):			
U. S. Department of Education (continued):			
Southern Prairie Area Education Agency:			
Special Education - Grants to States	84.027	FY 07	\$ <u>283,474</u>
Enhancing Education through Technology	84.318	FY 07	<u>17,174</u>
Iowa Department of Vocational Rehabilitation:			
Rehabilitation Services - Vocational Rehabilitation			
Grants to States	84.126	FY 07	<u>13,928</u>
			<u>2,287,875</u>
U. S. Department of Health and Human Services:			
Iowa Department of Human Services:			
Medical Assistance Program	93.778	FY 07	<u>37,243</u>
Promoting Safe and Stable Families	93.556	FY 07	<u>26,142</u>
Iowa Department of Vocational Rehabilitation:			
Centers for Disease control and Prevention -			
Investigations and Technical Assistance	93.283	FY 07	<u>1,051</u>
			<u>64,436</u>
Total			\$ <u><u>3,522,897</u></u>

Basis of Presentation –

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

See accompanying independent auditor's report.

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
Ottumwa Community School District:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Ottumwa Community School District as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated November 7, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the internal control over financial reporting that might be significant deficiencies or material weaknesses.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Ottumwa Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood a misstatement of Ottumwa Community School District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Ottumwa Community School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We noted no material weaknesses during the course of our audit.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Ottumwa 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, noncompliance 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 noncompliance or other matters that are required to be reported under Government Auditing Standards.

Comments involving statutory and other legal matters about Ottumwa Community School District's operations for the year ended June 30, 2007 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.

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

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

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

Oskaloosa, Iowa
November 7, 2007

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE
TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH OMB CIRCULAR A-133

To the Board of Education of
Ottumwa Community School District:

Compliance

We have audited the compliance of Ottumwa Community School District with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2007. Ottumwa Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Ottumwa Community School District's management. Our responsibility is to express an opinion on Ottumwa Community School District's compliance based on our audit.

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

In our opinion, Ottumwa Community School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007.

Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the District's internal control that might be significant deficiencies or material weaknesses as defined below.

A control deficiency in a District's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We noted no material weaknesses during the course of our audit.

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

Oskaloosa, Iowa
November 7, 2007

OTTUMWA COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2007

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

- (a) Unqualified opinions were issued on the financial statements.
- (b) No material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over major programs was disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed no audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
 - CFDA Number 84.010 – Title I Grants to Local Educational Agencies
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Ottumwa Community School District qualified as a low-risk auditee.

OTTUMWA COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2007

Part II: Findings Related to the Basic Financial Statements:

Instances of Non-Compliance:

No matters were reported.

Significant Deficiencies:

No matters were reported.

OTTUMWA COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2007

Part III: Findings and Questioned Costs for Federal Awards

Instances of Non-Compliance:

No matters were reported.

Significant Deficiency:

No matters were reported.

OTTUMWA COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2007

Part IV: Other Findings Related to Statutory Reporting:

IV-A-07 Certified Budget – Expenditures for the year ended June 30, 2007, did not exceed the amounts budgeted in any of the four functions.

IV-B-07 Questionable Expenditures – No expenditures were noted that we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979.

IV-C-07 Travel Expense – No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

IV-D-07 Business Transactions – Business transactions between the District and District officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Larry Northup, Teacher Owner of Ottumwa Coaches, Inc.	Student activity transportation	\$147,347

In accordance with an Attorney General’s opinion dated November 9, 1976, the transaction with Mr. Northup does not appear to represent a conflict of interest.

IV-E-07 Bond Coverage – Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

IV-F-07 Board Minutes – No transactions requiring Board approval which had not been approved by the Board were noted.

IV-G-07 Certified Enrollment – No variances in the basic enrollment data certified to the Department of Education were noted.

IV-H-07 Deposits and Investments – 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 were noted.

IV-I-07 Certified Annual Report – The Certified Annual Report was certified to the Iowa Department of Education timely and we noted no significant deficiencies in the amounts reported.