OTTUMWA COMMUNITY SCHOOL DISTRICT
OTTUMWA, IOWA

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

JUNE 30, 2009

TABLE OF CONTENTS

		Page
OFFICIALS		4
INDEPENDENT AUDITOR'S REPORT		5-6
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)		7-15
BASIC FINANCIAL STATEMENTS		
Exhibit		
	District-Wide Financial Statements:	
A	Statement of Net Assets	18-19
B	Statement of Activities	20-23
	Governmental Fund Financial Statements:	
C	Balance Sheet	24
D	Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Assets	25
E	Statement of Revenues, Expenditures and Changes in Fund Balances	26-27
F	Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to the Statement of Activities	28-29
	Proprietary Fund Financial Statements:	
G	Statement of Net Assets	30
H	Statement of Revenues, Expenses and Changes in Net Assets	31
I	Statement of Cash Flows	32-33
	Fiduciary Fund Financial Statements:	
J	Statement of Fiduciary Net Assets	34
K	Statement of Changes in Fiduciary Net Assets	35
Notes to Financial Statements		36-50
REQUIRED SUPPLEMENTARY INFORMATION:		
Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances – Budget and Actual – All Governmental Funds and Proprietary Fund		52
Notes to Required Supplementary Information – Budgetary Reporting		53
Schedule of Funding Progress for the Retiree Health Plan		54
OTHER SUPPLEMENTARY INFORMATION:		
Schedule		
	Nonmajor Governmental Funds:	
1	Combining Balance Sheet	56
2	Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	57
	Nonmajor Enterprise Funds:	
3	Combining Schedule of Net Assets	58
4	Combining Schedule of Revenues, Expenses, and Changes in Net Assets	59
5	Combining Schedule of Cash Flows	60-61
6	Schedule of Changes in Special Revenue Fund, Student Activity Accounts	62
7	Schedule of Revenues by Source and Expenditures by Function – All Governmental Funds	64-65
8	Schedule of Expenditures of Federal Awards	66-67
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		68-69

TABLE OF CONTENTS
(continued)

	Page
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133	70-71
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	72-76

OTTUMWA COMMUNITY SCHOOL DISTRICT

OFFICIALS

Name	Title	Term Expires
	Board of Education	
	(Before September 2008 Election)	
Carol Mitchell	President	2009
R. Payson Moreland	Vice President	2009
Ron Oswalt	Board Member	2008
Pat Curran	Board Member	2008
Jeff Strunk	Board Member	2009
Cindy Kurtz-Hopkins	Board Member	2011
Doug Mathias	Board Member	2011
	Board of Education	
	(After September 2008 Election)	
Carol Mitchell	President	2009
R. Payson Moreland	Vice President	2009
Jeff Strunk	Board Member	2009
Cindy Kurtz-Hopkins	Board Member	2011
Doug Mathias	Board Member	2011
Ron Oswalt	Board Member	2011
Greg Riley	Board Member	2011
	School Officials	
Dr. Jon Sheldahl	Superintendent	2012
John Donner	Business Manager District Secretary/Treasurer	2009
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, 2009, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of the District's officials. 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, 2009, 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 December 4, 2009 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. 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, Budgetary Comparison Information and Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 15 and 52 through 54 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 four years ended June 30, 2008 (which are not 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 our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Oskaloosa, Iowa
December 4, 2009

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, 2009. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

Financial Highlights

The District showed an increase in net assets of $3,269,155 and $2,967,679 during the years end June 30, 2009 and 2008, respectively.

As of June 30, 2009 the District had a total government funds unrestricted fund balance of $5,149,219 or 11% of 2008-09 expenditures. Unrestricted balances by fund are as follows: General Fund $2,430,712, Capital Projects Fund $1,972,918, Student Activities Fund $537,387 and Management Fund $208,202. The District's general fund unrestricted fund balance increased by $300,124 to $2,430,712 making the District's solvency ratio 6.1%.

The District's long-term liabilities increased by $1,423,904 during the year. This was due to the issuance of $2,000,000 in sales tax financed bonds to complete a remodeling and addition project at Evans Middle School. Capital expenditures for 2007-08 and 2008-09 were $9,597,229 and $5,621,209, respectively.

Overview of the Financial Statements

This Discussion and Analysis is intended to serve as an introduction to the Ottumwa Community School District's basic financial statements. The District's basic financial statements comprise three components: 1) district-wide financial statements, 2) fund financial statements and 3) notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

District-wide financial statements .The district-wide financial statements are designed to provide readers with a broad overview of Ottumwa Community School District's finances in a manner similar to a private-sector business.

The statement of net assets presents information on all of the Ottumwa Community School District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities presents information showing how the District's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flow in future fiscal periods (e.g. uncollected taxes and earned but unused vacation leave).

Both of the district-wide financial statements reflect functions of the Ottumwa Community School District that are principally supported by taxes and intergovernmental revenues (governmental activities). The governmental activities of the district include instruction, support services, non-instructional programs, operation and maintenance of plant, student transportation and capital construction. Business-type activities are those that the District charges a fee to help cover the cost, such as school nutrition, before and after school child care and student construction.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental funds. Governmental funds are used to account for essentially the same function reported as governmental activities in the district-wide financial statements. However, unlike the district-wide financial statements, governmental fund financial statements focus on the near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the district's near-term financial requirements.

Because of the focus of governmental funds is narrower than that of the district-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the district-wide financial statements. By doing so, readers may better understand the long-term impact of the district's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes to fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains five individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund, Debt Service Fund, and Capital Projects Funds which are considered to be major funds. Data from the other governmental funds is combined into a single, aggregated presentation.

Proprietary funds. Proprietary funds are used to account for activities that are the same as a private business activities. Proprietary funds are reported in the same manner as the district-wide statements. The District has two types of proprietary funds: enterprise and internal service. The District has three enterprise funds: School Nutrition, Youth Care and Student Construction. The District maintains one internal service fund to account for the premium and claim payments for the self-funded health and dental plans of the District.

Fiduciary funds. The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust and Agency funds. The district has one Private-Purpose Trust Fund to account for outstide donations for scholarships for individual students in this fund.

Notes to the financial statements. 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-1
Ottumwa Community School District Annual Financial Report

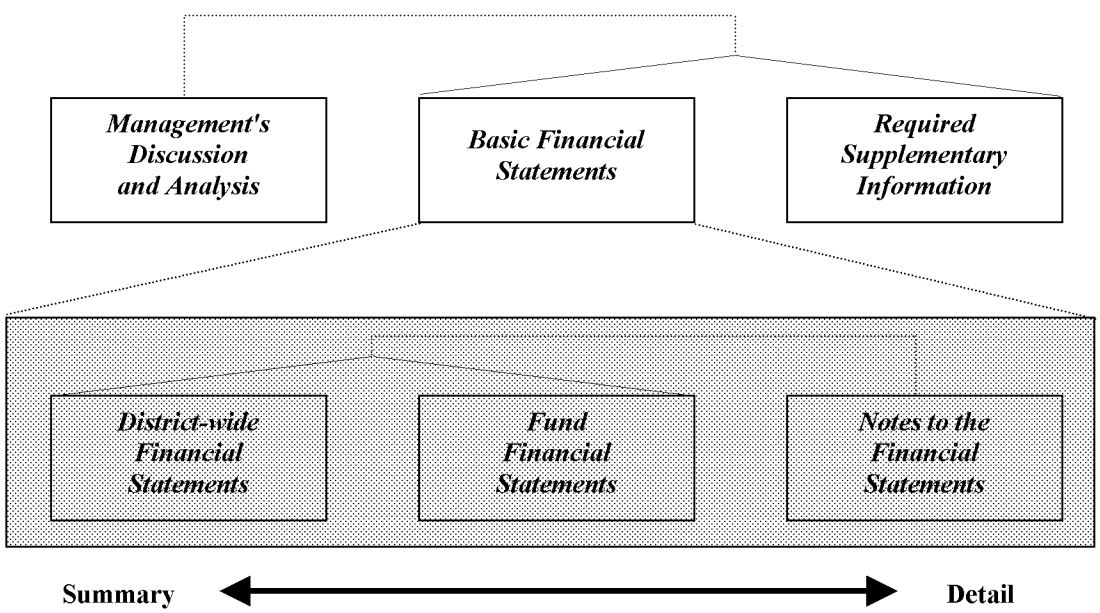


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of the management's discussion and analysis highlights the structure and contents 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	Statement of net assets Statement of activities	Balance sheet Statement of revenues, expenditures, and changes in fund balances	Statement of net assets Statement of revenues, expenses and changes in net assets Statement of cash flows	Statement of fiduciary net assets Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/ liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/ outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

Net Assets – Table 1 below provides a summary of the District's net assets for the year ended June 30, 2009 compared to June 30, 2008.

Table 1-Net Assets

	Governmental Activities June 30		*Business Type Activities* June 30		*Total District* June 30	
	2009	2008	2009	2008	2009	2008
ASSETS						
Current and other assets	$25,366,925	$24,066,661	739,081	$898,079	$26,106,006	$24,964,740
Capital assets	27,770,205	23,355,060	479,874	222,885	28,250,079	23,577,945
Total assets	53,137,130	47,421,721	1,218,855	1,120,964	54,356,085	48,542,685
LIABILITIES						
Long-term liabilities	17,446,604	16,022,700	6,050		17,452,654	16,022,700
Other liabilities	16,788,883	15,697,502	187,578	164,668	16,976,461	15,862,170
Total liabilities	34,235,487	31,720,202	193,628	164,668	34,429,115	31,884,870
NET ASSETS						
Invested in capital assets						
Net of debt	10,970,205	9,268,738	479,874	222,885	11,450,079	9,491,623
Restricted	4,994,888	3,930,767			4,994,888	3,930,767
Unrestricted	2,936,550	2,502,014	545,453	733,411	3,482,003	3,235,425
Total Net Assets	18,901,643	15,701,519	1,025,327	956,296	19,926,970	16,657,815

The District's net assets increased by $3,269,155 or 19.6% for 2009 and $2,967,679 or 21.7% for 2008, with about 60% of the 2009 increase ($1,958,456) attributable to an increase in capital assets net of any related debt. Restricted net assets are $4,994,888 and are resources that are subject to external restrictions on how they may be used. $1,645,658 is accumulated for debt payment and $1,972,918 is restricted to capital projects. Unrestricted net assets are $3,482,003 and may be used to meet the district's ongoing obligations to students and creditors. Unrestricted assets have increased by $1,088,999 or 45% since June 30, 2007.

Statement of Activities

Table 2 – Statement of Activities and Changes to Net Assets	Governmental Activities		Business-type Activities		Total School District	
	2009	2008	2009	2008	2009	2008
Revenues						
Program Revenues						
Charges for services	1,690,720	1,859,587	1,116,841	875,717	2,807,561	2,735,304
Operating grants and contributions	7,930,792	6,789,748	1,285,310	1,168,492	9,216,102	7,958,240
Capital grants and contributions	30,000	463,722			30,000	463,722
General Revenues						
Property and other taxes	9,536,076	8,746,524			9,536,076	8,746,524
Local option sales tax	3,466,778	2,657,165			3,466,778	2,657,165
State foundation aid	22,207,030	22,713,392			22,207,030	22,713,392
Other	349,888	647,314	5,104	13,763	354,992	661,077
Total Revenues	45,211,284	43,877,452	2,407,255	2,057,973	47,618,539	45,935,425
Expenses						
Instruction	26,704,722	25,854,791			26,704,722	25,854,791
Pupil and instructional services	2,900,467	3,037,646			2,900,467	3,037,646
Administrative and business services	4,114,720	3,952,061	88,871	95,214	4,203,591	4,047,275
Maintenance and operations	3,615,561	3,501,415			3,615,561	3,501,415
Transportation	1,206,226	1,225,644			1,206,226	1,225,644
Other	3,455,558	3,339,475	224,598	15,964	3,680,156	3,355,439
Non instructional	13,906	12,809	2,024,755	1,932,726	2,038,661	1,945,535
Total Expenses	42,011,160	40,923,841	2,338,224	2,043,904	44,349,384	42,967,745
Change in net assets	3,200,124	2,953,611	69,031	14,068	3,269,155	2,967,679
Net assets beginning of year	15,701,519	12,747,908	956,296	942,228	16,657,815	13,690,136
Net assets end of year	18,901,643	15,701,519	1,025,327	956,296	19,926,970	16,657,815

The District's revenue increase by $1,683,144 or 3.7% over the previous year. The majority of this increase ($1,257,862) is attributable to increases in state dollars that are restricted to specific projects. Expenses increased by $1,381,639 or 3.2%.

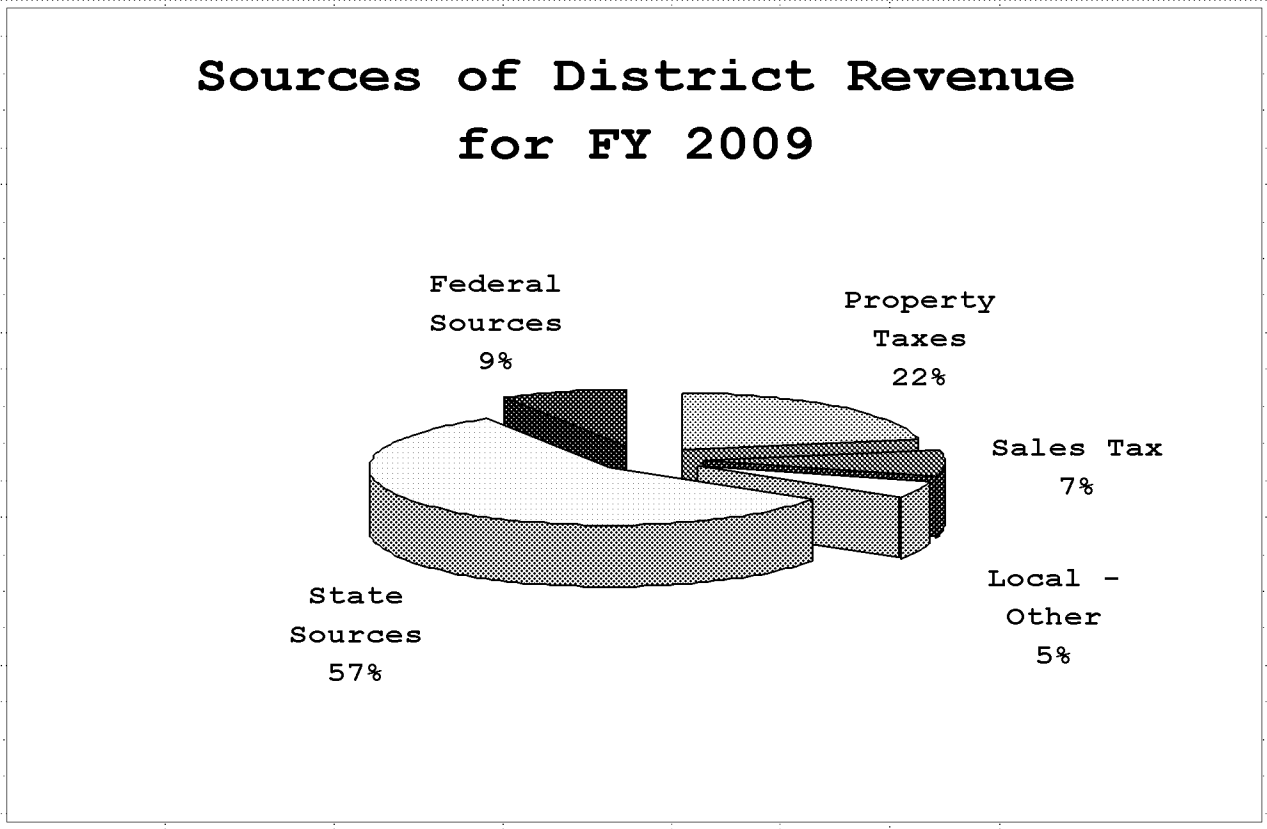
Statement of Revenues, Expenditures and changes in Fund Balances.

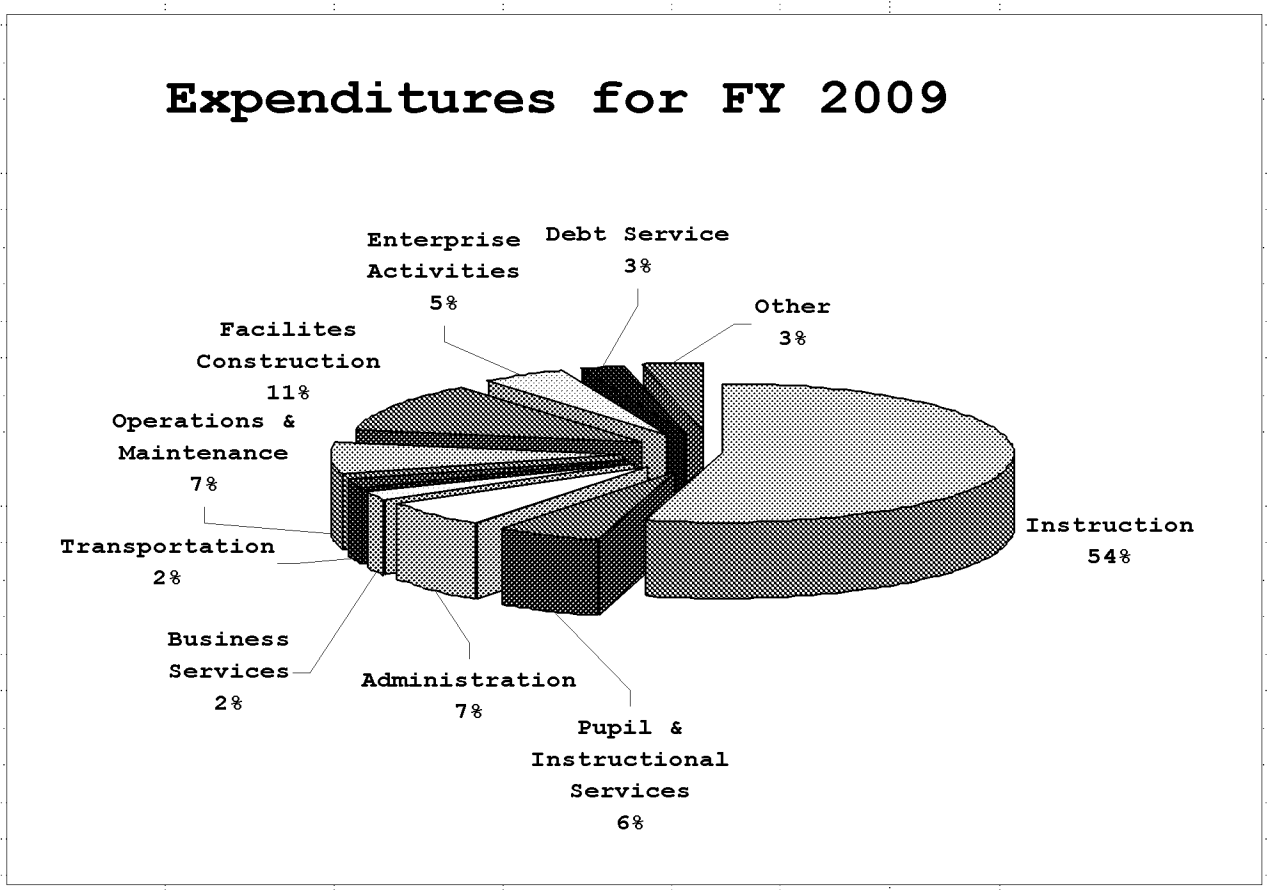
Table-3 Statement of Revenue, Expenditures and Changes to Fund Balance

	Governmental Funds		Enterprise Funds		Total	
	2009	2008	2009	2008	2009	2008
Revenues						
Local Sources- Other	2,174,686	2,603,968	1,130,245	889,480	3,304,931	3,493,448
Property Tax	9,526,559	8,737,190			9,526,559	8,737,190
Sales Tax	3,466,778	2,657,165			3,466,778	2,657,165
Intermediate Sources	23,023	21,065			23,023	21,065
State Sources	27,125,220	26,767,932	20,450	19,879	27,145,670	26,798,811
Federal Sources	2,866,181	3,070,534	1,256,560	1,148,613	4,122,741	4,219,147
Total Revenues	45,182,447	43,857,854	2,407,255	2,057,972	47,589,702	45,915,826
Expenditures						
Instruction	26,782,056	26,056,421			26,782,056	26,056,421
Pupil and Instructional Services	2,906,205	3,035,374			2,906,205	3,035,374
Administrative and Business Services	4,124,401	3,976,802	88,871	95,214	4,213,272	4,072,016
Maintenance and Operations	3,606,585	3,538,876			3,606,585	3,538,876
Transportation	1,206,227	1,225,644			1,206,227	1,225,644
Non Instructional	10,929	12,809	2,024,755	1,932,726	2,035,684	1,945,536
Other Expenditures						
Facilities Acquisition	5,621,299	9,597,229	224,598	15,964	5,845,897	9,613,193
Debt Service	1,360,395	1,105,068			1,360,395	1,105,068
AEA Flowthrough	1,586,078	1,559,499			1,586,078	1,559,499
Total Expenditures	47,204,175	50,107,723	2,338,224	2,043,904	49,542,399	52,151,627
Excess Revenue over expenditures	(2,021,728)	(6,249,869)	69,031	14,068	(1,952,697)	(6,235,801)
Other Financing Sources						
Sale of Equipment	36,496	5,750			36,496	5,750
Bonds Issued	2,000,000	10,000,000			2,000,000	10,000,000
Net Change in Fund Balance	14,768	3,755,881	69,031	14,068	83,799	3,769,949
Fund Balance Beginning of Year	7,990,907	4,235,026	956,296	942,228	8,947,203	5,177,254
Fund Balance End of Year	8,005,675	7,990,907	1,025,327	956,296	9,031,002	8,947,203

Fund revenues rose by 3.6% or a $1,673,876 increase from the previous year. Expenditures (excluding facilities acquisitions) increased by $1,158,068 or 2.7%. Governmental Fund expenditures exceeded revenue in 2008-09 by $2,021,728 and 2007-08 by $6,249,869. This was the result of large expenditures of funds for an addition/remodeling project at our middle school that will be completed in the fall of 09. Borrowed funds were used to fund about 80% of the construction costs of this project.

Governmental Funds received 60% of their revenue from State sources, 21% from local property taxes, 8% from local sales tax and 6% from federal sources. Governmental activities accounted for 95% of total district expenditures. Within the governmental funds the largest expenditures were for instructional programs (60%), facility construction (12%) maintenance and operations (6%), administrative and business services (9%).


Sources of District Revenue for FY 2009
Federal Sources 9%
Property Taxes 22%
Sales Tax 7%
Local - Other 5%
State Sources 57%


Expenditures for FY 2009
Enterprise Activities 5%
Debt Service 3%
Other 3%
Facilites Construction 11%
Operations & Maintenance 7%
Transportation 2%
Instruction 54%
Business Services 2%
Administration 7%
Pupil & Instructional Services 6%

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 focus of the Ottumwa Community School District's governmental funds is to provide information on the near-term inflows, outflows and balance of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the government's net resources available for spending at the end of the fiscal year.

The District had a total government funds unrestricted fund balance of $5,149,219 or 11% of 2008-09 expenditures. By fund, the balances were as follows: General Fund $2,430,712, Capital Projects Fund $1,972,918, Student Activities Fund $537,387 and Management Fund $208,202.

The District is completing a $14 million addition and renovation to Evans Middle School that was started in June 2007 with completion scheduled for the start of school in the fall. The District has borrowed $12,000,000 to finance this project.

Proprietary Fund Highlights

The School Nutrition Fund net assets increased $20,917 to $716,814 on revenues of $1,935,925 and expenditures of $1,915,008. Revenues increased by 5.4% while expenditures increased 5.1%. The majority of the revenue increase occurred as the number of students participating in the program increased.

The District's before-and-after School Child Care Program showed an increase in net assets of $24,146 for the fiscal year, leaving a positive balance of $73,224 or 37% 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 revenues were approximately $599,842 more than the total budgeted revenues, a variance of less than 1.3%. Total expenditures were approximately $1,900,000 less than budgeted, a variance of 3.7%. This variance in expenditures was due mainly to construction projects budgeted but not completed by year end.

Capital Asset and Debt Administration

Capital Assets

	Governmental Activities		Business- Type		District Total
	2009	2008	2009	2008	2009
Land	472,677	472,677			472,677
Construction in progress	14,817,418	9,677,626			14,817,418
Buildings	30,038,316	29,668,553			30,038,316
Improvements non Bldgs	779,752	779,752			779,752
Furniture and Equipment	741,063	718,213	878,410	609,790	1,619,473
Total Capital Assets	46,849,226	41,316.821	878,410	609,790	47,727,636
Accumulated Depreciation	19,079,021	17,961,761	398,536	386,905	19,477,557
Capital Net Assets	27,770,205	23,355,060	479,874	222,885	28,250,079

The District is nearing completion of an addition/renovation project at our middle school that will be put into operation in the fall of 2009.

Long-Term Debt

	Outstanding 2008	Net Change 2009	Outstanding 2009
Early Retirement & Compensated Absence	542,700	-129,947	412,753
General Obligation Bonds 1998	5,480,000	-680,000	4,800,000
Sales and Service Tax Bonds	10,000,000	2,000,000	12,000,000
Net OPEB Liability		233,851	233,851
Total	16,022,700	1,423,904	17,446,604

The District has issued $2 million in sales and service tax bonds to finance a final phase of a $14 million addition/renovation project during the year. Repayment of this bond will begin in 2009 and be completed in 2014.

Economic Factors Bearing on the District's Future

The State of Iowa is facing a significant economic downturn that will severely hamper its ability to fund schools at the level set by legislation. For the year ended June 30, 2009 the Governor ordered a 1.5% across the board cut in state funds and used federal stimulus funds to replace state dollars for education. In the fall of 2009 the Governor ordered an additional 10% across the board cut for the 2009-10 fiscal year. Predictions are that the states fiscal problem will continue for some time, which will require the District's Board of Directors to enact property tax increases, program reductions, staff reductions and use of unrestricted fund balances.

The District's enrollment should be expected to continue to decrease at a 1-2% annual decline based on current trends. The District's decline in enrollment has been slightly less than that experienced by surrounding rural school districts.

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.

This page intentionally left blank

Basic Financial Statements

OTTUMWA COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS
June 30, 2009

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and pooled investments	$ 13,970,803	$ 460,360	$ 14,431,163
Receivables:			
Property tax:			
Current year	222,125	-	222,125
Succeeding year	9,813,199	-	9,813,199
Accrued interest	20,233	-	20,233
Due from other governments	1,291,496	-	1,291,496
Inventories	49,069	278,721	327,790
Capital assets, net of accumulated depreciation (note 4)	27,770,205	479,874	28,250,079
Total assets	53,137,130	1,218,955	54,356,085
Liabilities			
Accounts payable	1,802,511	50,993	1,853,504
Salaries and benefits payable	4,344,186	131,757	4,475,943
Claims incurred but not reported	280,000	-	280,000
Accrued interest payable	272,699	-	272,699
Deferred revenue:			
Succeeding year property tax	9,813,199	-	9,813,199
Other	276,288	4,828	281,116
Long-term liabilities (note 5):			
Portion due within one year:			
Bonds payable	2,025,000	-	2,025,000
Early retirement	111,741	-	111,741
Compensated absences	197,846	-	197,846
Portion due after one year:			
Bonds payable	14,775,000	-	14,775,000
Early retirement	103,166	-	103,166
Net OPEB liability	233,851	6,050	239,901
Total liabilities	34,235,487	193,628	34,429,115

OTTUMWA COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS
June 30, 2009

	Governmental Activities	Business-type Activities	Total
Net Assets			
Invested in capital assets, net of related debt	$ 10,970,205	$ 479,874	$ 11,450,079
Restricted for:			
Categorical funding	838,925	-	838,925
Other special revenue purposes	537,387	-	537,387
Debt service	1,645,658	-	1,645,658
Capital projects	1,972,918	-	1,972,918
Unrestricted	2,936,550	545,453	3,482,003
Total net assets	$ 18,901,643	$ 1,025,327	$ 19,926,970

See notes to financial statements.

OTTUMWA COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
Year Ended June 30, 2009

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants, Contributions and Restricted Interest	Program Revenues: Capital Grants, Contributions and Restricted Interest
Governmental Activities:				
Instruction:				
Regular instruction	$ 18,373,645	$ 598,942	$ 3,366,300	$ -
Special instruction	4,380,510	171,135	1,794,741	-
Other instruction	3,950,567	863,348	784,143	-
	26,704,722	1,633,425	5,945,184	-
Support services:				
Student services	1,352,008	-	22,501	-
Instructional staff services	1,548,459	-	348,819	-
Administration services	4,114,720	-	-	-
Operation and maintenance of plant services	3,615,561	57,295	20,263	-
Transportation services	1,206,226	-	7,947	-
	11,836,974	57,295	399,530	-
Non-instructional programs	13,906	-	-	-
Other expenditures:				
Facilities acquisition	111,745	-	-	30,000
Long-term debt interest and fiscal charges	723,110	-	-	-
AEA flowthrough	1,586,078	-	1,586,078	-
Depreciation (unallocated) *	1,034,625	-	-	-
	3,455,558	-	1,586,078	30,000
Total governmental activities	42,011,160	1,690,720	7,930,792	30,000

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
$ (14,408,403)	$ -	$ (14,408,403)
(2,414,634)	-	(2,414,634)
(2,303,076)	-	(2,303,076)
(19,126,113)	-	(19,126,113)
(1,329,507)	-	(1,329,507)
(1,199,640)	-	(1,199,640)
(4,114,720)	-	(4,114,720)
(3,538,003)	-	(3,538,003)
(1,198,279)	-	(1,198,279)
(11,380,149)	-	(11,380,149)
(13,906)	-	(13,906)
(81,745)	-	(81,745)
(723,110)	-	(723,110)
-	-	-
(1,034,625)	-	(1,034,625)
(1,839,480)	-	(1,839,480)
(32,359,648)	-	(32,359,648)

OTTUMWA COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
Year Ended June 30, 2009

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants, Contributions and Restricted Interest	Program Revenues: Capital Grants, Contributions and Restricted Interest
Business-Type Activities:				
Support services:				
Food service operations	$ 74,205	$ -	$ -	$ -
Other programs	14,666	-	-	-
	88,871	-	-	-
Non-instructional programs:				
Food service operations	1,840,803	676,528	1,255,531	-
Other programs	183,952	191,747	29,779	-
	2,024,755	868,275	1,285,310	-
Other expenses:				
Other programs	224,598	248,566	-	-
Total business-type activities	2,338,224	1,116,841	1,285,310	-
Total	$ 44,349,384	$ 2,807,561	$ 9,216,102	$ 30,000

General Revenues:

Property tax levied for:
General purposes
Debt service
Statewide 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		
Governmental Activities	Business-Type Activities	Total
$ -	$ (74,205)	$ (74,205)
-	(14,666)	(14,666)
-	(88,871)	(88,871)
-	91,256	91,256
-	37,574	37,574
-	128,830	128,830
-	23,968	23,968
-	63,927	63,927
(32,359,648)	63,927	(32,295,721)
$ 9,040,001	$ -	$ 9,040,001
496,075	-	496,075
3,466,778	-	3,466,778
22,207,030	-	22,207,030
316,962	5,104	322,066
32,926	-	32,926
35,559,772	5,104	35,564,876
3,200,124	69,031	3,269,155
15,701,519	956,296	16,657,815
$ 18,901,643	$ 1,025,327	$ 19,926,970

OTTUMWA COMMUNITY SCHOOL DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2009

	General	Debt Service	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
Assets					
Cash and pooled investments	$ 7,650,774	$ 1,907,020	$ 2,465,884	$ 785,143	$ 12,808,821
Receivables:					
Property tax:					
Current year	202,401	11,337	-	8,388	222,126
Succeeding year	8,772,645	680,556	-	359,998	9,813,199
Accrued interest	20,233	-	-	-	20,233
Due from other governments	728,890	-	562,286	320	1,291,496
Inventories	49,069	-	-	-	49,069
Total assets	$ 17,424,012	$ 2,598,913	$ 3,028,170	$ 1,153,849	$ 24,204,944
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	$ 658,182	$ -	$ 1,055,252	$ 45,973	$ 1,759,407
Salaries and benefits payable	4,341,897	-	-	2,289	4,344,186
Deferred revenue:					
Succeeding year property tax	8,772,645	680,556	-	359,998	9,813,199
Other	282,477	-	-	-	282,477
Total liabilities	14,055,201	680,556	1,055,252	408,260	16,199,269
Fund balance:					
Reserved for:					
Categorical funding	838,925	-	-	-	838,925
Inventories	49,069	-	-	-	49,069
Debt service	-	349,090	-	-	349,090
Revenue bond sinking fund	-	1,569,267	-	-	1,569,267
Unreserved, designated for educational trust	50,105	-	-	-	50,105
Unreserved, undesignated, reported in:					
General fund	2,430,712	-	-	-	2,430,712
Special revenue funds	-	-	-	745,589	745,589
Capital projects fund	-	-	1,972,918	-	1,972,918
Total fund balances	3,368,811	1,918,357	1,972,918	745,589	8,005,675
Total liabilities and fund balances	$ 17,424,012	$ 2,598,913	$ 3,028,170	$ 1,153,849	$ 24,204,944

See notes to financial statements.

OTTUMWA COMMUNITY SCHOOL DISTRICT

RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
June 30, 2009

Total fund balances of governmental funds	$ 8,005,675
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
The Internal Service Fund balance is incorporated into governmental activity net assets due to the integral nature of the services performed.	838,877
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	27,770,205
Other long-term assets, including income surtax receivable, are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	6,189
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.	(272,699)
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.	(17,446,604)
Net assets of governmental activities	$ 18,901,643

See notes to financial statements.

OTTUMWA COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2009

	General	Debt Service	Capital Projects	Nonmajor Governmental Funds	Total
Revenues:					
Local sources:					
Local tax	$ 8,671,607	$ 495,588	$ 3,466,778	$ 1,228,548	$ 13,862,521
Tuition	626,137	-	-	-	626,137
Other	472,036	21,458	149,789	36,082	679,365
Intermediate sources	23,023	-	-	-	23,023
State sources	27,124,374	487	-	359	27,125,220
Federal sources	2,866,181	-	-	-	2,866,181
Total revenues	39,783,358	517,533	3,616,567	1,264,989	45,182,447
Expenditures:					
Current:					
Instruction	25,714,774	-	-	1,067,282	26,782,056
Support services:					
Student services	1,354,983	-	-	3,634	1,358,617
Instructional staff services	1,547,588	-	-	-	1,547,588
Administration services	4,106,303	-	-	18,098	4,124,401
Operation and maintenance of plant services	3,450,754	-	-	155,831	3,606,585
Transportation services	1,196,358	-	-	9,869	1,206,227
	11,655,986	-	-	187,432	11,843,418
Non-instructional programs	10,929	-	-	-	10,929
Other expenditures:					
Facilities acquisition	-	-	5,621,299	-	5,621,299
Long term debt:					
Principal	-	680,000	-	-	680,000
Interest and fiscal charges	-	671,693	8,702	-	680,395
AEA flowthrough	1,586,078	-	-	-	1,586,078
	1,586,078	1,351,693	5,630,001	-	8,567,772
Total expenditures	38,967,767	1,351,693	5,630,001	1,254,714	47,204,175
Excess (deficiency) of revenues over (under) expenditures	815,591	(834,160)	(2,013,434)	10,275	(2,021,728)

OTTUMWA COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2009

	General	Debt Service	Capital Projects	Nonmajor Governmental Funds	Total
Other financing sources (uses):					
Sale of equipment	$ 6,496	$ -	$ -	$ -	$ 6,496
Sale of easement	-	-	30,000	-	30,000
Interfund transfers in (note 3)	-	2,092,376	-	-	2,092,376
Interfund transfers out (note 3)	-	-	(2,092,376)	-	(2,092,376)
Revenue bonds issued	-	-	2,000,000	-	2,000,000
Total other financing sources (uses)	6,496	2,092,376	(62,376)	-	2,036,496
Net change in fund balances	822,087	1,258,216	(2,075,810)	10,275	14,768
Fund balances beginning of year	2,546,724	660,141	4,048,728	735,314	7,990,907
Fund balances end of year	$ 3,368,811	$ 1,918,357	$ 1,972,918	$ 745,589	$ 8,005,675

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, 2009

Net change in fund balances - total governmental funds		$ 14,768
Amounts reported for governmental activities in the Statement of Activities are different because:		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of 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	$ 5,532,405	
Depreciation expense	(1,117,260)	4,415,145
The change in net assets of the Internal Service Fund represents an overcharge for services performed for governmental activities. Expenses for governmental activities are adjusted to reflect this overcharge. Statement of Activities.		244,490
Local grant revenues received but not expended before the fiscal year ends is not considered available revenue in the governmental funds and is deferred. It is, however, recorded as revenue in the Statement of Activities.		(7,659)
Proceeds from issuing long-term liabilities provide current financial resources to governmental funds but issuing debt increases long-term liabilities in the Statement of Net Assets and does not affect the Statement of Activities.		(2,000,000)
Repayment of long-term liabilities is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets.		680,000
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.		(42,716)

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, 2009

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

Early retirement	$ 139,051	
Compensated absences	(9,104)	
Net OPEB liability	(233,851)	$ (103,904)
Change in net assets of governmental activities		$ 3,200,124

See notes to financial statements.

OTTUMWA COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2009

	Enterprise Funds	Internal Service Fund
Assets		
Cash and cash equivalents	$ 460,360	$ 1,161,981
Inventories	278,721	-
Capital assets, net of accumulated depreciation (note 4)	479,874	-
Total assets	1,218,955	1,161,981
Liabilities		
Accounts payable	50,993	43,104
Salaries and benefits payable	131,757	-
Claims incurred but not reported	-	280,000
Deferred revenue	4,828	-
Net OPEB liability (note 5)	6,050	-
Total liabilities	193,628	323,104
Net Assets		
Invested in capital assets	479,874	-
Unrestricted	545,453	838,877
Total net assets	$ 1,025,327	$ 838,877

See notes to financial statements.

OTTUMWA COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
Year Ended June 30, 2009

	Enterprise Funds	Internal Service Fund
Operating revenues:		
Local sources:		
Charges for services	$ 1,116,841	$ 2,488,568
Operating expenses:		
Support services:		
Salaries	64,180	-
Benefits	7,834	-
Purchased services	16,857	-
	88,871	-
Non-instructional programs:		
Salaries	651,543	-
Benefits	104,470	-
Purchased services	51,111	2,259,441
Supplies	1,167,425	-
Other	50,206	-
	2,024,755	2,259,441
Facilities acquisition and construction:		
Salaries	5,898	-
Benefits	114	-
Purchased services	1,952	-
Supplies	216,634	-
	224,598	-
	2,338,224	2,259,441
Operating income (loss)	(1,221,383)	229,127
Non-operating revenues:		
Interest on investments	5,104	15,363
Local sources	8,300	-
State sources	20,450	-
Federal sources	1,256,560	-
Total non-operating revenues	1,290,414	15,363
Change in net assets	69,031	244,490
Net assets beginning of year	956,296	594,387
Net assets end of year	$ 1,025,327	$ 838,877

See notes to financial statements.

OTTUMWA COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2009

	Enterprise Funds	Internal Service Fund
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	$ 668,765	$ -
Cash received from miscellaneous operating activities	452,904	2,488,568
Cash payments to employees for services	(815,855)	-
Cash payments to suppliers for goods or services	(1,361,208)	(2,303,198)
Net cash provided by (used by) operating activities	(1,055,394)	185,370
Cash flows from non-capital financing activities:		
Local grants received	16,600	-
State grants received	20,450	-
Federal grants received	1,164,905	-
Net cash provided by non-capital financing activities	1,201,955	-
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(307,195)	-
Cash flows from investing activities:		
Interest on investments	5,104	15,363
Net increase (decrease) in cash and cash equivalents	(155,530)	200,733
Cash and cash equivalents beginning of year	615,890	961,248
Cash and cash equivalents end of year	$ 460,360	$ 1,161,981

OTTUMWA COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2009

	Enterprise Funds	Internal Service Fund
Reconciliation of operating income (loss) to net cash provided by (used by) operating activities:		
Operating income (loss)	$ (1,221,383)	$ 229,127
Adjustments to reconcile operating income (loss) to net cash provided by (used by) operating activities:		
Depreciation	50,206	-
Commodities used	91,655	-
(Increase) in inventories	(4,832)	-
Increase in accounts payable	5,948	16,740
Increase (decrease) in salaries and benefits payable	12,134	(15,497)
Increase in deferred revenue	4,828	-
(Decrease) in claims incurred but not reported	-	(45,000)
Increase in net OPEB liability	6,050	-
Net cash provided by (used by) operating activities	$ (1,055,394)	$ 185,370

Non-cash investing, capital and financing activities:
During the year ended June 30, 2009, the District received $91,655 of federal commodities.

See notes to financial statements.

OTTUMWA COMMUNITY SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
June 30, 2009

	Private Purpose Trust
	Scholarship
Assets:	
Cash and pooled investments	$ 81,482
Accrued interest receivable	1,141
Total assets	82,623
Liabilities:	
None	-
Net assets:	
Reserved for scholarships	$ 82,623

See notes to financial statements.

OTTUMWA COMMUNITY SCHOOL DISTRICT

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
Year Ended June 30, 2009

	Private Purpose Trust
	Scholarship
Additions:	
Local sources:	
Gifts and contributions	$ 100
Interest	3,735
Total additions	3,835
Deductions:	
Support services:	
Scholarships awarded	1,400
Change in net assets	2,435
Net assets beginning of year	80,188
Net assets end of year	$ 82,623

See notes to financial statements.

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.

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 nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues 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 Debt Service Fund is used to account for the payment of interest and principal on the District's general long-term debt.

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

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.

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.

The 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.

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, 2007 assessed property valuations; is for the tax accrual period July 1, 2008 through June 30, 2009 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2008.

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.

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	500
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 the succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied, unearned meal revenues, and unearned Federal grants.

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

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.

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 who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2009. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

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. Net assets restricted through enabling legislation as of June 30, 2009 consists of $4,994,888.

E. Budgets and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2009, expenditures did not exceed the amounts budgeted.

Note 2. Cash and Pooled Investments

The District's deposits in banks at June 30, 2009 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.

Note 2. Cash and Pooled Investments (continued)

At June 30, 2009, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	Amortized Cost
Diversified Portfolio	$ 1,651,715

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, 2009 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects	$ 2,092,376

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

Note 4. Capital Assets

Capital assets activity for the year ended June 30, 2009 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	$ 472,677	$ -	$ -	$ 472,677
Construction in progress	9,677,626	5,139,792	-	14,817,418
Total capital assets not being depreciated	10,150,303	5,139,792	-	15,290,095
Capital assets being depreciated:				
Buildings	29,668,553	369,763	-	30,038,316
Improvements other than buildings	779,752	-	-	779,752
Furniture and equipment	718,213	22,850	-	741,063
Total capital assets being depreciated	31,166,518	392,613	-	31,559,131
Less accumulated depreciation for:				
Buildings	17,185,860	1,033,730	-	18,219,590
Improvements other than buildings	128,696	51,983	-	180,679
Furniture and equipment	647,205	31,547	-	678,752
Total accumulated depreciation	17,961,761	1,117,260	-	19,079,021
Total capital assets being depreciated, net	13,204,757	(724,647)	-	12,480,110
Governmental activities capital assets, net	$ 23,355,060	$ 4,415,145	$ -	$ 27,770,205

Note 4. Capital Assets (continued)

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business-type activities:				
Furniture and equipment	$ 609,790	$ 307,195	$ 38,575	$ 878,410
Less accumulated depreciation	386,905	50,206	38,575	398,536
Business-type activities capital assets, net	$ 222,885	$ 256,989	$ -	$ 479,874

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

Governmental activities:	
Instruction	$ 46,832
Support services:	
Administration	17,161
Operation and maintenance of plant services	18,642
	82,635
Unallocated depreciation	1,034,625
Total governmental activities depreciation expense	$ 1,117,260
Business-type activities:	
Enterprise operations	$ 50,206

Note 5. Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2009 is as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
General obligation bonds	$ 5,480,000	$ -	$ 680,000	$ 4,800,000	$ 710,000
Revenue bonds	10,000,000	2,000,000	-	12,000,000	1,315,000
Early retirement	353,958	-	139,051	214,907	111,741
Compensated absences	188,742	197,846	188,742	197,846	197,846
Net OPEB liability	-	233,851	-	233,851	-
Total	$ 16,022,700	$ 2,431,697	$ 1,007,793	$ 17,446,604	$ 2,334,587

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Business type activities:					
Net OPEB liability	$ -	$ 6,050	$ -	$ 6,050	$ -

Early Retirement

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

The early retirement incentive for each eligible certified employee was 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. The early retirement plan was not offered to certified employees in the 2008 or 2009 fiscal years.

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, or until the retiree qualifies for Medicare or reaches age 65.

At June 30, 2009, the District has obligations to 35 participants with a total liability of $214,907. Actual early retirement expenditures for the year ended June 30, 2009 totaled $139,051. Early retirement is recorded as a long-term liability of the Governmental Activities in the District-wide financial statements.

Note 5. Long-Term Liabilities (continued)

General Obligation Bonds Payable

Details of the District's June 30, 2009 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Interest Rates	Issue dated September 1, 1998 Principal	Interest	Total
2010	4.50 %	$ 710,000	$ 221,193	$ 931,193
2011	4.60	745,000	189,242	934,242
2012	4.60	795,000	154,973	949,973
2013	4.60	810,000	118,402	928,402
2014	4.63	850,000	81,143	931,143
2015	4.70	890,000	41,830	931,830
		$ 4,800,000	$ 806,783	$ 5,606,783

During the year ended June 30, 2009, the District retired $680,000 in general obligation bonds.

Revenue Bonds Payable

During the year ended June 30, 2009, the District issued $2,000,000 in local option sales and services tax revenue bonds. The bonds have an interest rate of 3.88 percent and are payable through June 30, 2015.

Details of the District's revenue bonded indebtedness are as follows:

Year Ending June 30,	Issue dated July 19, 2007 Interest Rates	Principal	Interest	Issue dated December 1, 2008 Interest Rates	Principal	Interest	Total Principal	Interest
2010	4.18 %	$ 1,025,000	$ 396,577	3.88 %	$ 290,000	$ 78,441	$ 1,315,000	$ 475,018
2011	4.18	1,685,000	339,939	3.88	285,000	60,819	1,970,000	400,758
2012	4.18	1,735,000	268,460	3.88	315,000	49,179	2,050,000	317,639
2013	4.18	1,790,000	194,788	3.88	345,000	36,375	2,135,000	231,163
2014	4.18	1,850,000	118,712	3.88	370,000	22,504	2,220,000	141,216
2015	4.18	1,915,000	40,024	3.88	395,000	7,663	2,310,000	47,687
		$ 10,000,000	$ 1,358,500		$ 2,000,000	$ 254,981	$ 12,000,000	$ 1,613,481

Note 5. Long-Term Liabilities (continued)

Revenue Bonds Payable (continued)

The District pledged future local option (statewide) sales and services tax revenues to repay the $10,000,000 bonds issued July 2007 and the $2,000,000 bonds issued December 1, 2008. The bonds were issued for the purpose of financing a portion of the costs of renovating the middle school. The bonds are payable solely from the proceeds of the statewide sales and services tax revenues received by the District and are payable through 2015. The bonds are not a general obligation of the District. Annual principal and interest payments on the bonds are expected to require approximately 52 percent of the local option (statewide) sales and services tax revenues. The total principal and interest remaining to be paid on the notes is $13,613,481. For the current year, $418,000 of interest was paid on the bonds and total statewide sales and services tax revenues were $3,466,778.

The resolution providing for the issuance of the local option sales and services tax revenue bonds includes the following provisions:

a) A reserve fund is not required for the bonds.

b) All proceeds from the local option sales and services tax shall be placed in a Revenue Account.

c) Monies in the Revenue Account shall be disbursed to make deposits into a Sinking Account to pay the principal and interest requirements of the revenue bonds for the fiscal year.

d) Any monies remaining in the Revenue Account after the required transfer to the Sinking Account may be transferred to the Project Account to be used for any lawful purpose.

Note 6. Other Postemployment Benefits (OPEB)

The District implemented GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits other Than Pensions during the year ended June 30, 2009.

Plan Description – The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 255 active and 40 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug coverage is provided through a self-funded plan. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

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

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

Note 6. Other Postemployment Benefits (OPEB) (continued)

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2009, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	$	236,787
Interest on net OPEB obligation		3,114
Adjustment to annual required contribution		-
Annual OPEB cost		239,901
Contributions made		-
Increase in net OPEB obligation		239,901
Net OPEB obligation beginning of year		-
Net OPEB obligation end of year	$	239,901

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2009.

For the year ended June 30, 2009, the District contributed $129,216 to the medical plan. Plan members eligible for benefits contributed $2,204,993, or 94% of the premium costs.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2009 are summarized as follows:

Year End		Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed		Net OPEB Obligation
June 30, 2009	$	239,901	0%	$	239,901

Funded Status and Funding Progress – As of July 1, 2008, the most recent actuarial valuation date for the period July 1, 2008 through June 30, 2009, the actuarial accrued liability was $2,223,523, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of $2,223,523. The covered payroll (annual payroll of active employees covered by the plan) was approximately $28,373,044, and the ratio of the UAAL to covered payroll was 7.8%. As of June 30, 2009, there were no trust fund assets.

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

Note 6. Other Postemployment Benefits (OPEB) (continued)

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

As of the July 1, 2008 actuarial valuation date, the entry age actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6%. The ultimate medical trend rate is 6%.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Valuation Report as of June 30, 2008 and applying the termination factors used in the IPERS Actuarial Valuation Report as of June 30, 2008.

Projected claim costs of the medical plan are $589 per month for retirees less than age 65. The plan has no retirees who have attained age 65. The salary increase rate was assumed to be 2.5% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

Note 7. Pension and Retirement Benefits

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

Plan members are required to contribute 4.10% of their annual covered salary and the District is required to contribute 6.35% of annual covered payroll for the year ended June 30, 2009. Contribution requirements are established by State statute. The District's contributions to IPERS for the years ended June 30, 2009, 2008, and 2007 were $1,707,081, $1,578,550, and $1,492,317, respectively, equal to the required contributions for each year.

Note 8. 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.

Note 8. 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 $838,877 at June 30, 2009 and is recorded in the Internal Service Fund. The incurred but not reported claims liability of $280,000 is reported as a liability of the Internal Service Fund at June 30, 2009.

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 economical 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 9. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled $1,586,078 for the year ended June 30, 2009 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Note 10. Construction Commitments

The District has entered into contracts totaling $14,448,959 for various construction and remodeling projects. As of June 30, 2009, costs of $13,867,976 had been incurred against the contracts. The balance of $580,983 remaining at June 30, 2009 will be paid as work on the project progresses.

Required Supplementary Information

OTTUMWA COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances – Budget and Actual – All Governmental Funds and Proprietary Fund
Required Supplementary Information
Year Ended June 30, 2009

	Governmental Funds - Actual	Proprietary Fund - Actual	Total Actual	Budgeted Amounts Original and Final	Final to Actual Variance
REVENUES:					
Local sources	$ 15,168,023	$ 1,130,245	$ 16,298,268	$ 16,048,898	$ 249,370
Intermediate sources	23,023	-	23,023	26,300	(3,277)
State sources	27,125,220	20,450	27,145,670	26,958,662	187,008
Federal sources	2,866,181	1,256,560	4,122,741	3,956,000	166,741
Total revenues	45,182,447	2,407,255	47,589,702	46,989,860	599,842
EXPENDITURES/EXPENSES:					
Instruction	26,782,056	-	26,782,056	27,810,000	1,027,944
Support services	11,843,418	88,871	11,932,289	12,206,000	273,711
Non-instructional programs	10,929	2,024,755	2,035,684	2,170,000	134,316
Other expenditures	8,567,772	224,598	8,792,370	9,260,081	467,711
Total expenditures/expenses	47,204,175	2,338,224	49,542,399	51,446,081	1,903,682
Excess (deficiency) of revenues over (under) expenditures/ expenses	(2,021,728)	69,031	(1,952,697)	(4,456,221)	2,503,524
Other financing sources, net	2,036,496	-	2,036,496	-	2,036,496
Excess (deficiency) of revenues and other financing sources over (under) expenditures/ expenses	14,768	69,031	83,799	(4,456,221)	4,540,020
Balance beginning of year	7,990,907	956,296	8,947,203	9,250,242	(303,039)
Balance end of year	$ 8,005,675	$ 1,025,327	$ 9,031,002	$ 4,794,021	$ 4,236,981

See accompanying independent auditor's report.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING
June 30, 2009

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 ended June 30, 2009, expenditures did not exceed the amounts budgeted.

OTTUMWA COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN
Required Supplementary Information
Year Ended June 30, 2009

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
July 1, 2008	$ -	$ 2,223,523	$ 2,223,523	0.0%	$ 28,373,044	7.8%

See note 6 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

Other Supplementary Information

OTTUMWA COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2009

	Special Revenue		
	Management Levy	Student Activity	Total
Assets			
Cash and pooled investments	$ 203,668	$ 581,475	$ 785,143
Receivables:			
Property tax:			
Current year	8,388	-	8,388
Succeeding year	359,998	-	359,998
Due from other governments	320	-	320
Total assets	$ 572,374	$ 581,475	$ 1,153,849
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	$ 4,174	$ 41,799	$ 45,973
Salaries and benefits payable	-	2,289	2,289
Deferred revenue:			
Succeeding year property tax	359,998	-	359,998
Total liabilities	364,172	44,088	408,260
Fund balances:			
Unreserved:			
Undesignated	208,202	537,387	745,589
Total liabilities and fund balances	$ 572,374	$ 581,475	$ 1,153,849

See accompanying independent auditor's report.

OTTUMWA COMMUNITY SCHOOL DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2009

	Special Revenue		
	Management Levy	Student Activity	Total
Revenues:			
Local sources:			
Local tax	$ 359,364	$ 869,184	$ 1,228,548
Other	36,082	-	36,082
State sources	359	-	359
Total revenues	395,805	869,184	1,264,989
Expenditures:			
Current:			
Instruction	204,309	862,973	1,067,282
Support services:			
Student services	-	3,634	3,634
Administration services	18,098	-	18,098
Operation and maintenance of plant services	155,831	-	155,831
Transportation services	-	9,869	9,869
Total expenditures	378,238	876,476	1,254,714
Excess (deficiency) of revenues over (under) expenditures	17,567	(7,292)	10,275
Fund balances beginning of year	190,635	544,679	735,314
Fund balances end of year	$ 208,202	$ 537,387	$ 745,589

See accompanying independent auditor's report.

OTTUMWA COMMUNITY SCHOOL DISTRICT

COMBINING SCHEDULE OF NET ASSETS
ENTERPRISE FUNDS
June 30, 2009

	School Nutrition	Youth Care	Career Academy House	Total
Assets				
Cash and pooled investments	$ 284,256	$ 110,529	$ 65,575	$ 460,360
Inventories	98,638	-	180,083	278,721
Capital assets, net of accumulated depreciation	475,924	-	3,950	479,874
Total assets	858,818	110,529	249,608	1,218,955
Liabilities				
Accounts payable	31,738	10,020	9,235	50,993
Salaries and benefits payable	100,555	26,167	5,035	131,757
Deferred revenue	4,828	-	-	4,828
Net OPEB liability	4,883	1,118	49	6,050
Total liabilities	142,004	37,305	14,319	193,628
Net Assets				
Invested in capital assets, net of related debt	475,924	-	3,950	479,874
Unrestricted	240,890	73,224	231,339	545,453
Total net assets	$ 716,814	$ 73,224	$ 235,289	$ 1,025,327

See accompanying independent auditor's report.

OTTUMWA COMMUNITY SCHOOL DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
ENTERPRISE FUNDS
Year Ended June 30, 2009

	School Nutrition	Youth Care	Career Academy House	Total
Operating revenues:				
Local sources:				
Charges for services	$ 676,528	$ 191,747	$ 248,566	$ 1,116,841
Operating expenses:				
Support services:				
Salaries	64,180	-	-	64,180
Benefits	7,834	-	-	7,834
Purchased services	2,191	14,666	-	16,857
	74,205	14,666	-	88,871
Non-instructional programs:				
Salaries	518,222	133,321	-	651,543
Benefits	89,839	14,631	-	104,470
Purchased services	39,822	11,289	-	51,111
Supplies	1,142,714	24,711	-	1,167,425
Depreciation	50,206	-	-	50,206
	1,840,803	183,952	-	2,024,755
Facilities acquisition and construction:				
Salaries	-	-	5,898	5,898
Benefits	-	-	114	114
Purchased services	-	-	1,952	1,952
Supplies	-	-	216,634	216,634
	-	-	224,598	224,598
Total operating expenses	1,915,008	198,618	224,598	2,338,224
Operating income (loss)	(1,238,480)	(6,871)	23,968	(1,221,383)
Non-operating revenues:				
Interest on investments	3,866	1,238	-	5,104
Local sources	-	8,300	-	8,300
State sources	20,450	-	-	20,450
Federal sources	1,235,081	21,479	-	1,256,560
Total non-operating revenues	1,259,397	31,017	-	1,290,414
Change in net assets	20,917	24,146	23,968	69,031
Net assets beginning of year	695,897	49,078	211,321	956,296
Net assets end of year	$ 716,814	$ 73,224	$ 235,289	$ 1,025,327

See accompanying independent auditor's report.

OTTUMWA COMMUNITY SCHOOL DISTRICT

COMBINING SCHEDULE OF CASH FLOWS
ENTERPRISE FUNDS
Year Ended June 30, 2009

	School Nutrition	Youth Care	Career Academy House	Total
Cash flows from operating activities:				
Cash received from sale of lunches and breakfasts	$ 668,765	$ -	$ -	$ 668,765
Cash received from miscellaneous operating activities	12,591	191,747	248,566	452,904
Cash payments to employees for services	(667,545)	(147,382)	(928)	(815,855)
Cash payments to suppliers for goods or services	(1,101,845)	(52,825)	(206,538)	(1,361,208)
Net cash provided by (used by) operating activities	(1,088,034)	(8,460)	41,100	(1,055,394)
Cash flows from non-capital financing activities:				
Local grants received	-	16,600	-	16,600
State grants received	20,450	-	-	20,450
Federal grants received	1,143,426	21,479	-	1,164,905
Net cash provided by non-capital financing activities	1,163,876	38,079	-	1,201,955
Cash flows from capital and related financing activities:				
Acquisition of capital assets	(307,195)	-	-	(307,195)
Cash flows from investing activities:				
Interest on investments	3,866	1,238	-	5,104
Net increase (decrease) in cash and cash equivalents	(227,487)	30,857	41,100	(155,530)
Cash and cash equivalents at beginning of year	511,743	79,672	24,475	615,890
Cash and cash equivalents at end of year	$ 284,256	$ 110,529	$ 65,575	$ 460,360

OTTUMWA COMMUNITY SCHOOL DISTRICT

COMBINING SCHEDULE OF CASH FLOWS
ENTERPRISE FUNDS
Year Ended June 30, 2009

	School Nutrition	Youth Care	Career Academy House	Total
Reconciliation of operating income (loss) to net cash provided by (used by) operating activities:				
Operating income (loss)	$ (1,238,480)	$ (6,871)	$ 23,968	$ (1,221,383)
Adjustments to reconcile operating income (loss) to net cash provided by (used by) operating activities:				
Depreciation	50,206	-	-	50,206
Commodities used	91,655	-	-	91,655
(Increase) decrease in inventories	(12,007)	-	7,175	(4,832)
Increase (decrease) in accounts payable	3,234	(2,159)	4,873	5,948
Increase (decrease) in salaries and benefits payable	7,647	(548)	5,035	12,134
Increase in deferred revenue	4,828	-	-	4,828
Increase in net OPEB liability	4,883	1,118	49	6,050
Net cash provided by (used by) operating activities	$ (1,088,034)	$ (8,460)	$ 41,100	$ (1,055,394)

Non-cash investing capital and financing activities:
During the year ended June 30, 2009, the District received $91,655 of federal commodities.

See accompanying independent auditor's report.

OTTUMWA COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
Year Ended June 30, 2009

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
District-Wide:				
Interest	$ 70,723	$ 5,836	$ 11,257	$ 65,302
Musical Fees	2,807	3,490	2,771	3,526
Administration	3,761	-	-	3,761
Trips	219,074	341,220	330,900	229,394
Other	15,972	21,849	17,458	20,363
Agassiz	2,180	11,539	11,730	1,989
Dogma	5,305	14,232	15,920	3,617
Eisenhower	9,622	25,431	19,162	15,891
Horace Mann	13,984	27,094	29,062	12,016
James Team	4,436	13,914	15,348	3,002
Pickwick	29,069	40,617	48,810	20,876
Wildwood	13,630	14,539	17,811	10,358
Wilson	8,605	15,960	14,224	10,341
Evans	48,288	29,377	31,624	46,041
High School	95,490	387,480	393,547	89,423
Alternative High School	1,733	3,184	3,430	1,487
Less: Intrafund Transfers	-	(86,578)	(86,578)	-
Total	$ 544,679	$ 869,184	$ 876,476	$ 537,387

See accompanying independent auditor's report.

This page intentionally left blank

OTTUMWA COMMUNITY SCHOOL DISTRICT

SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION

ALL GOVERNMENTAL FUNDS
FOR THE LAST SIX YEARS

	Modified Accrual Basis Years Ended June 30,			
	2009	2008	2007	2006
Revenues:				
Local sources:				
Local tax	$ 13,862,521	$ 11,394,355	$ 11,208,076	$ 11,164,979
Tuition	626,137	706,636	707,458	703,647
Other	679,365	1,897,332	1,589,114	1,496,771
Intermediate sources	23,023	21,065	17,871	19,195
State sources	27,125,220	26,767,932	25,428,811	23,539,622
Federal sources	2,866,181	3,070,534	2,608,625	2,682,677
Total revenues	$ 45,182,447	$ 43,857,854	$ 41,559,955	$ 39,606,891
Expenditures:				
Instruction	$ 26,782,056	$ 26,056,421	$ 25,424,111	$ 24,393,086
Support services:				
Student services	1,358,617	1,262,883	1,209,650	1,489,444
Instructional staff services	1,547,588	1,772,491	1,394,278	1,398,523
Administration services	4,124,401	3,976,802	3,877,697	3,394,586
Operation and maintenance of plant services	3,606,585	3,538,876	3,595,889	3,512,685
Transportation services	1,206,227	1,225,644	1,175,279	1,148,380
Non-instructional programs	10,929	12,810	16,473	54,216
Other expenditures:				
Facilities acquisition	5,621,299	9,597,229	3,224,850	991,970
Long-term debt:				
Principal	680,000	635,000	615,000	550,000
Interest and fiscal charges	680,395	470,068	309,443	339,318
AEA flowthrough	1,586,078	1,559,499	1,480,592	1,395,915
Total expenditures	$ 47,204,175	$ 50,107,723	$ 42,323,262	$ 38,668,123

See accompanying independent auditor's report.

2005	2004
$ 10,981,439	$ 9,154,683
674,413	656,652
1,468,688	1,947,936
44,665	7,193
22,598,252	22,286,299
3,321,783	3,349,311
$ 39,089,240	$ 37,402,074
$ 23,843,305	$ 23,014,703
1,576,887	1,180,904
1,163,541	952,636
3,052,393	3,010,152
3,240,112	3,381,279
1,032,484	987,835
18,886	96,537
1,187,999	1,159,943
525,000	500,000
364,242	763,052
1,341,364	1,345,454
$ 37,346,213	$ 36,392,495

OTTUMWA COMMUNITY SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2009

Grantor / Program	CFDA Number	Grant Number	Expenditures
Indirect:			
U. S. Department of Agriculture:			
Iowa Department of Education:			
School Nutrition Cluster Programs:			
School Breakfast Program	10.553	FY 09	$ 166,701
National School Lunch Program (non-cash)	10.555	FY 09	91,655
National School Lunch Program	10.555	FY 09	976,725
Summer Food Service Program for Children	10.559	FY 09	21,479
			1,256,560
U. S. Department of Justice:			
Iowa Department of Justice:			
City of Ottumwa:			
Public Safety Partnership and Community Policing Grants	16.710	FY 09	14,057
U. S. Department of Education:			
Iowa Department of Education:			
Migrant Education - State Grant Program	84.011	FY 09	128,708
Title I Cluster Programs:			
Title 1 Grants to Local Educational Agencies	84.010	5049-GC-09	12,240
Title 1 Grants to Local Educational Agencies	84.010	5049-G-09	1,027,627
Title 1 Grants to Local Educational Agencies - Recovery Act	84.389	FY 09	42,241
			1,082,108
Grants for State Assessments and Related Activities	84.369	FY 09	29,263
Improving Teacher Quality State Grants	84.367	FY 09	281,567
Safe and Drug-Free Schools and Communities - State Grants	84.186	FY 09	24,064
Tech-Prep Education	84.243	FY 09	69,763
Reading First State Grants	84.357	FY 09	194,617
Reading First State Grants	84.357	PWIM	15,000
			209,617

OTTUMWA COMMUNITY SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2009

Grantor / Program	CFDA Number	Grant Number	Expenditures
Indirect:			
U. S. Department of Education (continued):			
Iowa Department of Education (continued):			
Education for Homeless Children and Youth	84.196	FY 09	$ 15,514
State Fiscal Stabilization Fund - Education State Grants, Recovery Act	84.394	FY 09	376,979
Southern Prairie Area Education Agency:			
Special Education - Grants to States	84.027	FY 09	259,781
U. S. Department of Health and Human Services:			
Promoting Safe and Stable Families	93.556	FY 09	22,500
Total			$ 3,770,481

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 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 as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated December 4, 2009. 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. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

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. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting.

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. However, we noted certain immaterial instances of noncompliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about Ottumwa Community School District's operations for the year ended June 30, 2009 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
December 4, 2009

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON 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, 2009. 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, 2009.

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 material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. 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
December 4, 2009

OTTUMWA COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2009

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

(a) Unqualified opinions were issued on the financial statements.

(b) Significant deficiencies 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:
- Clustered programs:
  - CFDA Number 84.010 – Title I Grants to Local Educational Agencies
  - CFDA Number 84.389 – Title I Grants to Local Educational Agencies – Recovery Act
- CFDA Number 84.394 – State Fiscal Stabilization Fund – Education State Grants – Recovery Act
- Clustered programs:
  - CFDA Number 10.553 – School Breakfast Program
  - CFDA Number 10.555 – National School Lunch Program
  - CFDA Number 10.559 – Summer Food Service Program for Children

(h) The dollar threshold used to distinguish between Type A and Type B programs was $300,000.

(i) Ottumwa Community School District did qualify as a low-risk auditee.

OTTUMWA COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2009

Part II: Findings Related to the Basic Financial Statements:

Instances of Non-Compliance:

No matters were reported.

Significant Deficiencies:

II-A-09 Fundraiser Reconciliation – We noted in our testing of Special Revenue, Student Activity Fund fundraiser activity that the club sponsors or coaches did not prepare any reconciliation or other summary of fundraisers carried out by the clubs.

Recommendation – The District should require club sponsors to prepare a reconciliation of all fundraising activities. The reconciliation should tie all funds raised to the amounts deposited to the bank, show the total cost of fundraiser supplies, and tie the amount raised and associated costs to the projected fundraiser profit margin. The District should consider temporary restrictions on clubs that do not complete a required fundraiser reconciliation.

Response – We will consider this for the future.

Conclusion – Response accepted.

OTTUMWA COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2009

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, 2009

Part IV: Other Findings Related to Statutory Reporting:

IV-A-09 Certified Budget – Expenditures for the year ended June 30, 2009, did not exceed the amounts budgeted.

IV-B-09 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-09 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-09 Business Transactions – No business transactions between the District and District officials or employees were noted.

IV-E-09 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-09 Board Minutes – No transactions requiring Board approval which had not been approved by the Board were noted.

IV-G-09 Certified Enrollment – No variances in the basic enrollment data certified to the Department of Education were noted.

IV-H-09 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-09 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.

IV-J-09 Categorical Funding – No instances were noted of categorical funding being used to supplant rather than supplement other funds.

Part IV: Other Findings Related to Statutory Reporting (continued):

IV-K-09 Statewide Sales and Services Tax – No instances of non-compliance with the use of the statewide sales and services tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales and services tax. For the year ended June 30, 2009, the District's financial activity and other required information for the statewide sales and services tax are as follows:

Beginning balance		$ 2,655,050
Statewide sales and services tax revenue		3,466,778
Expenditures/transfers out:		
School infrastructure:		
Buildings	$ 2,049,415	
Equipment	7,119	
Debt service for school infrastructure:		
General obligation debt	933,193	
Revenue debt	1,159,183	4,148,910
Ending balance		$ 1,972,918

IV-L-09 School Nutrition – We noted in our testing of applications completed by the participants in the free and reduced price meal program that 4 of 40 applications tested did not include the social security number of the applicant as required. No other errors were noted and there are no questioned costs related to this finding.

Recommendation – The District should implement additional controls over the free and reduced application process to ensure that all required information is included in the application.

Response – These were oversights for the applications involved. We have a good review system in place but will look for ways to improve our controls.

Conclusion – Response accepted.