

OTTUMWA COMMUNITY SCHOOL DISTRICT
OTTUMWA, IOWA

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

JUNE 30, 2013

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OTTUMWA COMMUNITY SCHOOL DISTRICT

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<u>Board of Education</u>		
(Before and after September 2012 election)		
Carol Mitchell	President	2013
R. Payson Moreland	Vice President	2013
Jeff Strunk	Board Member	2013
Ron Oswald	Board Member	2015
Greg Riley	Board Member	2015
Cindy Kurtz-Hopkins	Board Member	2015
Doug Mathias	Board Member	2015
<u>School Officials</u>		
Dr. Davis Eidahl	Superintendent	2016
Roberta Freeborn	District Secretary/Treasurer	2013
Richard Gaumer	Attorney	Indefinite

DOUGLAS T. HUNT, CPA
DONALD D. KAIN
CHUCK C. CONVERSE, CPA
RUSSELL S. TERPSTRA, CPA
MICHAEL G. STANLEY, CPA
DEE A.A. HOKE, CPA

HUNT & ASSOCIATES, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education of
Ottumwa Community School District:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Ottumwa Community School District, Ottumwa Iowa, as of and for the year ended June 30, 2013 and the related notes to the financial statements, which collectively comprise the District's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Ottumwa Community School District as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters*Required Supplementary Information*

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 17 and 58 through 60 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Ottumwa Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2012 (which are not presented herein) and expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 10, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financials statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated December 13, 2013 on our consideration of Ottumwa Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Ottumwa Community School District's internal control over financial reporting and compliance.

Oskaloosa, Iowa
December 13, 2013

Hunt + Associates, P.C.

Ottumwa Community School District
MANAGEMENT DISCUSSION AND ANALYSIS
For the fiscal year ended June 30, 2013

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, 2013. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

Financial Highlights

- The District completed construction on a new \$15 million, 750 students, 2nd- 5th grade elementary school that is scheduled for completion in the fall of 2013 and is starting a \$5,000,000 renovation of an elementary school. These projects are being financed with Sales Tax Revenue bonds.
- The District showed an increase in total net position of \$3,406,350 for the year ended June 30, 2013, a 11.9% increase.
- Governmental funds reported a total fund balance on June 30, 2013 of \$17,918,043 compared to \$14,891,845 reported on June 30, 2012, or an increase of \$3,026,198. Fund balances by fund are as follows: General Fund \$6,273,719, Capital Projects Fund \$6,505,216, Student Activities Fund \$597,146, Debt Service 4,491,150 and Management Fund \$50,812.

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 position presents information on all of the Ottumwa Community School District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position 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 position changed during the most recent fiscal year. All changes in net position 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.

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 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 Fund to account for outside donations for scholarships for individual students.

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.

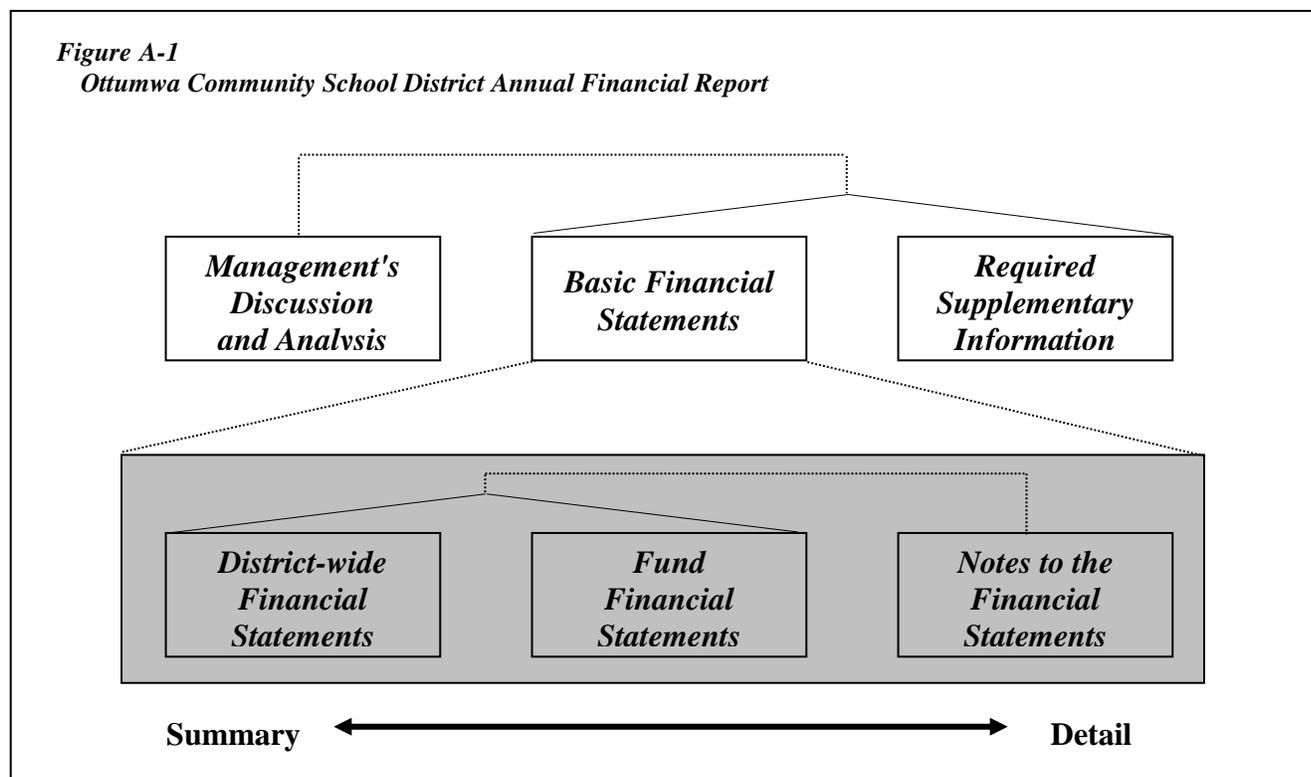


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain. The remainder of this overview section of the management’s discussion and analysis highlights the structure and contents 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 position Statement of activities	Balance sheet Statement of revenues, expenditures, and changes in fund balances	Statement of net position Statement of revenues, expenses and changes in net position Statement of cash flows	Statement of fiduciary net position Statement of changes in fiduciary net position
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 Position – Table 1 below provides a summary of the District’s net position for the year ended June 30, 2013 compared to June 30, 2012.

<i>Table 1-Net Position</i>	<u>Governmental Activities</u>		<u>Business Type Activities</u>		<u>Total District</u>	
	<u>June 30</u>		<u>June 30</u>		<u>June 30</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
ASSETS						
Current and other assets	\$38,951,926	\$34,665,275	875,224	890,113	\$39,827,150	\$35,555,388
Capital assets	37,720,014	26,923,432	295,457	347,065	38,015,471	27,270,497
Total assets	<u>76,671,940</u>	<u>61,588,707</u>	<u>1,170,681</u>	<u>1,237,178</u>	<u>77,842,621</u>	<u>62,825,885</u>
LIABILITIES						
Other liabilities	19,523,605	18,820,597	174,415	168,727	19,698,020	18,989,324
Long-term liabilities	26,201,509	15,303,758	22,000	18,061	26,223,509	15,321,819
Total liabilities	<u>45,725,114</u>	<u>34,124,355</u>	<u>196,415</u>	<u>186,788</u>	<u>45,921,529</u>	<u>34,311,143</u>
NET POSITION						
Net investment in capital assets	12,725,014	12,773,432	295,457	347,065	13,020,471	13,120,497
Restricted	12,304,771	9,918,859			12,304,771	9,918,859
Unrestricted	<u>5,917,041</u>	<u>4,772,061</u>	<u>678,809</u>	<u>703,325</u>	<u>6,595,850</u>	<u>5,475,386</u>
Total Net Position	<u>30,946,826</u>	<u>27,464,352</u>	<u>974,266</u>	<u>1,050,390</u>	<u>31,921,092</u>	<u>28,514,742</u>

The District’s combined total net position increased by \$3,406,350 or 11.9% for 2013. The majority of the change can be attributed to an increase in restricted funds in the capital projects funds of \$4,502,588. Restricted net position is \$12,304,771 and are resources that are subject to external restrictions on how they may be used. Restricted net position is for debt repayment \$5,751,050, capital projects \$5,046,211, student activities \$597,146 and categorical funds \$910,364. Unrestricted net position totaled \$6,595,850 and may be used to meet the District’s ongoing obligations to students and creditors.

Table 2 – Statement of Activities and Changes to Net Position

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total School District</u>		<u>Change</u>
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2012 - 2013</u>
Revenues							
Program Revenues							
Charges for services	1,603,648	1,818,780	605,077	1,075,074	2,208,725	2,893,854	-23.7%
Operating grants and contributions	8,345,611	8,609,428	1,609,402	1,549,089	9,955,013	10,158,517	-2.0%
General Revenues							
Property and other taxes	11,612,571	11,012,849			11,612,571	11,012,849	5.4%
Local option sales tax	3,898,100	3,813,947			3,898,100	3,813,947	2.2%
State and federal grants	23,225,885	23,677,131			23,225,885	23,677,131	-1.9%
Other	267,294	96,618	1,513	3,553	268,807	100,171	168%
Total Revenues	48,953,109	49,028,753	2,215,992	2,627,716	51,169,101	51,656,469	-9%
Expenditures							
Instruction	28,792,844	28,265,591			28,792,844	28,265,591	1.9%
Pupil and instructional services	3,051,319	3,495,216			3,051,319	3,495,216	-12.7%
Administrative and business services	3,996,862	3,921,948	80,669	80,023	4,077,531	4,001,971	1.9%
Maintenance and operations	3,935,988	3,798,742	28,644	35,032	3,964,632	3,833,774	3.4%
Transportation	1,611,350	1,554,580	16,721	15,840	1,628,071	1,570,420	3.7%
Other	4,069,563	3,790,453		449,172	4,069,563	4,239,625	-4.0%
Non instructional	12,709	13,338	2,166,082	2,157,872	2,178,791	2,171,210	.3%
Total Expenditures	45,470,635	44,839,868	2,292,116	2,737,939	47,762,751	47,577,807	.4%
Change in net position	3,482,474	4,188,885	-76,124	-110,223	3,406,350	4,078,662	-16.5%
Net position beginning of year	27,464,352	23,275,467	1,050,390	1,160,613	28,514,742	24,436,080	16.7%
Net position end of year	30,946,826	27,464,352	974,266	1,050,390	31,921,092	28,514,742	11.9%

Governmental Activities

- Net position increased by \$3,482,474 or 12.6%.

Business Type Activities

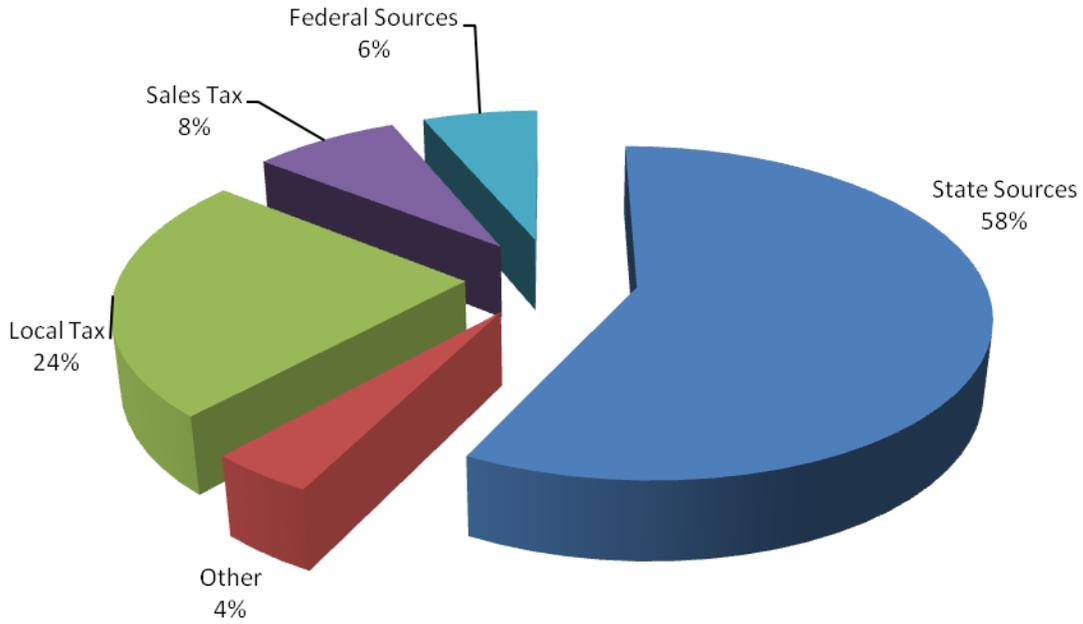
- Revenues from business-type activities decreased by \$411,834, or -15.7%, expenses decreased by 445,823 or -16.3%. The reason for the decrease in both revenues and expenses was that the District sold two student constructed houses in FY2012 but did not build a house in FY2013.

Table 3 -Statement of Revenues, Expenditures and Changes in Fund Balances– Governmental Funds

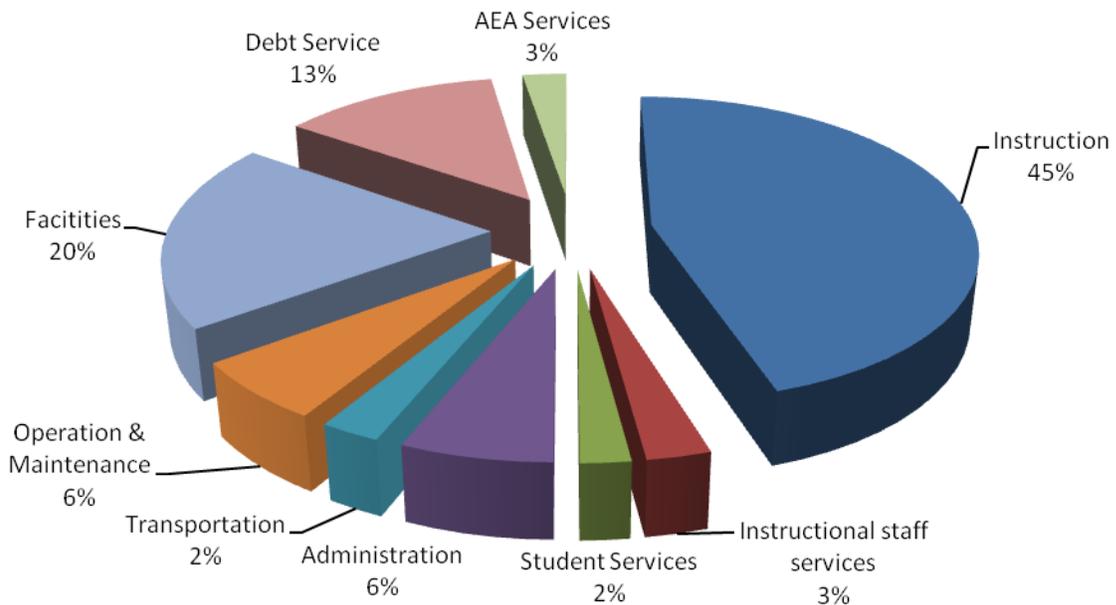
	<u>2013</u>	<u>2012</u>	<u>Change</u>	<u>% Change</u>
Revenues				
Local Tax	11,603,955	11,004,622	599,333	5.4%
Sales Tax	3,898,100	3,813,947	84,153	2.2%
Local Other	2,026,473	2,156,436	-129,963	-6.0%
State sources	27,865,198	28,290,351	-425,153	-1.5%
Federal sources	3,075,317	3,752,653	-677,336	-18.0%
Total Revenues	48,469,043	49,018,009	-548,966	-1.1%
Expenditures				
Instruction	28,900,628	28,243,725	656,903	2.3%
Student services	1,706,820	1,724,072	-17,252	-1.0%
Instructional staff services	1,334,864	1,761,647	-426,783	-24.2%
Administration services	4,022,287	3,916,937	105,350	2.7%
Operation and maintenance of plant services	3,926,799	3,795,257	131,542	3.5%
Transportation	1,606,263	1,551,382	54,881	3.5%
Non-instructional services	12,709	13,338	-629	-4.7%
Facilities acquisition	12,614,118	3,113,514	9,500,604	305.1%
Debt Service	8,171,864	3,320,223	4,851,641	146.1%
AEA flowthrough	1,650,357	1,647,866	2,491	.2%
Total Expenditures	63,946,709	49,087,961	14,858,748	30.3%
Excess revenues over expenditures	-15,477,666	(69,952)	-15,407,714)	
Other financing sources(uses)				
Revenue bonds issued	18,385,000	5,040,000	13,345,000	264.8%
Other financing sources	118,864	10,744	108,120	1006%
Total Other Financing Sources	18,503,864	5,050,744	13,453,120	266.4%
Net change in fund balances	3,026,198	4,980,792	-1,954,594	-39.2%
Fund balances beginning of year	14,891,845	9,911,053	4,980,792	50.3%
Fund balances end of year	17,918,043	14,891,845	3,026,198	20.3%

Revenues for FY2013 showed a decline of \$548,966 or -1.1% as federal stimulus funds declined along with a reduction in state aid. Expenditures on the whole showed modest growth, except expenditures for instructional staff services which declined by \$426,783 as positions funded with federal stimulus funds were eliminated. Expenditures for facility acquisitions reflect the construction of a new elementary and debt services reflects the pay off of debt that was refinanced at a more favorable rate.

Revenues - Governmental Funds FY13



Expenditures - Governmental Funds FY13



Historical Taxable Valuation and Levy rate per \$1000 Taxable Valuation

	Taxable Valuation	% Change	Levy Rate
FY 01	510,807,450	-1.7%	17.01
FY 02	522,821,757	2.4%	17.19
FY 03	515,637,703	-1.4%	17.59
FY 04	524,498,646	1.7%	17.56
FY 05	554,237,884	5.7%	14.85
FY 06	569,926,691	2.8%	14.95
FY 07	600,142,208	5.3%	13.85
FY 08	598,991,897	-.2%	14.59
FY 09	637,357,198	6.4%	14.95
FY 10	653,840,645	2.6%	14.95
FY 11	695,847,620	6.4%	14.97
FY 12	743,925,779	6.9%	14.80
FY 13	792,797,616	6.6%	14.69
FY 14	809,548,421	2.1%	14.66

Taxable valuation excludes TIF

Over the last five years taxable valuations have increased an average of 4.9% a year. The District's Levy rate has declined from \$14.95 to \$14.66 per thousand over the last five years.

Financial Analysis of the District's Funds

A summary financial analysis of each individual District fund follows:

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, fund balance may serve as a useful measure of the government's net resources available for spending at the end of the fiscal year.

- On June 30, 2013 the District reported a total government funds fund balance of \$17,918,043, an increase of \$3,026,198, or 20%, from the prior year. An increase in the Capital Project Fund accounts for the majority of the increase as funds from bonds are available to complete construction projects.

General Fund

- Total general fund revenues for FY 2013 were \$42,074,871, a decrease of \$945,085 from the prior year. Federal revenue declined by \$677,336 as federal stimulus funds were eliminated, state funding also declined by \$425,325 for the period.
- Expenditures for FY 2013 were \$41,654,166, an increase of \$427,633, or 1.0%, from the prior year.
- For FY 2013 revenues exceeded expenditures by \$420,705.

Debt Service Fund

- The District refinanced bonds of \$5,040,000 with proceeds from bonds issued in the prior fiscal year.

Management Levy Fund

- The management levy fund balance increased by \$15,533 to \$50,812 as revenue increased by \$111,272 with expenditures decreasing by \$6,942 from the prior year.

Student Activities Fund

- The student activity fund remains stable with a balance of \$597,146, a decrease of \$29,377 from the prior year. Revenues were \$959,578 and expenditures were \$988,955 for the year.

Capital Projects Fund

The capital project fund reported an increase to the fund balance of \$5,898,678, to \$6,505,216. The District issued \$18,385,000 in revenue bonds to finance a new elementary building and an extensive remodeling project on an existing elementary building. The District entered into \$13,273,365 of construction contracts on the new elementary, of which \$12,882,874 was completed in FY2012 and FY2013 with a remaining construction contract balance of \$392,491 that will be paid out as the project is completed. A construction contract for remodeling of an existing elementary building in the amount of \$4,442,500 was entered into, work on this project will start in July of 2013.

Proprietary Fund Highlights

School Nutrition Fund

- Net assets decreased by \$113,762 to \$698,494 with revenues of \$1,980,723 and expenditures of \$2,094,485.

Youth Care Fund

- Net assets increase by \$35,503 to \$82,570 with revenues of \$233,134 and expenditures of \$197,631.

Student Constructed House Fund

- The District's students did not construct a home in FY2013. A balance of \$193,202 is available to finance student construction projects in future years.

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. For FY 2013 the District's amended total budget included revenue of \$51,591,211 and expenses of \$66,833,841. 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

Actual revenues were \$906,176 less than budgeted and expenditures were \$595,016 less than budgeted. Although the District did not exceed total expenditure budget, it did exceed the amount budgeted in the other expense category.

Capital Asset and Debt Administration

Capital Assets

	<u>Governmental Activities</u>		<u>Business- Type</u>		<u>District</u>
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>Total</u>
Land	691,857	691,857			691,857
Construction in progress	14,780,253	2,443,163			14,780,253
Buildings	45,487,643	45,381,362			45,487,643
Improvements non Bldgs	1,137,117				1,137,117
		1,137,117			
Furniture and Equipment	793,787	793,787	899,887	899,887	1,693,674
Total Capital Assets	62,890,657	50,447,286	899,887	899,887	63,790,544
Accumulated Depreciation	25,170,643	23,523,854	604,430	552,822	25,775,073
Capital Net Assets	37,720,014	26,923,432	295,457	347,065	38,015,471

The District started construction on a new \$15 million elementary school in FY12, scheduled for completion in the fall of 2013.

Long-Term Debt

	<u>Outstanding</u>	<u>Net</u>	<u>Outstanding</u>
	<u>2012</u>	<u>Change</u>	<u>2013</u>
Early Retirement & Compensated Absence	467,184	-78,675	388,509
General Obligation Bonds	2,445,000	-875,000	1,570,000
Sales and Service Tax Bonds	11,705,000	11,720,000	23,425,000
Net OPEB Liability	686,574	131,426	818,000
Total	15,303,758	10,897,751	26,201,509

Sales Tax Bonds in the amount of \$18,385,000 were issued during the year to construct a new elementary facility and to remodel an existing elementary facility.

Factors Bearing on the District's Future

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

- The District's October 2013 enrollment increased by 43.2 and by 48.2 October 2012, resulting with about 1% annual increase in enrollment.
- The State of Iowa has set allowable growth for FY 2014 at 2% plus a 2% state aide supplement and a FY 2015 allowable growth rate of 4%.
- Contributions to the Iowa Public Employees Retirement System (IPERS) will be remain unchanged for FY 2014. Future increases will be limited to a maximum of 1% annually.
- The District opened a \$15 million elementary school in the fall of 2013 and have begun a \$5 million elementary building renovation that will be completed at end of FY 2014.

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, Ottumwa Community School District, 422 McCarroll Drive, Ottumwa, Iowa, 52501.

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Basic Financial Statements

OTTUMWA COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET POSITION

June 30, 2013

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and pooled investments	\$ 24,309,247	\$ 794,419	\$ 25,103,666
Receivables:			
Property tax:			
Current year	249,448	-	249,448
Succeeding year	11,915,580	-	11,915,580
Due from other governments	2,210,149	-	2,210,149
Inventories	36,502	80,805	117,307
Prepaid expenses (note 4)	231,000	-	231,000
Capital assets, net of accumulated depreciation (note 5)	37,720,014	295,457	38,015,471
	<hr/>	<hr/>	<hr/>
Total assets	76,671,940	1,170,681	77,842,621
Liabilities			
Accounts payable	2,591,761	24,089	2,615,850
Salaries and benefits payable	4,451,382	128,647	4,580,029
Claims incurred but not reported	345,000	-	345,000
Accrued interest payable	199,105	-	199,105
Deferred revenue:			
Succeeding year property tax	11,915,580	-	11,915,580
Other	20,777	21,679	42,456
Long-term liabilities (note 7):			
Portion due within one year:			
Early retirement	140,693	-	140,693
Bonds payable	3,260,000	-	3,260,000
Compensated absences	193,053	-	193,053
Portion due after one year:			
Early retirement	54,763	-	54,763
Bonds payable	21,735,000	-	21,735,000
Net OPEB liability	818,000	22,000	840,000
	<hr/>	<hr/>	<hr/>
Total liabilities	45,725,114	196,415	45,921,529

OTTUMWA COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET POSITION

June 30, 2013

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
Net Position			
Net investment in capital assets	\$ 12,725,014	\$ 295,457	\$ 13,020,471
Restricted for:			
Categorical funding	910,364	-	910,364
Student activities	597,146	-	597,146
Debt service	5,751,050	-	5,751,050
Capital projects	5,046,211	-	5,046,211
Unrestricted	<u>5,917,041</u>	<u>678,809</u>	<u>6,595,850</u>
Total net position	<u>\$ 30,946,826</u>	<u>\$ 974,266</u>	<u>\$ 31,921,092</u>

See notes to financial statements.

OTTUMWA COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
Year Ended June 30, 2013

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants, Contributions and Restricted Interest
Governmental Activities:			
Instruction:			
Regular instruction	\$ 18,805,336	\$ 531,635	\$ 3,440,165
Special instruction	4,336,464	92,052	2,888,952
Other instruction	5,651,044	957,984	91,972
	<u>28,792,844</u>	<u>1,581,671</u>	<u>6,421,089</u>
Support services:			
Student	1,712,227	-	80,442
Instructional staff	1,339,092	-	189,271
Administration	3,996,862	-	-
Operation and maintenance of plant	3,935,988	21,977	-
Transportation	1,611,350	-	4,452
	<u>12,595,519</u>	<u>21,977</u>	<u>274,165</u>
Non-instructional programs	<u>12,709</u>	<u>-</u>	<u>-</u>
Other expenditures:			
Facilities acquisition	170,747	-	-
Long-term debt interest and fiscal charges	689,260	-	-
AEA flowthrough	1,650,357	-	1,650,357
Depreciation (unallocated) *	1,559,199	-	-
	<u>4,069,563</u>	<u>-</u>	<u>1,650,357</u>
Total governmental activities	<u>45,470,635</u>	<u>1,603,648</u>	<u>8,345,611</u>

Net (Expense) Revenue
and Changes in Net Position

<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Total</u>
\$ (14,833,536)	\$ -	\$ (14,833,536)
(1,355,460)	-	(1,355,460)
<u>(4,601,088)</u>	<u>-</u>	<u>(4,601,088)</u>
<u>(20,790,084)</u>	<u>-</u>	<u>(20,790,084)</u>
(1,631,785)	-	(1,631,785)
(1,149,821)	-	(1,149,821)
(3,996,862)	-	(3,996,862)
(3,914,011)	-	(3,914,011)
<u>(1,606,898)</u>	<u>-</u>	<u>(1,606,898)</u>
<u>(12,299,377)</u>	<u>-</u>	<u>(12,299,377)</u>
(12,709)	-	(12,709)
(170,747)	-	(170,747)
(689,260)	-	(689,260)
-	-	-
<u>(1,559,199)</u>	<u>-</u>	<u>(1,559,199)</u>
<u>(2,419,206)</u>	<u>-</u>	<u>(2,419,206)</u>
<u>(35,521,376)</u>	<u>-</u>	<u>(35,521,376)</u>

OTTUMWA COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

Year Ended June 30, 2013

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants, Contributions and Restricted Interest
Business-Type Activities:			
Support services:			
Food service operations	\$ 109,313	\$ -	-
Other operations	16,721	-	-
	126,034	-	-
Non-instructional programs:			
Food service operations	1,985,172	415,162	1,564,386
Other operations	180,910	189,915	45,016
	2,166,082	605,077	1,609,402
Total business-type activities	2,292,116	605,077	1,609,402
 Total	 \$ 47,762,751	 \$ 2,208,725	 \$ 9,955,013

General revenues:

- Property tax levied for:
 - General purposes
 - Debt service
- Statewide sales, services and use tax
- Unrestricted state and federal grants
- Unrestricted investment earnings
- Other

Total general revenues

Change in net position

Net position beginning of year

Net position 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 Position

	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Total</u>
\$	-	\$ (109,313)	\$ (109,313)
	-	(16,721)	(16,721)
	-	(126,034)	(126,034)
	-	(5,624)	(5,624)
	-	54,021	54,021
	-	48,397	48,397
	-	(77,637)	(77,637)
	<u>(35,521,376)</u>	<u>(77,637)</u>	<u>(35,599,013)</u>
\$	10,691,596	-	\$ 10,691,596
	920,975	-	920,975
	3,898,100	-	3,898,100
	23,225,885	-	23,225,885
	62,116	1,513	63,629
	205,178	-	205,178
	<u>39,003,850</u>	<u>1,513</u>	<u>39,005,363</u>
	3,482,474	(76,124)	3,406,350
	<u>27,464,352</u>	<u>1,050,390</u>	<u>28,514,742</u>
\$	<u>30,946,826</u>	<u>\$ 974,266</u>	<u>\$ 31,921,092</u>

OTTUMWA COMMUNITY SCHOOL DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2013

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Total</u>
Assets					
Cash and pooled investments	\$ 10,335,605	\$ 4,471,610	\$ 7,066,240	\$ 706,402	\$ 22,579,857
Receivables:					
Property tax:					
Current year	218,670	19,540	-	11,238	249,448
Succeeding year	10,142,334	926,400	271,848	574,998	11,915,580
Due from other governments	1,593,274	-	616,875	-	2,210,149
Inventories	36,502	-	-	-	36,502
Prepaid expenses (note 4)	-	-	231,000	-	231,000
 Total assets	 <u>\$ 22,326,385</u>	 <u>\$ 5,417,550</u>	 <u>\$ 8,185,963</u>	 <u>\$ 1,292,638</u>	 <u>\$ 37,222,536</u>

OTTUMWA COMMUNITY SCHOOL DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2013

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Total</u>
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 839,115	\$ -	\$ 1,408,899	\$ 65,847	\$ 2,313,861
Salaries and benefits payable	4,447,547	-	-	3,835	4,451,382
Deferred revenue:					
Succeeding year property tax	10,142,334	926,400	271,848	574,998	11,915,580
Other	623,670	-	-	-	623,670
Total liabilities	<u>16,052,666</u>	<u>926,400</u>	<u>1,680,747</u>	<u>644,680</u>	<u>19,304,493</u>
Fund balances:					
Nonspendable:					
Inventories	36,502	-	-	-	36,502
Prepaid expenses	-	-	231,000	-	231,000
Restricted for:					
Categorical funding (note 12)	910,364	-	-	-	910,364
Revenue bonds reserve fund	-	504,000	1,459,005	-	1,963,005
Debt service	-	3,987,150	-	-	3,987,150
Management levy purposes	-	-	-	50,812	50,812
Student activities	-	-	-	597,146	597,146
Other capital projects	-	-	25,371	-	25,371
School infrastructure	-	-	4,789,840	-	4,789,840
Assigned:					
Stevens Educational Trust	50,105	-	-	-	50,105
Unassigned	5,276,748	-	-	-	5,276,748
Total fund balances	<u>6,273,719</u>	<u>4,491,150</u>	<u>6,505,216</u>	<u>647,958</u>	<u>17,918,043</u>
Total liabilities and fund balances	<u>\$ 22,326,385</u>	<u>\$ 5,417,550</u>	<u>\$ 8,185,963</u>	<u>\$ 1,292,638</u>	<u>\$ 37,222,536</u>

See notes to financial statements.

OTTUMWA COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET POSITION
 June 30, 2013

Total fund balances of governmental funds		\$ 17,918,043
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.		37,720,014
The Internal Service Fund net position is incorporated into the governmental activities net position due to the integral nature of the services performed.		1,329,181
Other long-term assets, including income surtax receivable, are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.		623,670
Accrued interest payable on long-term liabilities and certain accounts payable associated with grants deferred in the governmental funds are not due and payable in the current period and, therefore, are not reported as a liability in the governmental funds:		
	Accrued interest payable	(199,105)
	Additional accounts payable	<u>(243,468)</u>
		(442,573)
Long-term liabilities, including bonds payable, compensated absences, and net OPEB liability, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		<u>(26,201,509)</u>
Net position of governmental activities		<u>\$ 30,946,826</u>

See notes to financial statements.

OTTUMWA COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2013

	General	Debt Service	Capital Projects	Nonmajor	Total
Revenues:					
Local sources:					
Local tax	\$ 10,161,435	\$ 920,298	\$ 3,898,100	\$ 522,222	\$ 15,502,055
Tuition	463,242	-	-	-	463,242
Other	484,104	3,783	76,186	972,516	1,536,589
Intermediate sources	26,642	-	-	-	26,642
State sources	27,864,131	679	-	388	27,865,198
Federal sources	3,075,317	-	-	-	3,075,317
Total revenues	<u>42,074,871</u>	<u>924,760</u>	<u>3,974,286</u>	<u>1,495,126</u>	<u>48,469,043</u>
Expenditures:					
Current:					
Instruction	<u>27,682,002</u>	-	-	1,218,626	28,900,628
Support services:					
Student	1,706,820	-	-	-	1,706,820
Instructional staff	1,334,864	-	-	-	1,334,864
Administration	3,989,353	-	-	32,934	4,022,287
Operation and maintenance of plant	3,692,242	-	-	234,557	3,926,799
Transportation	1,585,819	-	-	20,444	1,606,263
	<u>12,309,098</u>	-	-	287,935	12,597,033
Non-instructional programs	<u>12,709</u>	-	-	-	12,709
Other expenditures:					
Facilities acquisition	-	-	12,614,118	-	12,614,118
Long term debt:					
Principal	-	7,540,000	-	-	7,540,000
Interest and fiscal charges	-	331,997	299,867	-	631,864
AEA flowthrough	1,650,357	-	-	-	1,650,357
	<u>1,650,357</u>	<u>7,871,997</u>	<u>12,913,985</u>	-	<u>22,436,339</u>
Total expenditures	<u>41,654,166</u>	<u>7,871,997</u>	<u>12,913,985</u>	<u>1,506,561</u>	<u>63,946,709</u>
Excess (deficiency) of revenues over (under) expenditures	<u>420,705</u>	<u>(6,947,237)</u>	<u>(8,939,699)</u>	<u>(11,435)</u>	<u>(15,477,666)</u>

OTTUMWA COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2013

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Total</u>
Other financing sources (uses):					
Compensation for loss of capital assets	\$ 20,340	\$ -	\$ -	\$ -	\$ 20,340
Premium on bonds issued	-	-	98,524	-	98,524
Revenue bonds issued	-	-	18,385,000	-	18,385,000
Interfund transfers in (note 3)	2,389	3,645,147	-	-	3,647,536
Interfund transfers out (note 3)	-	-	(3,645,147)	(2,389)	(3,647,536)
Total other financing sources (uses)	<u>22,729</u>	<u>3,645,147</u>	<u>14,838,377</u>	<u>(2,389)</u>	<u>18,503,864</u>
Net change in fund balances	443,434	(3,302,090)	5,898,678	(13,824)	3,026,198
Fund balances beginning of year	<u>5,830,285</u>	<u>7,793,240</u>	<u>606,538</u>	<u>661,782</u>	<u>14,891,845</u>
Fund balances end of year	<u>\$ 6,273,719</u>	<u>\$ 4,491,150</u>	<u>\$ 6,505,216</u>	<u>\$ 647,958</u>	<u>\$ 17,918,043</u>

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, 2013

Net change in fund balances - total governmental funds \$ 3,026,198

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 Position 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	\$ 12,443,371	
Depreciation expense	<u>(1,646,789)</u>	10,796,582

The change in net position of the Internal Service Fund represents an overcharge to the governmental funds for services performed. Expenses in governmental activities are adjusted to reflect this overcharge in the Statement of Activities. 249,639

Grant revenue not received until several months after the District's fiscal year end, net of the associated accounts payable, is not considered available resources and is deferred in the governmental funds. It is, however, recorded as revenue in the Statement of Activities. 365,202

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 Position and does not affect the Statement of Activities. (18,385,000)

Repayment of long-term liabilities is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position. 7,540,000

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. (57,396)

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, 2013

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	104,612	
	Compensated absences	(25,937)	
	Net OPEB liability	<u>(131,426)</u>	<u>(52,751)</u>
Change in net position of governmental activities			\$ <u><u>3,482,474</u></u>

See notes to financial statements.

OTTUMWA COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET POSITION
PROPRIETARY FUNDS

June 30, 2013

	Enterprise Funds	Internal Service Fund
	<u> </u>	<u> </u>
Assets		
Cash and cash equivalents	\$ 794,419	\$ 1,729,390
Inventories	80,805	-
Capital assets, net of accumulated depreciation (note 5)	295,457	-
Total current assets	<u>1,170,681</u>	<u>1,729,390</u>
Liabilities		
Accounts payable	24,089	34,432
Salaries and benefits payable	128,647	345,000
Deferred revenue	21,679	20,777
Net OPEB liability (notes 7 and 8)	22,000	-
Total current liabilities	<u>196,415</u>	<u>400,209</u>
Net Position		
Invested in capital assets	295,457	-
Unrestricted	<u>678,809</u>	<u>1,329,181</u>
Total net position	<u>\$ 974,266</u>	<u>\$ 1,329,181</u>

See notes to financial statements.

OTTUMWA COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
Year Ended June 30, 2013

	Enterprise Funds	Internal Service Fund
	<u> </u>	<u> </u>
Operating revenues:		
Local sources:		
Charges for services	\$ 605,077	\$ 2,520,860
	<u> </u>	<u> </u>
Operating expenses:		
Support services:		
Salaries	70,470	-
Benefits	10,199	-
Purchased services	45,365	-
	<u>126,034</u>	<u>-</u>
Non-instructional programs:		
Salaries	685,097	-
Benefits	151,918	-
Purchased services	56,344	2,276,278
Supplies	1,221,115	-
Depreciation	51,608	-
	<u>2,166,082</u>	<u>2,276,278</u>
Total operating expenses	<u>2,292,116</u>	<u>2,276,278</u>
Operating income (loss)	(1,687,039)	244,582
Non-operating revenues:		
Interest on investments	1,513	5,057
State sources	16,620	-
Federal sources	1,592,782	-
Total non-operating revenues	<u>1,610,915</u>	<u>5,057</u>
Change in net position	(76,124)	249,639
Net position beginning of year	<u>1,050,390</u>	<u>1,079,542</u>
Net position end of year	<u>\$ 974,266</u>	<u>\$ 1,329,181</u>

See notes to financial statements.

OTTUMWA COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2013

	Enterprise Funds	Internal Service Fund
	<u> </u>	<u> </u>
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 392,225	\$ -
Cash received from miscellaneous operating activities	219,295	2,585,458
Cash payments to employees for services	(912,856)	-
Cash payments to suppliers for goods or services	(1,182,551)	(2,263,490)
Net cash provided by (used by) operating activities	<u>(1,483,887)</u>	<u>321,968</u>
Cash flows from non-capital financing activities:		
State grants received	16,620	-
Federal grants received	1,475,250	-
Net cash provided by non-capital financing activities	<u>1,491,870</u>	<u>-</u>
Cash flows from investing activities:		
Interest on investments	<u>1,513</u>	<u>5,057</u>
Net increase in cash and cash equivalents	9,496	327,025
Cash and cash equivalents beginning of year	<u>784,923</u>	<u>1,402,365</u>
Cash and cash equivalents end of year	<u>\$ 794,419</u>	<u>\$ 1,729,390</u>

OTTUMWA COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2013

	<u>Enterprise Funds</u>	<u>Internal Service Fund</u>
Reconciliation of operating income (loss) to net cash provided by (used by) operating activities:		
Operating income (loss)	\$ (1,687,039)	\$ 244,582
Adjustments to reconcile operating income (loss) to net cash provided by (used by) operating activities:		
Depreciation	51,608	-
Commodities used	117,823	-
Decrease in accounts receivable	-	43,821
Decrease in inventories	24,094	-
(Decrease) in accounts payable	(1,644)	(42,212)
Increase in claims incurred but not reported	-	55,000
Increase in salaries and benefits payable	889	-
Increase in deferred revenue	6,443	20,777
Increase in net OPEB liability	3,939	-
Net cash provided by (used by) operating activities	<u>\$ (1,483,887)</u>	<u>\$ 321,968</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2013, the District received \$117,823 of federal commodities.

See notes to financial statements.

OTTUMWA COMMUNITY SCHOOL DISTRICT
 STATEMENT OF FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 June 30, 2013

		Private Purpose Trust
		<u>Scholarship</u>
Assets:		
Cash and pooled investments	\$	81,731
Accrued interest receivable		<u>460</u>
Total assets		<u>82,191</u>
Liabilities:		
None		<u>-</u>
Net position:		
Restricted for scholarships	\$	<u><u>82,191</u></u>

See notes to financial statements.

OTTUMWA COMMUNITY SCHOOL DISTRICT
 STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 Year Ended June 30, 2013

		Private Purpose Trust
		<u>Scholarship</u>
Additions:		
Local sources:		
Gifts and contributions	\$	400
Interest		<u>620</u>
Total additions		<u>1,020</u>
Deductions:		
Support services:		
Scholarships awarded		<u>600</u>
Change in net position		420
Net position beginning of year		<u>81,771</u>
Net position end of year	\$	<u><u>82,191</u></u>
See notes to financial statements.		

OTTUMWA COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

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 Position (previously referred to as 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 Position presents the District's nonfiduciary assets and liabilities, with the difference reported as net position. Net position is reported in three categories:

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

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

OTTUMWA COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

Unrestricted net position consists of net position not meeting the definition of the two preceding categories. Unrestricted net position often has 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. Combining schedules are also included for the Capital Projects Fund accounts.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other 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 property tax and other revenues to be used 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 and other capital assets.

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 position and changes in net position. The District's fiduciary funds include the following:

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

OTTUMWA COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

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

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

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

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

OTTUMWA COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

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, 2011 assessed property valuations; is for the tax accrual period July 1, 2012 through June 30, 2013 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2012.

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

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

OTTUMWA COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Prepaid Expenses – The District has paid for services that will not be a benefit until future periods. These amounts are reflected as a prepaid expenses asset in the financial statements.

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 Position. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 4,000
Buildings	4,000
Improvements other than buildings	4,000
Intangibles	100,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	4,000

Capital assets are depreciated using the straight line method 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 expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means 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, other receivables not collected within sixty days after year end, and unearned meal revenues.

OTTUMWA COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

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

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 Position.

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, 2013. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

Fund Equity – In the governmental fund financial statements, fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

Assigned – Amounts the Board of Education intends to use for specific purposes.

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2013, expenditures in the other expenditures function exceeded the amount budgeted.

Note 2. Cash and Pooled Investments

The District's deposits in banks at June 30, 2013 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.

OTTUMWA COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 2. Cash and Pooled Investments (continued)

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

At June 30, 2013, the District had investments as follows:

	Value
Money market mutual fund	\$ 704,928
Iowa Schools Joint Investment Trust, Diversified Portfolio	1,268,230
	\$ 1,973,158

The investment in the Iowa Schools Joint Investment Trust is valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the money market mutual fund is valued at fair value.

Credit Risk – The investment in the Iowa Schools Joint Investment Trust was rated AAAM by Standard & Poor’s Financial Services. The investment in the money market mutual fund was rated AAAM2 by Standard & Poor’s Financial Services.

Note 3. Interfund Transfers

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

Transfer to	Transfer from	Amount
General	Special Revenue, Management Levy	\$ 2,389
Debt Service	Capital Projects	3,645,147
		\$ 3,647,536

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

Note 4. Prepaid Expense

The District entered into an agreement to establish the Regional Academy at the Indian Hills Community College (IHCC) North Campus. The agreement calls for the lease of IHCC property for a term of 114 months at a total cost of \$330,000. The term runs from August, 2010 through January, 2021. The prepaid expense will be amortized on a straight-line basis over the term of the lease. The balance of the prepaid lease at June 30, 2013 totaled \$231,000.

OTTUMWA COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 5. Capital Assets

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

	<u>Balance Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance End of Year</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 691,857	\$ -	\$ -	\$ 691,857
Construction in progress	2,443,163	12,337,090	-	14,780,253
Total capital assets not being depreciated	<u>3,135,020</u>	<u>12,337,090</u>	-	<u>15,472,110</u>
Capital assets being depreciated:				
Buildings	45,381,362	106,281	-	45,487,643
Improvements other than buildings	1,137,117	-	-	1,137,117
Furniture and equipment	793,787	-	-	793,787
Total capital assets being depreciated	<u>47,312,266</u>	<u>106,281</u>	-	<u>47,418,547</u>
Less accumulated depreciation for:				
Buildings	22,413,720	1,546,993	-	23,960,713
Improvements other than buildings	368,413	78,659	-	447,072
Furniture and equipment	741,721	21,137	-	762,858
Total accumulated depreciation	<u>23,523,854</u>	<u>1,646,789</u>	-	<u>25,170,643</u>
Total capital assets being depreciated, net	<u>23,788,412</u>	<u>(1,540,508)</u>	-	<u>22,247,904</u>
Governmental activities capital assets, net	<u>\$ 26,923,432</u>	<u>\$ 10,796,582</u>	<u>\$ -</u>	<u>\$ 37,720,014</u>
	<u>Balance Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance End of Year</u>
Business-type activities:				
Furniture and equipment	\$ 899,887	\$ -	\$ -	\$ 899,887
Less accumulated depreciation	552,822	51,608	-	604,430
Business-type activities capital assets, net	<u>\$ 347,065</u>	<u>\$ (51,608)</u>	<u>\$ -</u>	<u>\$ 295,457</u>

OTTUMWA COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 5. Capital Assets (continued)

Depreciation expense was charged to the following functions:

Governmental activities:

Instruction:

Regular	\$ 73,956
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Support services:

Administration	6,430
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Operation and maintenance of plant	7,204
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	87,590
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Unallocated depreciation	1,559,199
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Total depreciation expense - governmental activities	\$ 1,646,789
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Business-type activities:

Food service operations	\$ 51,608
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Note 6. Short-term Financing

During the year ended June 30, 2013, the District's General Fund made a \$450,000 temporary loan for cash flow purposes to the Special Revenue, Management Levy Fund at a .60 percent per annum interest rate. The loan was repaid prior to June 30, 2013, including interest charges of \$1,429.

OTTUMWA COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 7. Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2013 are summarized as follows:

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance End of Year</u>	<u>Due Within One Year</u>
Governmental activities:					
Early retirement	\$ 300,068	\$ 39,033	\$ 143,645	\$ 195,456	\$ 140,693
General obligation bonds	2,445,000	-	875,000	1,570,000	895,000
Revenue bonds	11,705,000	18,385,000	6,665,000	23,425,000	2,365,000
Compensated absences	167,116	193,053	167,116	193,053	193,053
Net OPEB liability	686,574	131,426	-	818,000	-
Total	<u>\$ 15,303,758</u>	<u>\$ 18,748,512</u>	<u>\$ 7,850,761</u>	<u>\$ 26,201,509</u>	<u>\$ 3,593,746</u>
Business-type activities:					
Net OPEB liability	<u>\$ 18,061</u>	<u>\$ 3,939</u>	<u>\$ -</u>	<u>\$ 22,000</u>	<u>\$ -</u>

Early Retirement

The District offered a voluntary early retirement plan to administrators and classified employees for the year ended June 30, 2013. Eligible administrators had to be at least age 55, with a minimum of five years consecutive service to the District immediately prior to retirement. Eligible classified employees had to be at least age 55 with a minimum of seven years consecutive service to the District immediately prior to retirement.

The early retirement incentive for each eligible administrator and classified employee was equal to the annual premium cost of the District's lowest cost single health insurance plan for a period of five years and a period of three years, respectively, after retirement. No cash benefit was allowed for the plan offered for the year ended June 30, 2013.

The District has offered various other early retirement plans in prior years. Details of those plans are available upon request at the administration offices.

At June 30, 2013, the District had obligations to 28 participants with a total liability of \$195,456. Actual early retirement expenditures for the year ended June 30, 2013 totaled \$143,645. Early retirement is recorded as a long-term liability of the Governmental Activities in the District-wide financial statements.

OTTUMWA COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 7. Long-Term Liabilities (continued)

General Obligation Bonds Payable

Details of the District's June 30, 2013 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Interest Rates	Issue dated April 1, 2011		
		Principal	Interest	Total
2014	2.00 %	\$ 895,000	\$ 31,400	\$ 926,400
2015	2.00	675,000	13,500	688,500
		<u>\$ 1,570,000</u>	<u>\$ 44,900</u>	<u>\$ 1,614,900</u>

During the year ended June 30, 2013, the District retired \$875,000 in general obligation bonds.

Revenue Bonds

During the year ended June 30, 2013, the District issued \$9,490,000 in school infrastructure sales, services and use tax revenue bonds dated July 23, 2012. The bonds are payable through the year ended June 30, 2030 and have interest rates ranging from 2.00% to 3.30%. The District also issued \$8,895,000 in school infrastructure sales, services and use tax revenue bonds dated April 11, 2013. The bonds are payable through the year ended June 30, 2030 and have interest rates ranging from 1.25% to 3.00%. The proceeds will be used for the construction of a new elementary school, for the renovation of other District buildings and for various site improvements.

OTTUMWA COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 7. Long-Term Liabilities (continued)

Details of the District's June 30, 2013 revenue bonded indebtedness are as follows:

Year Ending June 30,	Issue dated June 25, 2012			Issued dated July 23, 2013		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2014	1.00 %	\$ 2,365,000	\$ 38,575	2.00 %	\$ -	\$ 235,600
2015	1.00	2,675,000	13,375	2.00	-	235,600
2016	-	-	-	2.00	515,000	230,450
2017	-	-	-	2.00	525,000	220,050
2018	-	-	-	2.00	535,000	209,450
2019	-	-	-	2.00	545,000	198,650
2020	-	-	-	2.00	560,000	187,600
2021	-	-	-	2.00	570,000	176,300
2022	-	-	-	2.10	580,000	164,510
2023	-	-	-	2.20	595,000	151,875
2024	-	-	-	2.30	605,000	138,373
2025	-	-	-	2.50	620,000	123,665
2026	-	-	-	2.65	635,000	107,501
2027	-	-	-	2.80	655,000	89,917
2028	-	-	-	3.00	670,000	70,698
2029	-	-	-	3.15	690,000	49,780
2030	-	-	-	3.25-3.30	1,190,000	27,294
		<u>\$ 5,040,000</u>	<u>\$ 51,950</u>		<u>\$ 9,490,000</u>	<u>\$ 2,617,313</u>

OTTUMWA COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 7. Long-Term Liabilities (continued)

Revenue Bonds (continued)

Year Ending June 30,	Issue dated April 11, 2013			Total	
	Interest Rates	Principal	Interest	Principal	Interest
2014	1.250 %	\$ -	\$ 135,848	\$ 2,365,000	\$ 410,023
2015	1.250	-	188,097	2,675,000	437,072
2016	1.250	505,000	184,941	1,020,000	415,391
2017	1.250	515,000	178,566	1,040,000	398,616
2018	1.250	520,000	172,098	1,055,000	381,548
2019	1.500	525,000	164,911	1,070,000	363,561
2020	1.500	535,000	156,960	1,095,000	344,560
2021	1.600	540,000	148,628	1,110,000	324,928
2022	1.850	550,000	139,220	1,130,000	303,730
2023	2.000	565,000	128,483	1,160,000	280,358
2024	2.200	575,000	116,507	1,180,000	254,880
2025	2.350	590,000	103,249	1,210,000	226,914
2026	2.500	605,000	88,755	1,240,000	196,256
2027	2.625	620,000	73,055	1,275,000	162,972
2028	2.750	640,000	56,118	1,310,000	126,816
2029	2.850	655,000	37,984	1,345,000	87,764
2030	3.000	955,000	18,525	2,145,000	45,819
		<u>\$ 8,895,000</u>	<u>\$ 2,091,945</u>	<u>\$ 23,425,000</u>	<u>\$ 4,761,208</u>

The District pledged future local option (statewide) sales and services tax revenues to repay the \$23,425,000 bonds issued on the dates as noted. The bonds were issued for the purpose of financing a portion of the costs of renovating the middle school, building a new elementary school and various other improvements. The bonds are payable solely from the proceeds of the statewide sales and services tax revenues received by the District and are payable through June 30, 2030. The District also pledged future sales and services tax revenues to repay the \$23,425,000 revenue bonds issued. The bonds are not a general obligation of the District. Annual principal and interest payments on the bonds are expected to require approximately 72 percent of the statewide sales and services tax revenues. The total principal and interest remaining to be paid on the bonds is \$28,186,208. For the current year, \$6,828,674 of principal and interest was paid on the bonds and total statewide sales and services tax revenues were \$3,898,100.

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 issued July 2007 and December 2008. For the bonds issued June 2012, \$504,000 was recorded in a debt service reserve fund within the Debt Service Fund. For the bonds issued July 23, 2012 and April 11, 2013, \$1,459,005 was recorded in a debt service reserve fund within the Capital Projects Fund.
- (b) All proceeds from the local option sales and services tax shall be placed in a Revenue Account.

OTTUMWA COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 7. Long-Term Liabilities (continued)

Revenue Bonds (continued)

- (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 8. Other Postemployment Benefits (OPEB)

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 224 active and 40 retired members in the plan. Retired 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.

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

Annual required contribution	\$	325,273
Interest on net OPEB obligation		8,933
Adjustment to annual required contribution		50,403
Annual OPEB cost		<u>283,803</u>
Contributions made		<u>148,438</u>
Increase in net OPEB obligation		135,365
Net OPEB obligation beginning of year		<u>704,635</u>
Net OPEB obligation end of year	\$	<u><u>840,000</u></u>

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, 2013.

For the year ended June 30, 2013, the District contributed \$148,438 to the medical plan.

OTTUMWA COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 8. Other Postemployment Benefits (OPEB) (continued)

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

<u>Year Ended</u> <u>June 30,</u>	<u>Annual</u> <u>OPEB Cost</u>	<u>Percentage of</u> <u>Annual OPEB</u> <u>Cost Contributed</u>	<u>Net</u> <u>OPEB</u> <u>Obligation</u>
2011	\$ 285,199	61.3%	\$ 599,702
2012	260,438	59.7%	704,635
2013	283,803	52.3%	840,000

Funded Status and Funding Progress – As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2012 through June 30, 2013, the actuarial accrued liability was \$1,839,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,839,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$28,836,000, and the ratio of the UAAL to covered payroll was 6.4%. As of June 30, 2013, there were no trust fund assets.

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

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

As of the July 1, 2012 actuarial valuation date, the frozen 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 6.0%.

Mortality rates are from the 94 Group Annuity Mortality Table projected to 2000, applied on a gender-specific basis.

The UAAL is being amortized as a level dollar cost over service of the group on an open basis over 30 years.

OTTUMWA COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 9. Pension and Retirement Benefits

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

Plan members are required to contribute 5.78% of their annual covered salary and the District is required to contribute 8.67% of annual covered payroll for the year ended June 30, 2013. Contribution requirements are established by State statute. The District's contributions to IPERS for the years ended June 30, 2013, 2012, and 2011 were \$2,370,117, \$2,219,881, and \$1,927,810, respectively, equal to the required contributions for each year.

Note 10. 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.

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 \$1,329,181 at June 30, 2013 and is recorded in the Internal Service Fund. The incurred but not reported claims liability of \$345,000 is reported as a liability of the Internal Service Fund and as a liability under governmental activities at June 30, 2013.

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

Note 11. 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 \$1,650,357 for the year ended June 30, 2013 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

OTTUMWA COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 12. Categorical Funding

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

Program	Amount
Special education programs	181,223
Gifted and talented programs	\$ 177,776
Teacher salary supplement	167,137
Professional development for model core curriculum	149,278
Early intervention programs	90,332
Four-year-old preschool	79,176
Home school assistance program	43,396
Market factor incentives	19,854
Non-public text book aid	<u>2,192</u>
Total	<u>\$ 910,364</u>

Note 13. Construction Commitments

The District has entered into various contracts totaling \$17,963,754 for various renovation projects and for a new elementary school. As of June 30, 2013, costs of \$12,455,852 had been incurred against the contracts. The balance of \$5,507,902 remaining at June 30, 2013 will be paid as work on the project progresses.

Note 14. Subsequent Event

On July 8, 2013, the District approved a temporary loan of \$450,000 from the General Fund to the Special Revenue Fund, Management Levy. The loan is to be repaid by May 1, 2014 at a .6% per annum interest rate.

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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, 2013

	Governmental Funds - Actual	Proprietary Fund - Actual	Total Actual	Budgeted Amounts		Final to Actual Variance
				Original	Final	
REVENUES:						
Local sources	\$ 17,501,886	\$ 606,590	\$ 18,108,476	\$ 18,482,419	\$ 18,482,419	\$ (373,943)
Intermediate sources	26,642	-	26,642	24,000	24,000	2,642
State sources	27,865,198	16,620	27,881,818	28,259,792	28,259,792	(377,974)
Federal sources	3,075,317	1,592,782	4,668,099	4,825,000	4,825,000	(156,901)
Total revenues	48,469,043	2,215,992	50,685,035	51,591,211	51,591,211	(906,176)
EXPENDITURES/EXPENSES:						
Instruction	28,900,628	-	28,900,628	30,129,000	30,129,000	1,228,372
Support services	12,597,033	126,034	12,723,067	13,464,900	13,464,900	741,833
Non-instructional programs	12,709	2,166,082	2,178,791	2,389,941	2,389,941	211,150
Other expenditures	22,436,339	-	22,436,339	18,957,195	20,850,000	(1,586,339)
Total expenditures/expenses	63,946,709	2,292,116	66,238,825	64,941,036	66,833,841	595,016
Excess (deficiency) of revenues over (under) expenditures/ expenses	(15,477,666)	(76,124)	(15,553,790)	(13,349,825)	(15,242,630)	(311,160)
Other financing sources, net	18,503,864	-	18,503,864	5,000,000	5,000,000	13,503,864
Excess (deficiency) of revenues and other financing sources over (under) expenditures/ expenses	3,026,198	(76,124)	2,950,074	(8,349,825)	(10,242,630)	13,192,704
Balance beginning of year	14,891,845	1,050,390	15,942,235	15,917,477	15,917,477	24,758
Balance end of year	<u>\$ 17,918,043</u>	<u>\$ 974,266</u>	<u>\$ 18,892,309</u>	<u>\$ 7,567,652</u>	<u>\$ 5,674,847</u>	<u>\$ 13,217,462</u>

See accompanying independent auditor's report.

OTTUMWA COMMUNITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING
Year Ended June 30, 2013

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting 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 a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing budgeted expenditures by \$1,892,805.

During the year ended June 30, 2013, expenditures in the other expenditures function exceeded the amount budgeted.

OTTUMWA COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN

(In Thousands)

Required Supplementary Information

Year Ended June 30, 2013

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2009	July 1, 2008	\$ -	\$ 2,224	\$ 2,224	0.0%	\$ 28,373	7.8%
2010	July 1, 2008	-	2,224	2,224	0.0%	28,951	7.7%
2011	July 1, 2010	-	2,180	2,180	0.0%	29,348	7.4%
2012	July 1, 2010	-	2,180	2,180	0.0%	29,177	7.5%
2013	July 1, 2012	-	1,839	1,839	0.0%	28,836	6.4%

See note 8 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

See accompanying independent auditor's report.

Supplementary Information

OTTUMWA COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2013

	Special Revenue		Total
	Management Levy	Student Activity	
Assets			
Cash and pooled investments	\$ 39,578	\$ 666,824	\$ 706,402
Receivables:			
Property tax:			
Current year	11,238	-	11,238
Succeeding year	574,998	-	574,998
	\$ 625,814	\$ 666,824	\$ 1,292,638
Total assets			
	\$ 625,814	\$ 666,824	\$ 1,292,638
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 4	\$ 65,843	\$ 65,847
Salaries and benefits payable	-	3,835	3,835
Deferred revenue:			
Succeeding year property tax	574,998	-	574,998
Total liabilities	575,002	69,678	644,680
Fund balances:			
Restricted for:			
Management levy purposes	50,812	-	50,812
Student activities	-	597,146	597,146
Total fund balances	50,812	597,146	647,958
	\$ 625,814	\$ 666,824	\$ 1,292,638

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, 2013

	Special Revenue		Total
	Management Levy	Student Activity	
Revenues:			
Local sources:			
Local tax	\$ 522,222	\$ -	\$ 522,222
Other	12,938	959,578	972,516
State sources	388	-	388
Total revenues	535,548	959,578	1,495,126
Expenditures:			
Current:			
Instruction	250,115	968,511	1,218,626
Support services:			
Administration	32,934	-	32,934
Operation and maintenance of plant	234,557	-	234,557
Transportation	-	20,444	20,444
Total expenditures	517,606	988,955	1,506,561
Excess (deficiency) of revenues over (under) expenditures	17,942	(29,377)	(11,435)
Other financing uses:			
Interfund transfers out	(2,389)	-	(2,389)
Net change in fund balances	15,553	(29,377)	(13,824)
Fund balances beginning of year	35,259	626,523	661,782
Fund balances end of year	\$ 50,812	\$ 597,146	\$ 647,958

See accompanying independent auditor's report.

OTTUMWA COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET
CAPITAL PROJECTS ACCOUNTS
June 30, 2013

	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Other Construction Projects	Total
Assets				
Cash and pooled investments	\$ 7,016,383	\$ -	\$ 49,857	\$ 7,066,240
Receivables:				
Property tax:				
Succeeding year	-	271,848	-	271,848
Due from other governments	616,875	-	-	616,875
Prepaid expenses	231,000	-	-	231,000
Total assets	\$ 7,864,258	\$ 271,848	\$ 49,857	\$ 8,185,963
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 1,384,413	\$ -	\$ 24,486	\$ 1,408,899
Deferred revenue:				
Succeeding year property tax	-	271,848	-	271,848
Total liabilities	1,384,413	271,848	24,486	1,680,747
Fund balances:				
Nonspendable:				
Prepaid expense	231,000	-	-	231,000
Restricted for:				
Revenue bonds reserve fund	1,459,005	-	-	1,459,005
Other capital projects	-	-	25,371	25,371
School infrastructure	4,789,840	-	-	4,789,840
Total fund balances	6,479,845	-	25,371	6,505,216
Total liabilities and fund balances	\$ 7,864,258	\$ 271,848	\$ 49,857	\$ 8,185,963

See accompanying independent auditor's report.

OTTUMWA COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 CAPITAL PROJECTS ACCOUNTS
 Year Ended June 30, 2013

	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Other Construction Projects	Total
Revenues:				
Local sources:				
Local tax	\$ 3,898,100	\$ -	\$ -	\$ 3,898,100
Other	19,186	-	57,000	76,186
Total revenues	<u>3,917,286</u>	<u>-</u>	<u>57,000</u>	<u>3,974,286</u>
Expenditures:				
Current:				
Other expenditures:				
Facilities acquisition	12,299,574	-	314,544	12,614,118
Debt service:				
Interest and fiscal charges	299,867	-	-	299,867
Total expenditures	<u>12,599,441</u>	<u>-</u>	<u>314,544</u>	<u>12,913,985</u>
Deficiency of revenues under expenditures	(8,682,155)	-	(257,544)	(8,939,699)
Other financing sources (uses):				
Premium on bonds issued	98,524	-	-	98,524
Revenue bonds issued	18,385,000	-	-	18,385,000
Intrafund transfer in*	-	-	220,000	220,000
Intrafund transfer out*	(220,000)	-	-	(220,000)
Interfund transfers out	(3,645,147)	-	-	(3,645,147)
Total other financing sources (uses)	<u>14,618,377</u>	<u>-</u>	<u>220,000</u>	<u>14,838,377</u>
Net change in fund balances	5,936,222	-	(37,544)	5,898,678
Fund balances beginning of year	<u>543,623</u>	<u>-</u>	<u>62,915</u>	<u>606,538</u>
Fund balances end of year	<u>\$ 6,479,845</u>	<u>\$ -</u>	<u>\$ 25,371</u>	<u>\$ 6,505,216</u>

* = These amounts have been removed from the basic financial statements.

See accompanying independent auditor's report.

OTTUMWA COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF NET POSITION
 ENTERPRISE FUNDS
 June 30, 2013

	<u>School Nutrition</u>	<u>Youth Care</u>	<u>Career Academy House</u>	<u>Total</u>
Assets				
Cash and pooled investments	\$ 482,543	\$ 122,575	\$ 189,301	\$ 794,419
Inventories	80,805	-	-	80,805
Capital assets, net of accumulated depreciation	291,507	-	3,950	295,457
Total assets	\$ <u>854,855</u>	\$ <u>122,575</u>	\$ <u>193,251</u>	\$ <u>1,170,681</u>
Liabilities				
Accounts payable	12,836	11,253	-	24,089
Salaries and benefits payable	109,404	19,243	-	128,647
Deferred revenue	15,940	5,739	-	21,679
Net OPEB liability	18,181	3,770	49	22,000
Total liabilities	\$ <u>156,361</u>	\$ <u>40,005</u>	\$ <u>49</u>	\$ <u>196,415</u>
Net Position				
Invested in capital assets, net of related debt	291,507	-	3,950	295,457
Unrestricted	406,987	82,570	189,252	678,809
Total net position	\$ <u>698,494</u>	\$ <u>82,570</u>	\$ <u>193,202</u>	\$ <u>974,266</u>

See accompanying independent auditor's report.

OTTUMWA COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES AND CHANGES IN NET POSITION
 ENTERPRISE FUNDS
 Year Ended June 30, 2013

	School Nutrition	Youth Care	Career Academy House	Total
Operating revenues:				
Local sources:				
Charges for services	\$ 415,162	\$ 187,780	\$ 2,135	\$ 605,077
Operating expenses:				
Support services:				
Salaries	70,470	-	-	70,470
Benefits	10,199	-	-	10,199
Purchased services	28,644	16,721	-	45,365
	<u>109,313</u>	<u>16,721</u>	<u>-</u>	<u>126,034</u>
Non-instructional programs:				
Salaries	558,590	126,507	-	685,097
Benefits	134,802	17,116	-	151,918
Purchased services	51,011	5,333	-	56,344
Supplies	1,189,161	31,954	-	1,221,115
Depreciation	51,608	-	-	51,608
	<u>1,985,172</u>	<u>180,910</u>	<u>-</u>	<u>2,166,082</u>
Total operating expenses	2,094,485	197,631	-	2,292,116
Operating income (loss)	<u>(1,679,323)</u>	<u>(9,851)</u>	<u>2,135</u>	<u>(1,687,039)</u>
Non-operating revenues:				
Interest on investments	1,175	338	-	1,513
State sources	16,620	-	-	16,620
Federal sources	1,547,766	45,016	-	1,592,782
Total non-operating revenues	<u>1,565,561</u>	<u>45,354</u>	<u>-</u>	<u>1,610,915</u>
Change in net position	(113,762)	35,503	2,135	(76,124)
Net position beginning of year	<u>812,256</u>	<u>47,067</u>	<u>191,067</u>	<u>1,050,390</u>
Net position end of year	<u>\$ 698,494</u>	<u>\$ 82,570</u>	<u>\$ 193,202</u>	<u>\$ 974,266</u>

See accompanying independent auditor's report.

OTTUMWA COMMUNITY SCHOOL DISTRICT

COMBINING SCHEDULE OF CASH FLOWS
ENTERPRISE FUNDS
Year Ended June 30, 2013

	<u>School Nutrition</u>	<u>Youth Care</u>	<u>Career Academy House</u>	<u>Total</u>
Cash flows from operating activities:				
Cash received from sale of lunches and breakfasts	\$ 392,225	\$ -	\$ -	\$ 392,225
Cash received from miscellaneous operating activities	23,641	193,519	2,135	219,295
Cash payments to employees for services	(767,017)	(145,839)	-	(912,856)
Cash payments to suppliers for goods or services	(1,125,103)	(55,654)	(1,794)	(1,182,551)
Net cash provided by (used by) operating activities	<u>(1,476,254)</u>	<u>(7,974)</u>	<u>341</u>	<u>(1,483,887)</u>
Cash flows from non-capital financing activities:				
State grants received	16,620	-	-	16,620
Federal grants received	1,429,943	45,307	-	1,475,250
Net cash provided by non-capital financing activities	<u>1,446,563</u>	<u>45,307</u>	<u>-</u>	<u>1,491,870</u>
Cash flows from investing activities:				
Interest on investments	<u>1,175</u>	<u>338</u>	<u>-</u>	<u>1,513</u>
Net increase (decrease) in cash and cash equivalents	(28,516)	37,671	341	9,496
Cash and cash equivalents beginning of year	<u>511,059</u>	<u>84,904</u>	<u>188,960</u>	<u>784,923</u>
Cash and cash equivalents end of year	<u>\$ 482,543</u>	<u>\$ 122,575</u>	<u>\$ 189,301</u>	<u>\$ 794,419</u>

OTTUMWA COMMUNITY SCHOOL DISTRICT
COMBINING SCHEDULE OF CASH FLOWS
ENTERPRISE FUNDS
Year Ended June 30, 2013

	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)	\$ (1,679,323)	\$ (9,851)	\$ 2,135	\$ (1,687,039)
Adjustments to reconcile operating income (loss) to net cash provided by (used by) operating activities:				
Depreciation	51,608	-	-	51,608
Commodities used	117,823	-	-	117,823
Decrease in inventories	24,094	-	-	24,094
Increase (decrease) in accounts payable	1,796	(1,646)	(1,794)	(1,644)
Increase (decrease) in salaries and benefits payable	3,765	(2,876)	-	889
Increase in deferred revenue	704	5,739	-	6,443
Increase in net OPEB liability	3,279	660	-	3,939
Net cash provided by (used by) operating activities	\$ (1,476,254)	\$ (7,974)	\$ 341	\$ (1,483,887)

Non-cash investing, capital and financing activities:

During the year ended June 30, 2013, the District received \$117,823 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, 2013

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
District-Wide:				
Interest	\$ 66,777	\$ 1,595	\$ 1,966	\$ 66,406
McCarroll Preschool Library	99	-	-	99
Musical Fees	3,879	2,062	2,756	3,185
Administration	3,215	-	2,198	1,017
Trips	247,616	300,423	336,265	211,774
Other	29,124	40,226	46,991	22,359
Agassiz	3,132	7,207	8,494	1,845
Douma	7,618	9,910	11,338	6,190
Eisenhower	14,765	14,971	25,745	3,991
Horace Mann	9,244	29,899	29,848	9,295
James	7,241	15,831	15,562	7,510
Pickwick	13,047	6,707	10,613	9,141
Wildwood	12,471	18,659	23,780	7,350
Wilson	10,043	5,112	4,355	10,800
Evans	57,459	32,746	31,854	58,351
High School	140,683	473,378	436,398	177,663
Alternative High School	110	852	792	170
	<u>626,523</u>	<u>959,578</u>	<u>988,955</u>	<u>597,146</u>
Total	\$ <u>626,523</u>	\$ <u>959,578</u>	\$ <u>988,955</u>	\$ <u>597,146</u>

See accompanying independent auditor's report.

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OTTUMWA COMMUNITY SCHOOL DISTRICT

SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION

ALL GOVERNMENTAL FUNDS
FOR THE LAST TEN YEARS

	Modified Accrual Basis Years Ended June 30,			
	2013	2012	2011	2010
Revenues:				
Local sources:				
Local tax	\$ 15,502,055	\$ 14,818,569	\$ 14,167,990	\$ 13,213,353
Tuition	463,242	660,613	667,025	640,221
Other	1,536,589	1,495,823	1,453,878	1,737,905
Intermediate sources	26,642	-	192,655	138,198
State sources	27,865,198	28,290,351	27,705,836	24,109,237
Federal sources	3,075,317	3,752,653	4,536,787	6,135,396
Total revenues	<u>\$ 48,469,043</u>	<u>\$ 49,018,009</u>	<u>\$ 48,724,171</u>	<u>\$ 45,974,310</u>
Expenditures:				
Instruction	\$ 28,900,628	\$ 28,243,725	\$ 28,677,641	\$ 27,716,944
Support services:				
Student	1,706,820	1,724,072	1,634,091	1,395,964
Instructional staff	1,334,864	1,761,647	1,874,829	1,928,677
Administration	4,022,287	3,916,937	4,013,643	4,235,811
Operation and maintenance of plant	3,926,799	3,795,257	3,785,141	3,609,090
Transportation	1,606,263	1,551,382	1,453,860	1,311,944
Non-instructional programs	12,709	13,338	18,434	27,815
Other expenditures:				
Facilities acquisition	12,614,118	3,113,514	322,714	1,166,229
Long-term debt:				
Principal	7,540,000	2,920,000	6,060,000	2,025,000
Interest and fiscal charges	631,864	400,223	560,921	698,411
AEA flowthrough	1,650,357	1,647,866	1,822,278	1,769,471
Total expenditures	<u>\$ 63,946,709</u>	<u>\$ 49,087,961</u>	<u>\$ 50,223,552</u>	<u>\$ 45,885,356</u>

See accompanying independent auditor's report.

	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
\$	13,862,521	\$ 11,394,355	\$ 11,208,076	\$ 11,164,979	\$ 10,981,439	\$ 9,154,683
	626,137	706,636	707,458	703,647	674,413	656,652
	679,365	1,897,332	1,589,114	1,496,771	1,468,688	1,947,936
	23,023	21,065	17,871	19,195	44,665	7,193
	27,125,220	26,767,932	25,428,811	23,539,622	22,598,252	22,286,299
	2,866,181	3,070,534	2,608,625	2,682,677	3,321,783	3,349,311
\$	<u>45,182,447</u>	<u>43,857,854</u>	<u>41,559,955</u>	<u>39,606,891</u>	<u>39,089,240</u>	<u>37,402,074</u>
\$	26,782,056	\$ 26,056,421	\$ 25,424,111	\$ 24,393,086	\$ 23,843,305	\$ 23,014,703
	1,358,617	1,262,883	1,209,650	1,489,444	1,576,887	1,180,904
	1,547,588	1,772,491	1,394,278	1,398,523	1,163,541	952,636
	4,124,401	3,976,802	3,877,697	3,394,586	3,052,393	3,010,152
	3,606,585	3,538,876	3,595,889	3,512,685	3,240,112	3,381,279
	1,206,227	1,225,644	1,175,279	1,148,380	1,032,484	987,835
	10,929	12,810	16,473	54,216	18,886	96,537
	5,621,299	9,597,229	3,224,850	991,970	1,187,999	1,159,943
	680,000	635,000	615,000	550,000	525,000	500,000
	680,395	470,068	309,443	339,318	364,242	763,052
	1,586,078	1,559,499	1,480,592	1,395,915	1,341,364	1,345,454
\$	<u>47,204,175</u>	<u>50,107,723</u>	<u>42,323,262</u>	<u>38,668,123</u>	<u>37,346,213</u>	<u>36,392,495</u>

OTTUMWA COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2013

Grantor / Program	CFDA Number	Grant Number	Expenditures
Direct:			
U. S. Department of Education			
Fund for the Improvement of Education	84.215	FY 13	\$ <u>51,000</u>
Indirect:			
U. S. Department of Agriculture:			
Iowa Department of Education:			
Child Nutrition Cluster Programs:			
School Breakfast Program	10.553	FY 13	197,015
National School Lunch Program	10.555	FY 13	1,245,702
Special Milk Program	10.556	FY 13	6,535
Summer Food Service Program	10.559	FY 13	<u>44,865</u>
			<u>1,494,117</u>
Team Nutrition Grants	10.574	FY 13	<u>151</u>
Fresh Fruit and Vegetable Program	10.582	FY 13	<u>98,514</u>
National Endowment for the Arts:			
Iowa Arts Council:			
Promotion of the Arts-Partnership Agreements	45.025	FY 13	<u>2,000</u>
U. S. Department of Education:			
Iowa Department of Education:			
Title I Grants to Local Educational Agencies	84.010	5049-GC	185,647
Title I Grants to Local Educational Agencies	84.010	5049-G	1,175,873
Title I Grants to Local Educational Agencies	84.010	SINA	<u>94,320</u>
			<u>1,455,840</u>
Migrant Education - State Grant Program	84.011	FY 13	<u>205,508</u>
Safe and Drug-Free Schools and Communities - National Programs	84.184	FY 12	5,008
Safe and Drug-Free Schools and Communities - National Programs	84.184	FY 13	<u>63,434</u>
			<u>68,442</u>
Education for Homeless Children and Youth	84.196	FY 13	<u>24,000</u>
Tech-Prep Education	84.243	FY 13	<u>63,370</u>
English Language Acquisition State Grants	84.365	FY 13	<u>10,596</u>

OTTUMWA COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2013

<u>Grantor / Program</u>	<u>Number</u>	<u>Number</u>	<u>Expenditures</u>
Indirect (continued):			
U. S. Department of Education (continued):			
Iowa Department of Education (continued):			
Improving Teacher Quality State Grants	84.367	FY 13	<u>236,861</u>
Grants for State Assessments and Related Activities	84.369	FY 13	<u>28,581</u>
Great Prairie Area Education Agency:			
Special Education - Grants to States	84.027	FY 13	<u>254,205</u>
English Language Acquisition State Grants	84.365	FY 13	<u>10,920</u>
University of Northern Iowa:			
ARRA - State Fiscal Stabilization Fund-Investing in Innovation Fund, Recovery Act	84.396	FY 13	<u>22,035</u>
U. S. Department of Health and Human Services:			
Iowa Department of Public Health:			
Promoting Safe and Stable Families	93.556	FY 13	<u>12,000</u>
Total			<u>\$ 4,038,140</u>

* = Includes \$117,823 of non-cash awards.

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 in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See accompanying independent auditor's report.

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS

To the Board of Education of
Ottumwa Community School District:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Ottumwa Community School District as of and for the year ended June 30, 2013, and the related notes to financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 13, 2013.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a deficiency in internal control, described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-A-13, that we consider to be a significant deficiency.

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

Ottumwa Community School District's Responses to Findings

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

Purpose of this Report

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

We would like to acknowledge the many courtesies and assistance extended to us by personnel of 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 13, 2013

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM,
ON INTERNAL CONTROL OVER COMPLIANCE AND ON THE SCHEDULE OF EXPENDITURES OF
FEDERAL AWARDS REQUIRED BY OMB CIRCULAR A-133

To the Board of Education of
Ottumwa Community School District:

Report on Compliance for Each Major Federal Program

We have audited Ottumwa Community School District's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2013. Ottumwa Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its federal programs.

Auditor's Responsibility

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

Opinion on Each Major Federal Program

In our opinion, Ottumwa Community School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

The management of Ottumwa Community School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Ottumwa Community School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal

program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Ottumwa Community School District's internal control over compliance.

Management of Ottumwa Community School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered, Ottumwa Community School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances 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 Ottumwa Community School District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on the Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of Ottumwa Community School District as of and for the year ended June 30, 2013, and have issued our report dated December 13, 2013, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the financial statements as a whole.

Oskaloosa, Iowa
December 13, 2013

Hunt + Associates, P.C.

OTTUMWA COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2013

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

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

OTTUMWA COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2013

Part II: Findings Related to the Basic Financial Statements:

Instances of Non-Compliance:

No matters were reported.

Internal Control Deficiencies:

II-A-13 Medicaid Program – We noted in our testing of claims filed for the District’s participation in the Medicaid program for students that the District’s claims for February through June of 2013 were not completed and submitted for reimbursement until August and September of 2013. The total claims of \$608,670 were not originally recorded on the District’s Certified Annual Report as part of the District’s assets and associated liabilities for the General Fund at June 30, 2013. However, the District subsequently made the proper adjustments and the amounts are included in the District’s financial statements.

Recommendation – Medicaid services receivables, and any associated deferred revenues if received more than sixty days following year end, should be recorded using adjusting journal entries that are in accordance with Iowa Department of Education guidelines. The District should install necessary controls to insure that claims for Medicaid reimbursements are timely completed and filed and that all associated amounts are properly included in District records. This would help to improve the District’s available funds for operations and would insure the accuracy of any interim reports provided to the governing body or other regulators.

Response – We will investigate ways to improve the timeliness of Medicaid claims filing and we will include the proper associated amounts in our general ledger and certified annual report in the future.

Conclusion – Response accepted.

OTTUMWA COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2013

Part III: Findings and Questioned Costs for Federal Awards

Instances of Non-Compliance:

No matters were reported.

Internal Control Deficiency:

No matters were reported.

OTTUMWA COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2013

Part IV: Other Findings Related to Statutory Reporting:

IV-A-13 Certified Budget – Expenditures for the year ended June 30, 2013, exceeded the amounts budgeted in the other expenditures function.

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

Response – We will amend our budget in sufficient amounts before expenditures exceed the budget in the future.

Conclusion – Response accepted.

IV-B-13 Questionable Expenditures – No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.

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

IV-D-13 Business Transactions – Business transactions between the District and District officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Lynda Riley, Spouse of Board Member Greg Riley	Teacher	\$58,601
Sherry Strunk, Spouse of Board Member Jeff Strunk	Teacher	\$51,951

These transactions do not represent any conflicts of interest according to an Attorney General opinion dated November 9, 1976.

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

IV-F-13 Board Minutes – No transactions requiring Board approval which had not been approved by the Board were noted.

IV-G-13 Certified Enrollment – We noted an underclaim of .5 students in the basic enrollment data certified to the Department of Education for Fall 2012 due to the exclusion of one pre-kindergarten student. We also noted that the enrollment certification was filed one day late.

Recommendation – The District should contact the Department of Education and Department of Management regarding these errors. The District should develop a process and controls, including an independent review by an employee not responsible for completing the certification, to insure accuracy and timeliness in the future.

OTTUMWA COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2013

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

IV-G-13 Certified Enrollment (continued)

Response – We will take the necessary actions regarding this error and we will timely file the certification in the future.

Conclusion – Response accepted.

IV-H-13 Supplementary Weighting – No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

IV-I-13 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-J-13 Certified Annual Report – Except as previously noted in comment II-A-13, the Certified Annual Report was certified to the Iowa Department of Education timely and we noted no significant deficiencies in the amounts reported.

IV-K-13 Categorical Funding – No instances were noted of categorical funding being used to supplant rather than supplement other funds.

IV-L-13 Statewide Sales and Services Tax – No instances of non-compliance with the allowable uses of the statewide sales, services and use tax revenue provided in Chapter 423F.3 of the Code of Iowa were noted.

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

Beginning balance		\$	543,623
Revenues:			
Sales tax revenues	\$	3,898,100	
Interest		19,186	
Premium on bonds issued		98,524	
Issuance of long-term debt		<u>18,385,000</u>	22,400,810
Expenditures/transfers out:			
School infrastructure construction		12,203,214	
Bond issuance costs		299,867	
Equipment		26,380	
Other		69,980	
Transfers to other funds:			
Debt Service Fund		3,645,147	
Other transfers		<u>220,000</u>	<u>16,464,588</u>
Ending balance		\$	<u><u>6,479,845</u></u>

OTTUMWA COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2013

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

IV-L-13 Statewide Sales and Services Tax (continued)

For the year ended June 30, 2013, the District reduced the following levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa:

	Rate of Levy Reduction Per \$1,000 of Taxable Valuation	Property Tax Dollars Reduced
Physical plant and equipment levy	\$ 0.67000	\$ 551,933

IV-M-13 Student Activity Fund – We noted that the Student Activity Fund has an interest account with a balance remaining at year end.

Recommendation – Interest earned by the Student Activity Fund should be allocated to the appropriate cocurricular accounts each year.

Response – We are allocating all current year interest. The School Board will decide what type of action to take on all prior accumulated interest.

Conclusion – Response accepted.