

OTTUMWA COMMUNITY SCHOOL DISTRICT
OTTUMWA, IOWA

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

JUNE 30, 2014

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OTTUMWA COMMUNITY SCHOOL DISTRICT

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<u>Board of Education</u>		
(Before September 2013 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
(After September 2013 election)		
Carol Mitchell	President	2017
Greg Riley	Vice President	2015
Ron Oswald	Board Member (Resigned May 12, 2014)	2015
Cindy Kurtz-Hopkins	Board Member	2015
Doug Mathias	Board Member	2015
David Weilbrenner	Board Member	2017
Michael Burton	Board Member	2017
<u>School Officials</u>		
Dr. Davis Eidahl	Superintendent	2016
Roberta Freeborn	District Secretary/Treasurer	2014
Richard Gaumer	Attorney	Indefinite

DOUGLAS T. HUNT, CPA
DONALD D. KAIN
CHUCK C. CONVERSE, CPA
RUSSELL S. TERPSTRA, CPA
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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, 2014 and the related notes to 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, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States and Chapter 11 of the Code of Iowa. 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, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Other*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 55 through 57 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, 2013 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 10, including the Schedule of Expenditures and 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 as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated February 12, 2015 on our consideration of Ottumwa Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Ottumwa Community School District's internal control over financial reporting and compliance.

Hunt & Associates, P.C.

Oskaloosa, Iowa
February 12, 2015

**Ottumwa Community School District
MANAGEMENT DISCUSSION AND ANALYSIS
For the fiscal year ended June 30, 2014**

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, 2014. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

Financial Highlights

- The District started a \$5,000,000 renovation of an elementary school. This project is being financed with Sales Tax Revenue bonds and is projected to be complete in the summer of 2014.
- The District showed an increase in total net position of \$2,967,266 for the year ended June 30, 2014, a 9.30% increase.
- Governmental funds reported a total fund balance on June 30, 2014 of \$15,031,680 compared to \$17,918,043 reported on June 30, 2013, or a decrease of \$2,886,363. Fund balances by fund are as follows: General Fund \$6,755,529, Capital Projects Fund \$2,717,317, Student Activities Fund \$656,929, Debt Service \$4,886,688 and Management Fund \$15,217.

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.

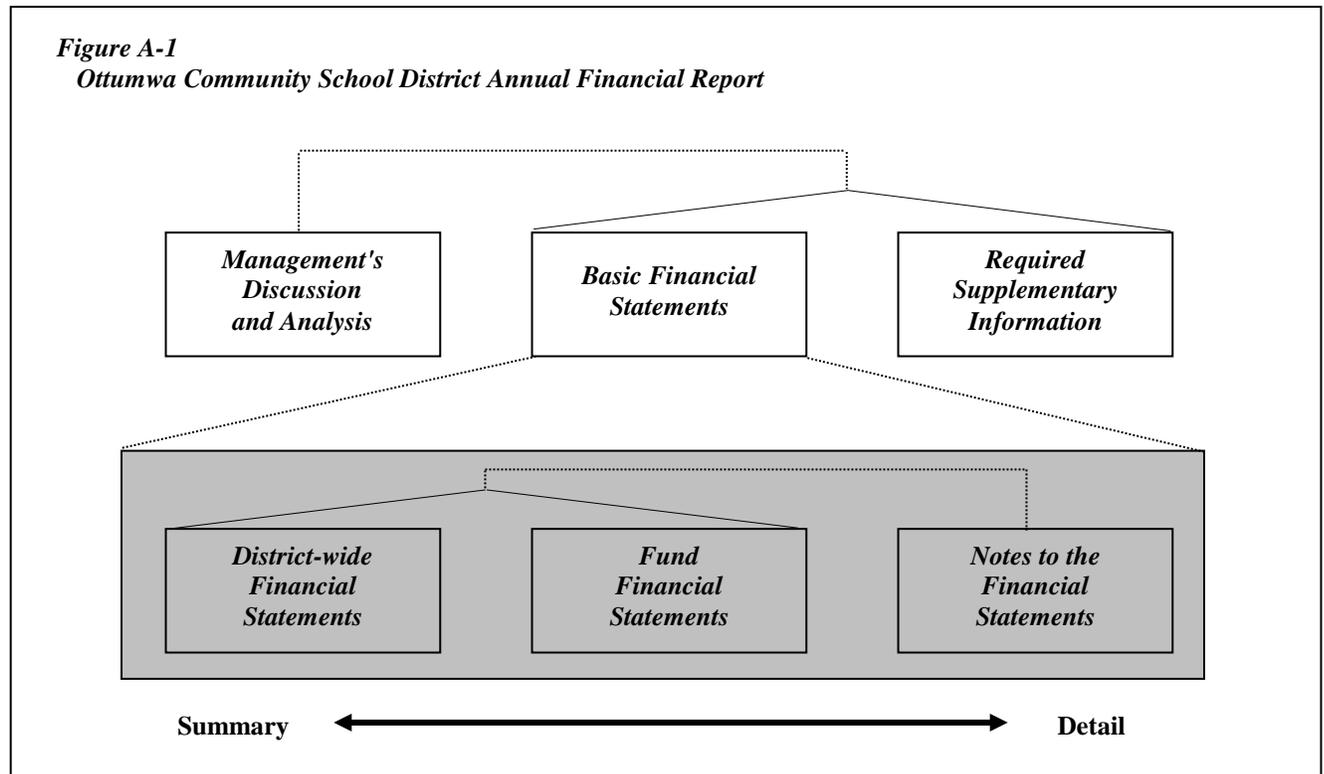


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain. The remainder of this overview section of the management’s discussion and analysis highlights the structure and contents 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, 2014 compared to June 30, 2013.

Table 1-Net Position

	<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>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
ASSETS						
Current and other assets	\$35,526,513	\$38,951,926	\$786,147	\$875,224	\$36,312,660	\$39,827,150
Capital assets	40,333,030	37,720,014	298,300	295,457	40,631,330	38,015,471
Total assets	<u>\$75,859,543</u>	<u>\$76,671,940</u>	<u>\$1,084,447</u>	<u>\$1,170,681</u>	<u>\$76,943,990</u>	<u>\$77,842,621</u>
LIABILITIES						
Other liabilities	\$7,210,377	\$19,523,605	\$180,714	\$174,415	\$7,391,091	\$19,698,020
Long-term liabilities	22,957,734	26,201,509	26,000	22,000	22,983,734	26,223,509
Total liabilities	<u>\$30,168,111</u>	<u>\$45,725,114</u>	<u>\$206,714</u>	<u>\$196,415</u>	<u>\$30,374,825</u>	<u>\$45,921,529</u>
DEFERRED INFLOWS OF RESOURCES						
Unavailable property tax revenue	<u>\$11,680,807</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$11,680,807</u>	<u>\$0</u>
NET POSITION						
Net investment in capital assets	\$18,598,030	\$12,725,014	\$298,300	\$295,457	\$18,896,330	\$13,020,471
Restricted	9,110,110	12,304,771	0	0	9,110,110	12,304,771
Unrestricted	<u>6,302,485</u>	<u>5,917,041</u>	<u>579,433</u>	<u>678,809</u>	<u>6,881,918</u>	<u>6,595,850</u>
Total Net Position	<u>\$34,010,625</u>	<u>\$30,946,826</u>	<u>\$877,733</u>	<u>\$974,266</u>	<u>\$34,888,358</u>	<u>\$31,921,092</u>

The District’s combined total net position increased by \$2,967,266 or 9.30% for 2014. The majority of the change can be attributed to the following increases and decreases: net investment in capital assets increased approximately \$5.9 million, debt service restricted net position decreased approximately \$1.1 million, and capital project restricted net position decreased approximately \$2.6 million. Restricted net position is \$9,110,110 and are resources that are subject to external restrictions on how they may be used. Restricted net position is for debt repayment \$4,660,339, capital projects \$2,445,586, physical plant and equipment levy purposes \$271,731, student activities \$656,929 and categorical funds \$1,075,525. Unrestricted net position totaled \$6,881,918 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>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2013 -2014</u>
Revenues							
Program Revenues							
Charges for services	\$1,553,529	\$1,603,648	\$578,506	\$605,077	\$2,132,035	\$2,208,725	-3.47%
Grants and contributions	9,186,589	8,345,611	1,586,104	1,609,402	\$10,772,693	9,955,013	8.21%
General Revenues							
Property and other taxes	11,908,045	11,612,571	0	0	11,908,045	11,612,571	2.54%
Local option sales tax	3,940,494	3,898,100	0	0	3,940,494	3,898,100	1.09%
State and federal grants	24,496,017	23,225,885	0	0	24,496,017	23,225,885	5.47%
Other	127,823	267,294	1,058	1,513	128,881	268,807	-52.05%
Total Revenues	\$51,212,497	\$48,953,109	\$2,165,668	\$2,215,992	\$53,378,165	\$51,169,101	4.32%
Expenditures							
Instruction	\$29,382,162	\$28,792,844	\$0	\$0	\$29,382,162	\$28,792,844	2.05%
Pupil and instructional services	3,961,014	3,051,319	0	0	3,961,014	3,051,319	29.81%
Administrative and business	4,224,571	3,996,862	75,902	80,669	4,300,473	4,077,531	5.47%
Maintenance and operations	4,267,386	3,935,988	23,665	28,644	4,291,051	3,964,632	8.23%
Transportation	1,670,674	1,611,350	21,360	16,721	1,692,034	1,628,071	3.93%
Other	4,584,532	4,069,563	647	0	4,585,179	4,069,563	12.67%
Non instructional	58,359	12,709	2,140,627	2,166,082	2,198,986	2,178,791	0.93%
Total Expenditures	\$48,148,698	\$45,470,635	\$2,262,201	\$2,292,116	\$50,410,899	\$47,762,751	5.54%
Change in net position	\$3,063,799	\$3,482,474	-\$96,533	-\$76,124	\$2,967,266	\$3,406,350	-12.89%
Net position beginning of year	30,946,826	27,464,352	974,266	1,050,390	31,921,092	28,514,742	11.95%
Net position end of year	\$34,010,625	\$30,946,826	\$877,733	\$974,266	\$34,888,358	\$31,921,092	9.30%

Governmental Activities

- Net position increased by \$3,063,799 or 9.90%.

Business Type Activities

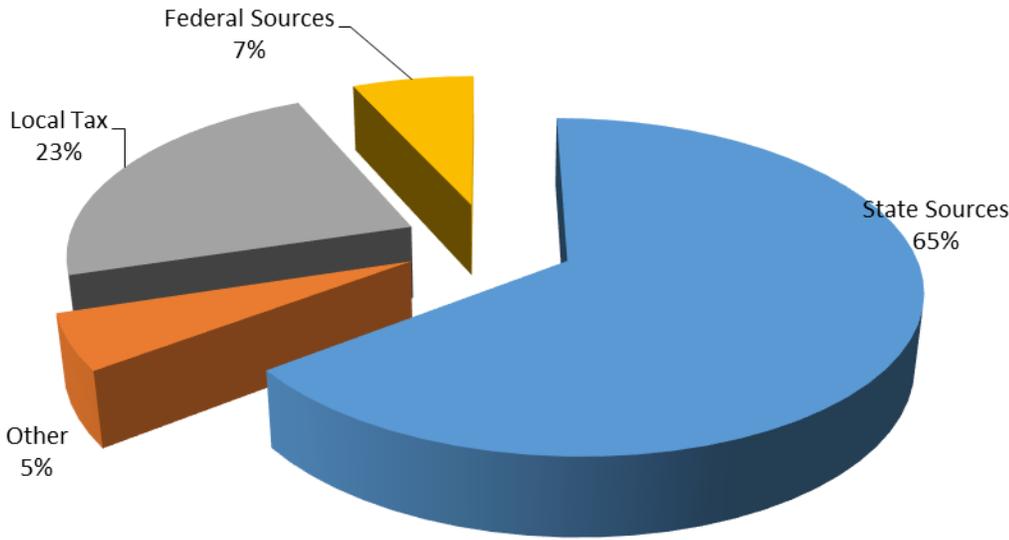
- Revenues from business-type activities decreased by \$50,324, or -2.27%, and expenses decreased by \$29,915 or -1.31%.

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

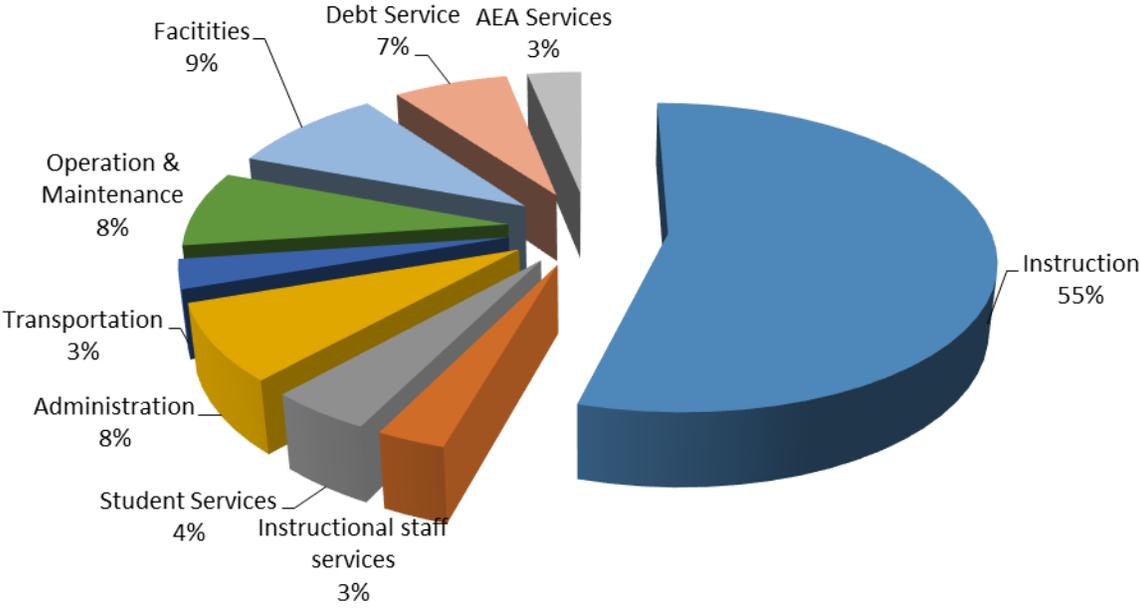
	<u>2014</u>	<u>2013</u>	<u>Change</u>	<u>% Change</u>
Revenues				
Local Tax	\$11,901,017	\$11,603,955	\$297,062	2.56%
Local Other	2,795,941	2,026,473	769,468	37.97%
State sources	33,376,292	31,763,298	1,612,994	5.08%
Federal sources	3,482,061	3,075,317	406,744	13.23%
Total Revenues	\$51,555,311	\$48,469,043	\$3,086,268	6.37%
Expenditures				
Instruction	\$29,662,895	\$28,900,628	\$762,267	2.64%
Student services	2,363,758	1,706,820	656,938	38.49%
Instructional staff services	1,582,325	1,334,864	247,461	18.54%
Administration services	4,316,099	4,022,287	293,812	7.30%
Operation and maintenance of plant services	4,342,654	3,926,799	415,855	10.59%
Transportation	1,664,376	1,606,263	58,113	3.62%
Non-instructional services	58,359	12,709	45,650	359.19%
Facilities acquisition	5,039,631	12,614,118	-7,574,487	-60.05%
Debt Service	3,708,423	8,171,864	-4,463,441	-54.62%
AEA flowthrough	1,740,542	1,650,357	90,185	5.46%
Total Expenditures	\$54,479,062	\$63,946,709	-\$9,467,647	-14.81%
Excess revenues over expenditures	-\$2,923,751	-\$15,477,666	\$12,553,915	21.17%
Other financing sources (uses)				
Revenue bonds issued	\$0	\$18,385,000	-\$18,385,000	-100.00%
Other financing sources	37,388	118,864	-81,476	-68.55%
Total Other Financing Sources	\$37,388	\$18,503,864	-\$18,466,476	-99.80%
Net change in fund balances	-\$2,886,363	\$3,026,198	-\$5,912,561	-195.38%
Fund balances beginning of year	17,918,043	14,891,845	4,980,792	33.45%
Fund balances end of year	\$15,031,680	\$17,918,043	-\$931,769	-5.20%

Revenues for FY2014 showed an increase of \$3,086,268 or 6.37% as local other, state sources, and federal sources all showed increases. Expenditures on the whole declined by \$9,467,647. The majority of the decline in expenditures is attributed to decreased facilities acquisition and debt services expenses as significant projects were completed in FY2013. Expenditures reported in FY2013 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. This decline was offset by modest increases to instruction, student services, instructional staff support services, and operation and maintenance of plant services.

Revenues - Governmental Funds FY14



Expenditures - Governmental Funds FY14



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
FY 15	788,555,598	-2.6%	14.74

Taxable valuation excludes TIF

Over the last five years taxable valuations have increased an average of 3.9% a year. The District's Levy rate has declined from \$14.97 to \$14.74 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, 2014 the District reported a total government funds fund balance of \$15,031,680, a decrease of \$2,886,363, or 16%, from the prior year. A decrease in the Capital Project Fund accounts for the majority of the decrease as funds from bonds were expended to complete construction projects.

General Fund

- Total general fund revenues for FY 2014 were \$44,628,010, an increase of \$2,553,139 from the prior year. Federal revenue increased by \$406,744, state funding increased by \$1,570,618, and local other increased by \$684,325.
- Expenditures for FY 2014 were \$44,183,588, an increase of \$2,529,422 or 6.1%, from the prior year.
- For FY 2014 revenues exceeded expenditures by \$444,422.

Debt Service Fund

- The District expended \$3,708,423 in principal and interest repayment during FY2014.

Management Levy Fund

- The management levy fund balance decreased by \$35,595 to \$15,217 as revenue increased by \$57,549 with expenditures increasing by \$111,086 from the prior year.

Student Activities Fund

- The student activity fund remains stable with a balance of \$656,929, an increase of \$59,783 from the prior year. Revenues were \$978,511 and expenditures were \$918,728 for the year.

Capital Projects Fund

The capital project fund reported a decrease to the fund balance of \$6,505,216, to \$2,717,317. The District issued revenue bonds to finance an extensive remodeling project on an existing elementary building during FY2013. A construction contract for remodeling of an existing elementary building in the amount of \$4,437,453 was entered into during FY2013, with the majority of the work to be completed in FY2014. During FY2014, \$3,831,691 of the proceeds were expended on this project, with the balance to be expended in FY2015 as the contract is completed.

Proprietary Fund Highlights

School Nutrition Fund

- Net position decreased by \$69,275 to \$629,219 with revenues of \$1,967,437 and expenditures of \$2,036,712.

Youth Care Fund

- Net position decreased by \$26,611 to \$55,959 with revenues of \$198,231 and expenditures of \$224,842.

Student Constructed House Fund

- The District's students did not construct a home in FY2014. A balance of \$192,555 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 2014 the District's amended total budget included revenue of \$54,272,649 and expenses of \$60,524,299. 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 \$551,670 less than budgeted and expenditures were \$3,783,036 less than budgeted. Although the District did not exceed to total expenditure budget, it did exceed the amount budgeted in the support services expense category.

Capital Asset and Debt Administration

Capital Assets

	<u>Governmental Activities</u>		<u>Business- Type</u>		<u>District</u>
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>
Land	\$691,857	\$691,857	\$0	\$0	\$691,857
Construction in progress	4,389,334	14,780,253	0	0	4,389,334
Buildings	60,404,150	45,487,643	0	0	60,404,150
Improvements non-buildings	1,137,117	1,137,117	0	0	1,137,117
Furniture and Equipment	827,457	793,787	948,994	899,887	1,776,451
Total Capital Assets	\$67,449,915	\$62,890,657	\$948,994	\$899,887	\$68,398,909
Accumulated Depreciation	27,116,885	25,170,643	650,694	604,430	27,767,579
Capital Net Assets	\$40,333,030	\$37,720,014	\$298,300	\$295,457	\$40,631,330

The District started construction on a new \$5 million remodel of an elementary school in FY14, scheduled for completion in the summer of 2014.

Long-Term Debt

	<u>Outstanding</u>	<u>Net Change</u>	<u>Outstanding</u>
	2013	2014	2014
Early Retirement & Compensated Absence	\$388,509	-\$112,775	\$275,734
General Obligation Bonds	1,570,000	-895,000	675,000
Sales and Service Tax Bonds	23,425,000	-2,365,000	21,060,000
Net OPEB Liability	840,000	133,000	973,000
Total	\$26,223,509	-\$3,239,775	\$22,983,734

Principal debt repayments on general obligation and sales and services tax bonds in the amount of \$3,260,000 were expended by the District during FY2014.

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 2014 enrollment increased by 20.1 and by 43.2 October 2013, resulting with about .75% annual increase in enrollment.
- Contributions to the Iowa Public Employees Retirement System (IPERS) will be remaining unchanged for FY 2015. Future increases will be limited to a maximum of 1% annually.
- The District was in the process of completing a \$5 million elementary building renovation that was scheduled to be completed in the summer of 2014.
- The State of Iowa awarded approximately one third of all Iowa public school Districts Teacher Leadership and Compensation funding grants in FY2015. The Ottumwa Community School District was awarded \$1.4 million.

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 Alex Barr, 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, 2014

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
Assets			
Cash and pooled investments	\$ 21,498,881	\$ 699,294	\$ 22,198,175
Receivables:			
Property tax:			
Current year	251,709	-	251,709
Succeeding year	11,680,807	-	11,680,807
Accrued interest	11,272	-	11,272
Accounts	-	6,759	6,759
Due from other governments	1,827,093	-	1,827,093
Inventories	58,751	80,094	138,845
Prepaid expenses (note 4)	198,000	-	198,000
Capital assets, net of accumulated depreciation (note 5)	40,333,030	298,300	40,631,330
	<hr/>	<hr/>	<hr/>
Total assets	75,859,543	1,084,447	76,943,990
Liabilities			
Accounts payable	2,200,551	28,295	2,228,846
Salaries and benefits payable	4,566,200	133,691	4,699,891
Advances from grantors	15,000	-	15,000
Unearned revenue	4,777	18,728	23,505
Claims incurred but not reported	197,500	-	197,500
Accrued interest payable	226,349	-	226,349
Long-term liabilities (note 7):			
Portion due within one year:			
Early retirement	36,183	-	36,183
Bonds payable	3,350,000	-	3,350,000
Compensated absences	225,312	-	225,312
Portion due after one year:			
Early retirement	14,239	-	14,239
Bonds payable	18,385,000	-	18,385,000
Net OPEB liability	947,000	26,000	973,000
	<hr/>	<hr/>	<hr/>
Total liabilities	30,168,111	206,714	30,374,825
Deferred Inflows of Resources			
Unavailable property tax revenue	11,680,807	-	11,680,807
	<hr/>	<hr/>	<hr/>

OTTUMWA COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET POSITION

June 30, 2014

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
Net Position			
Net investment in capital assets	\$ 18,598,030	\$ 298,300	\$ 18,896,330
Restricted for:			
Categorical funding	1,075,525	-	1,075,525
Debt service	4,660,339	-	4,660,339
Capital projects	2,445,586	-	2,445,586
Physical plant and equipment levy purposes	271,731	-	271,731
Student activities	656,929	-	656,929
Unrestricted	<u>6,302,485</u>	<u>579,433</u>	<u>6,881,918</u>
 Total net position	 <u>\$ 34,010,625</u>	 <u>\$ 877,733</u>	 <u>\$ 34,888,358</u>

See notes to financial statements.

OTTUMWA COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

Year Ended June 30, 2014

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
Instruction:				
Regular instruction	19,541,533	487,422	4,354,423	-
Special instruction	4,391,602	76,272	2,514,528	-
Other instruction	5,449,027	965,111	114,014	-
	<u>\$ 29,382,162</u>	<u>\$ 1,528,805</u>	<u>\$ 6,982,965</u>	<u>\$ -</u>
Support services:				
Student	2,372,702	-	12,000	-
Instructional staff	1,588,312	-	249,836	-
Administration	4,224,571	-	-	-
Operation and maintenance of plant	4,267,386	24,724	-	-
Transportation	1,670,674	-	-	-
	<u>14,123,645</u>	<u>24,724</u>	<u>261,836</u>	<u>-</u>
Non-instructional programs	<u>58,359</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	493,674	-	-	201,246
Long-term debt interest and fiscal charges	475,667	-	-	-
AEA flowthrough	1,740,542	-	1,740,542	-
Depreciation (unallocated) *	1,874,649	-	-	-
	<u>4,584,532</u>	<u>-</u>	<u>1,740,542</u>	<u>201,246</u>
Total governmental activities	<u>48,148,698</u>	<u>1,553,529</u>	<u>8,985,343</u>	<u>201,246</u>
Business-Type Activities:				
Support services:				
Food service operations	99,567	-	-	-
Other operations	21,360	-	-	-
	<u>120,927</u>	<u>-</u>	<u>-</u>	<u>-</u>

Net (Expense) Revenue
and Changes in Net Position

Governmental Activities	Business-Type Activities	Total
(14,699,688)	-	(14,699,688)
(1,800,802)	-	(1,800,802)
(4,369,902)	-	(4,369,902)
\$ (20,870,392)	-	\$ (20,870,392)
(2,360,702)	-	(2,360,702)
(1,338,476)	-	(1,338,476)
(4,224,571)	-	(4,224,571)
(4,242,662)	-	(4,242,662)
(1,670,674)	-	(1,670,674)
(13,837,085)	-	(13,837,085)
(58,359)	-	(58,359)
(292,428)	-	(292,428)
(475,667)	-	(475,667)
-	-	-
(1,874,649)	-	(1,874,649)
(2,642,744)	-	(2,642,744)
(37,408,580)	-	(37,408,580)
-	(99,567)	(99,567)
-	(21,360)	(21,360)
-	(120,927)	(120,927)

OTTUMWA COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

Year Ended June 30, 2014

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Business-Type Activities (continued):				
Non-instructional programs:				
Food service operations	\$ 1,937,145	\$ 391,126	\$ 1,575,537	\$ -
Other operations	203,482	187,380	10,567	-
	<u>2,140,627</u>	<u>578,506</u>	<u>1,586,104</u>	<u>-</u>
Other expenditures:				
Other operations	647	-	-	-
	<u>647</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total business-type activities	<u>2,262,201</u>	<u>578,506</u>	<u>1,586,104</u>	<u>-</u>
Total	<u>\$ 50,410,899</u>	<u>\$ 2,132,035</u>	<u>\$ 10,571,447</u>	<u>\$ 201,246</u>

General revenues:

Property tax levied for:
 General purposes
 Debt service
 Capital outlay
 Statewide sales, services and use tax
 Unrestricted state 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

Governmental Activities	Business-Type Activities	Total
\$ -	\$ 29,518	\$ 29,518
-	(5,535)	(5,535)
-	23,983	23,983
	(647)	(647)
-	(97,591)	(97,591)
(37,408,580)	(97,591)	(37,506,171)
\$ 10,710,306	\$ -	\$ 10,710,306
926,008	-	926,008
271,731	-	271,731
3,940,494	-	3,940,494
24,496,017	-	24,496,017
50,633	1,058	51,691
77,190	-	77,190
40,472,379	1,058	40,473,437
3,063,799	(96,533)	2,967,266
30,946,826	974,266	31,921,092
<u>\$ 34,010,625</u>	<u>\$ 877,733</u>	<u>\$ 34,888,358</u>

OTTUMWA COMMUNITY SCHOOL DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2014

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Total</u>
Assets					
Cash and pooled investments	\$ 11,534,123	\$ 4,867,249	\$ 2,263,741	\$ 721,243	\$ 19,386,356
Receivables:					
Property tax:					
Current year	214,394	19,439	5,705	12,171	251,709
Succeeding year	10,125,005	689,502	266,304	599,996	11,680,807
Accrued interest	8,258	-	-	-	8,258
Due from other governments	1,203,828	-	623,265	-	1,827,093
Inventories	58,751	-	-	-	58,751
Prepaid expenses (note 4)	-	-	198,000	-	198,000
	<hr/>				
Total assets	<u>\$ 23,144,359</u>	<u>\$ 5,576,190</u>	<u>\$ 3,357,015</u>	<u>\$ 1,333,410</u>	<u>\$ 33,410,974</u>

OTTUMWA COMMUNITY SCHOOL DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2014

	General	Debt Service	Capital Projects	Nonmajor	Total
Liabilities, Deferred Inflows of Resources and Fund Balances					
Liabilities:					
Accounts payable	\$ 1,686,151	\$ -	\$ 373,394	\$ 57,742	\$ 2,117,287
Salaries and benefits payable	4,562,674	-	-	3,526	4,566,200
Advances from grantors	15,000	-	-	-	15,000
Total liabilities	<u>6,263,825</u>	<u>-</u>	<u>373,394</u>	<u>61,268</u>	<u>6,698,487</u>
Deferred inflows of resources:					
Unavailable revenues:					
Succeeding year property tax	10,125,005	689,502	266,304	599,996	11,680,807
Fund balances:					
Nonspendable:					
Inventories	58,751	-	-	-	58,751
Prepaid expenses	-	-	198,000	-	198,000
Restricted for:					
Categorical funding (note 12)	1,075,525	-	-	-	1,075,525
Revenue bonds reserve fund	-	504,000	1,459,005	-	1,963,005
Debt service	-	4,382,688	-	-	4,382,688
School infrastructure	-	-	788,581	-	788,581
Physical plant and equipment	-	-	271,731	-	271,731
Management levy purposes	-	-	-	15,217	15,217
Student activities	-	-	-	656,929	656,929
Assigned:					
Stevens Educational Trust	50,105	-	-	-	50,105
Unassigned	5,571,148	-	-	-	5,571,148
Total fund balances	<u>6,755,529</u>	<u>4,886,688</u>	<u>2,717,317</u>	<u>672,146</u>	<u>15,031,680</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 23,144,359</u>	<u>\$ 5,576,190</u>	<u>\$ 3,357,015</u>	<u>\$ 1,333,410</u>	<u>\$ 33,410,974</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, 2014

Total fund balances of governmental funds	\$ 15,031,680
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.	40,333,030
The Internal Service Fund net position is incorporated into the governmental activities net position due to the integral nature of the services performed.	1,829,998
Accrued interest payable on long-term liabilities is not due and payable in the current year and, therefore, is not reported as a liability in the governmental funds.	(226,349)
Long-term liabilities, including early retirement, bonds payable, compensated absences, and net OPEB liability, are not due and payable in the current year and, therefore, are not reported in the governmental funds.	<u>(22,957,734)</u>
Net position of governmental activities	<u>\$ 34,010,625</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, 2014

	General	Debt Service	Capital Projects	Nonmajor	Total
Revenues:					
Local sources:					
Local tax	\$ 10,129,728	\$ 925,363	\$ 271,731	\$ 574,195	\$ 11,901,017
Tuition	385,545	-	-	-	385,545
Other	1,168,429	3,706	213,754	997,009	2,382,898
Intermediate sources	27,498	-	-	-	27,498
State sources	29,434,749	645	3,940,494	404	33,376,292
Federal sources	3,482,061	-	-	-	3,482,061
Total revenues	<u>44,628,010</u>	<u>929,714</u>	<u>4,425,979</u>	<u>1,571,608</u>	<u>51,555,311</u>
Expenditures:					
Current:					
Instruction	28,509,817	-	-	1,153,078	29,662,895
Support services:					
Student	2,363,758	-	-	-	2,363,758
Instructional staff	1,582,325	-	-	-	1,582,325
Administration	4,283,515	-	-	32,584	4,316,099
Operation and maintenance of plant	4,046,016	-	-	296,638	4,342,654
Transportation	1,645,477	-	-	18,899	1,664,376
	<u>13,921,091</u>	<u>-</u>	<u>-</u>	<u>348,121</u>	<u>14,269,212</u>
Non-instructional programs	12,138	-	-	46,221	58,359
Other expenditures:					
Facilities acquisition	-	-	5,039,631	-	5,039,631
Long term debt:					
Principal	-	3,260,000	-	-	3,260,000
Interest and fiscal charges	-	448,423	-	-	448,423
AEA flowthrough	1,740,542	-	-	-	1,740,542
	<u>1,740,542</u>	<u>3,708,423</u>	<u>5,039,631</u>	<u>-</u>	<u>10,488,596</u>
Total expenditures	<u>44,183,588</u>	<u>3,708,423</u>	<u>5,039,631</u>	<u>1,547,420</u>	<u>54,479,062</u>
Excess (deficiency) of revenues over (under) expenditures	444,422	(2,778,709)	(613,652)	24,188	(2,923,751)

OTTUMWA COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2014

	<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	\$ 37,388	\$ -	\$ -	\$ -	\$ 37,388
Interfund transfers in (note 3)	-	3,174,247	-	-	3,174,247
Interfund transfers out (note 3)	-	-	(3,174,247)	-	(3,174,247)
Total other financing sources (uses)	<u>37,388</u>	<u>3,174,247</u>	<u>(3,174,247)</u>	<u>-</u>	<u>37,388</u>
Net change in fund balances	481,810	395,538	(3,787,899)	24,188	(2,886,363)
Fund balances beginning 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>
Fund balances end of year	<u>\$ 6,755,529</u>	<u>\$ 4,886,688</u>	<u>\$ 2,717,317</u>	<u>\$ 672,146</u>	<u>\$ 15,031,680</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, 2014

Net change in fund balances - total governmental funds \$ (2,886,363)

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 Activities 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 current year are as follows:

Capital outlays	\$ 4,576,868	
Depreciation expense	<u>(1,963,852)</u>	2,613,016

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 Net Activities. 500,817

Grant revenue not received until several months after the District's fiscal year end, net of any associated accounts payable, is not considered available resources and is deferred in the governmental funds. It is, however, recognized as revenue in the Statement of Activities. (380,202)

Repayment of long-term liabilities is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position. 3,260,000

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 governmental funds when due. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. (27,244)

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	145,034	
Compensated absences	(32,259)	
Net OPEB liability	<u>(129,000)</u>	<u>(16,225)</u>

Change in net position of governmental activities \$ 3,063,799

See notes to financial statements.

OTTUMWA COMMUNITY SCHOOL DISTRICT

STATEMENT OF FUND NET POSITION
PROPRIETARY FUNDS

June 30, 2014

	Enterprise Funds	Internal Service Fund
	<u> </u>	<u> </u>
Assets		
Cash and cash equivalents	\$ 699,294	\$ 2,112,525
Receivables:		
Accounts (net \$20,279 allowance for doubtful accounts)	6,759	-
Accrued interest	-	3,014
Inventories	80,094	-
Capital assets, net of accumulated depreciation (note 5)	298,300	-
Total assets	<u>1,084,447</u>	<u>2,115,539</u>
Liabilities		
Claims incurred but not reported	-	197,500
Accounts payable	28,295	83,264
Salaries and benefits payable	133,691	-
Unearned revenue	18,728	4,777
Net OPEB liability	26,000	-
Total liabilities	<u>206,714</u>	<u>285,541</u>
Fund Net Position		
Net investment in capital assets	298,300	-
Unrestricted	579,433	1,829,998
Total fund net position	<u>\$ 877,733</u>	<u>\$ 1,829,998</u>

See notes to financial statements.

OTTUMWA COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
Year Ended June 30, 2014

	Enterprise Funds	Internal Service Fund
	<u> </u>	<u> </u>
Operating revenues:		
Local sources:		
Charges for services	\$ 578,506	\$ 2,586,685
	<u> </u>	<u> </u>
Operating expenses:		
Support services:		
Salaries	64,450	-
Benefits	9,408	-
Purchased services	47,069	-
	<u>120,927</u>	<u>-</u>
Non-instructional programs:		
Salaries	718,813	-
Benefits	120,663	-
Purchased services	55,010	2,092,501
Supplies	1,186,835	-
Depreciation	59,306	-
	<u>2,140,627</u>	<u>2,092,501</u>
Other expenditures:		
Purchased services	582	-
Supplies	65	-
	<u>647</u>	<u>-</u>
Total operating expenses	<u>2,262,201</u>	<u>2,092,501</u>
Operating income (loss)	(1,683,695)	494,184
Non-operating revenues:		
Interest on investments	1,058	6,633
State sources	16,249	-
Federal sources	1,569,855	-
Total non-operating revenues	<u>1,587,162</u>	<u>6,633</u>
Change in fund net position	(96,533)	500,817
Fund net position beginning of year	<u>974,266</u>	<u>1,329,181</u>
Fund net position end of year	<u>\$ 877,733</u>	<u>\$ 1,829,998</u>

See notes to financial statements.

OTTUMWA COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2014

	Enterprise Funds	Internal Service Fund
	<u> </u>	<u> </u>
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 359,531	\$ -
Cash received from miscellaneous operating activities	209,265	2,570,685
Cash payments to employees for services	(904,290)	-
Cash payments to suppliers for goods or services	(1,103,436)	(2,191,169)
Net cash provided by (used by) operating activities	<u>(1,438,930)</u>	<u>379,516</u>
Cash flows from non-capital financing activities:		
State grants received	16,249	-
Federal grants received	1,388,647	-
Net cash provided by non-capital financing activities	<u>1,404,896</u>	<u>-</u>
Cash flows from capital and related financing activities:		
Purchase of equipment	<u>(62,149)</u>	<u>-</u>
Cash flows from investing activities:		
Interest on investments	1,058	3,619
Purchase of certificate of deposit	-	(1,000,000)
Net cash provided by (used by) investing activities	<u>1,058</u>	<u>(996,381)</u>
Net decrease in cash and cash equivalents	(95,125)	(616,865)
Cash and cash equivalents beginning of year	<u>794,419</u>	<u>1,729,390</u>
Cash and cash equivalents end of year	<u>\$ 699,294</u>	<u>\$ 1,112,525</u>

OTTUMWA COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2014

	Enterprise Funds	Internal Service Fund
Reconciliation of operating (loss) to net cash provided by (used by) operating activities:		
Operating income (loss)	\$ (1,683,695)	\$ 494,184
Adjustments to reconcile operating income (loss) to net cash provided by (used by) operating activities:		
Depreciation	59,306	-
Commodities used	181,208	-
(Increase) decrease in accounts receivable	(6,759)	-
Decrease in inventories	711	-
Increase in accounts payable	4,206	48,832
(Decrease) in claims incurred but not reported	-	(147,500)
Increase in salaries and benefits payable	5,044	-
Increase (decrease) in deferred revenue	(2,951)	(16,000)
Increase in net OPEB liability	4,000	-
	<u>\$ (1,438,930)</u>	<u>\$ 379,516</u>
Net cash provided by (used by) operating activities		
Reconciliation of cash and cash equivalents at year end to specific assets included on the Statement of Net Assets:		
Cash and investments	\$ 699,294	\$ 2,112,525
Less items not meeting the definition of a cash equivalent:		
Certificate of deposit	-	1,000,000
	<u>\$ 699,294</u>	<u>\$ 1,112,525</u>
Cash and cash equivalents at year end		

Non-cash investing, capital and financing activities:

During the year ended June 30, 2014, the District received \$181,208 of federal commodities.

See notes to financial statements.

OTTUMWA COMMUNITY SCHOOL DISTRICT
 STATEMENT OF FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 June 30, 2014

		Private Purpose Trust
		<u>Scholarship</u>
Assets:		
Cash and pooled investments	\$	80,346
Accrued interest receivable		<u>920</u>
Total assets		<u>81,266</u>
Fiduciary Net Position:		
Restricted for scholarships	\$	<u><u>81,266</u></u>

See notes to financial statements.

OTTUMWA COMMUNITY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
Year Ended June 30, 2014

	<u>Private Purpose Trust</u>	<u>Scholarship</u>
Additions:		
Local sources:		
Gifts and contributions	\$ 1,000	
Interest	<u>575</u>	
Total additions	<u>1,575</u>	
Deductions:		
Support services:		
Scholarships awarded		<u>2,500</u>
Change in fiduciary net position		(925)
Fiduciary net position beginning of year		<u>82,191</u>
Fiduciary net position end of year	\$	<u><u>81,266</u></u>
See notes to financial statements.		

OTTUMWA COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

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

The Statement of Net Position presents the District's nonfiduciary assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as net position. Net position is reported in 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. Enabling legislation did not result in any restricted net position.

OTTUMWA COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

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 is often subject to constraints imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those 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 government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the main 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, 2014

Note 1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting

The government-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 District 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, in that order.

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, 2014

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities, Deferred Inflows of Resources 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 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. The District had \$1,000,000 in investments not meeting the definition of cash equivalents at June 30, 2014.

Property Tax Receivable – Property tax receivable is recognized in the governmental 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 government-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, 2012 assessed property valuations; is for the tax accrual period July 1, 2013 through June 30, 2014 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2013.

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

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

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.

OTTUMWA COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities, Deferred Inflows of Resources and Fund Equity (continued)

Capital Assets – Capital assets, which include property, furniture, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide Statement of Net Position. Purchased capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair 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 one year.

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.

Advances from grantors – Grant proceeds which have been received by the District but will be spent in a succeeding fiscal year have been accrued as liabilities.

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

OTTUMWA COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities, Deferred Inflows of Resources and Fund Equity (continued)

Compensated Absences – District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-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, 2014. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

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

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

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 Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2014, expenditures/expenses exceeded the amount budgeted in the support services function.

Note 2. Cash and Pooled Investments

The District's deposits in banks at June 30, 2014 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 ensure there will be no loss of public funds.

OTTUMWA COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

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, 2014, the District had investments as follows:

	Value
Money market mutual fund	\$ 798,989
Iowa Schools Joint Investment Trust, Diversified Portfolio	1,268,243
	\$ 2,067,232

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, 2014 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects	\$ <u>3,174,247</u>

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, 2014 totaled \$198,000.

OTTUMWA COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 5. Capital Assets

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 691,857	\$ -	\$ -	\$ 691,857
Construction in progress	14,780,253	4,481,189	14,872,108	4,389,334
Total capital assets not being depreciated	<u>15,472,110</u>	<u>4,481,189</u>	<u>14,872,108</u>	<u>5,081,191</u>
Capital assets being depreciated:				
Buildings	45,487,643	14,916,507	-	60,404,150
Improvements other than buildings	1,137,117	-	-	1,137,117
Furniture and equipment	793,787	51,280	17,610	827,457
Total capital assets being depreciated	<u>47,418,547</u>	<u>14,967,787</u>	<u>17,610</u>	<u>62,368,724</u>
Less accumulated depreciation for:				
Buildings	23,960,713	1,858,371	-	25,819,084
Improvements other than buildings	447,072	78,658	-	525,730
Furniture and equipment	762,858	26,823	17,610	772,071
Total accumulated depreciation	<u>25,170,643</u>	<u>1,963,852</u>	<u>17,610</u>	<u>27,116,885</u>
Total capital assets being depreciated, net	<u>22,247,904</u>	<u>13,003,935</u>	<u>-</u>	<u>35,251,839</u>
Governmental activities capital assets, net	<u>\$ 37,720,014</u>	<u>\$ 17,485,124</u>	<u>\$ 14,872,108</u>	<u>\$ 40,333,030</u>
	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business-type activities:				
Furniture and equipment	\$ 899,887	\$ 62,149	\$ 13,042	\$ 948,994
Less accumulated depreciation	604,430	59,306	13,042	650,694
Business-type activities capital assets, net	<u>\$ 295,457</u>	<u>\$ 2,843</u>	<u>\$ -</u>	<u>\$ 298,300</u>

OTTUMWA COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 5. Capital Assets (continued)

Depreciation expense was charged to the following functions:

Governmental activities:

Instruction:

Regular	\$ 77,114
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Support services:

Administration	4,250
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Operation and maintenance of plant	7,839
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	89,203
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Unallocated depreciation	1,874,649
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Total depreciation expense - governmental activities	\$ <u>1,963,852</u>
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Business-type activities:

Food service operations	\$ <u>59,306</u>
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Note 6. Short-term Financing

During the year ended June 30, 2014, 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, 2014, including interest charges of \$1,875.

OTTUMWA COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 7. Long-Term Liabilities

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

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
Early retirement	\$ 195,456	\$ -	\$ 145,034	\$ 50,422	\$ 36,183
General obligation bonds	1,570,000	-	895,000	675,000	675,000
Revenue bonds	23,425,000	-	2,365,000	21,060,000	2,675,000
Compensated absences	193,053	225,312	193,053	225,312	225,312
Net OPEB liability	818,000	129,000	-	947,000	-
Total	\$ 26,201,509	\$ 354,312	\$ 3,598,087	\$ 22,957,734	\$ 3,611,495
	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Business-type activities:					
Net OPEB liability	\$ 22,000	\$ 4,000	\$ -	\$ 26,000	\$ -

Early Retirement

The District offered a voluntary early retirement plan to administrators and classified employees for the year ended June 30, 2014. 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, 2014.

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, 2014, the District has obligations to seven participants with a total liability of \$50,422. Actual early retirement expenditures for the year ended June 30, 2014 totaled \$145,034. 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, 2014

Note 7. Long-Term Liabilities (continued)

General Obligation Bonds Payable

Details of the District's June 30, 2014 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Interest Rates	Issue dated April 1, 2011		
		Principal	Interest	Total
2015	2.00 %	\$ 675,000	\$ 13,500	\$ 688,500

During the year ended June 30, 2014, the District retired \$895,000 in general obligation bonds.

Revenue Bonds

Details of the District's June 30, 2014 revenue bonded indebtedness are as follows:

Year Ending June 30,	Issue dated June 25, 2012			Issue dated July 23, 2012		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
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
		\$ 2,675,000	\$ 13,375		\$ 9,490,000	\$ 2,381,713

OTTUMWA COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

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
2015	1.250 %	\$ -	\$ 188,097	\$ 2,675,000	\$ 188,097
2016	1.250	505,000	184,941	1,020,000	184,941
2017	1.250	515,000	178,566	1,040,000	178,566
2018	1.250	520,000	172,098	1,055,000	172,098
2019	1.500	525,000	164,911	1,070,000	164,911
2020	1.500	535,000	156,960	1,095,000	156,960
2021	1.600	540,000	148,628	1,110,000	148,628
2022	1.850	550,000	139,220	1,130,000	139,220
2023	2.000	565,000	128,483	1,160,000	128,483
2024	2.200	575,000	116,507	1,180,000	116,507
2025	2.350	590,000	103,249	1,210,000	103,249
2026	2.500	605,000	88,755	1,240,000	88,755
2027	2.625	620,000	73,055	1,275,000	73,055
2028	2.750	640,000	56,118	1,310,000	56,118
2029	2.850	655,000	37,984	1,345,000	37,984
2030	3.000	955,000	18,525	2,145,000	18,525
		<u>\$ 8,895,000</u>	<u>\$ 1,956,097</u>	<u>\$ 21,060,000</u>	<u>\$ 1,956,097</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 79 percent of the statewide sales and services tax revenues. The total principal and interest remaining to be paid on the bonds is \$25,411,185. For the current year, \$2,775,023 of principal and interest was paid on the bonds and total statewide sales and services tax revenues were \$3,940,494.

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

- (a) 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, 2014

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 health benefit plan which provides medical and prescription drug benefits for employees, 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, 2014, the amount actually contributed to the plan and changes in the District’s net OPEB obligation:

Annual required contribution	\$ 290,524
Interest on net OPEB obligation	12,329
Adjustment to annual required contribution	64,020
Annual OPEB cost	<u>238,833</u>
Contributions made	<u>105,833</u>
Increase in net OPEB obligation	133,000
Net OPEB obligation beginning of year	<u>840,000</u>
Net OPEB obligation end of year	<u><u>\$ 973,000</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, 2014.

For the year ended June 30, 2014, the District contributed \$105,833 to the medical plan.

OTTUMWA COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

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 June 30,</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2012	\$ 260,438	59.7%	\$ 704,635
2013	283,803	52.3%	840,000
2014	238,833	44.3%	973,000

Funded Status and Funding Progress – As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2013 through June 30, 2014, the actuarial accrued liability was \$1,632,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,632,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$29,374,000, and the ratio of the UAAL to covered payroll was 5.6%. As of June 30, 2014, there were no trust fund assets.

Actuarial Methods and Assumptions – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, 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 2/3 female, 1/3 male basis.

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

OTTUMWA COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

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 5.95% of their annual covered salary and the District is required to contribute 8.93% of annual covered salary. Contribution requirements are established by State statute. The District's contributions to IPERS for the years ended June 30, 2014, 2013, and 2012 were \$2,481,410, \$2,370,117, and \$2,219,881, 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 \$1,829,998 at June 30, 2014 and is recorded in the Internal Service Fund. The incurred but not reported claims liability of \$197,500 is reported as a liability of the Internal Service Fund and as a liability under governmental activities at June 30, 2014.

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 for 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 \$1,740,542 for the year ended June 30, 2014 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

OTTUMWA COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 12. Categorical Funding

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

Program	Amount
Professional development for model core curriculum	\$ 208,656
Gifted and talented programs	207,122
Special education programs	181,223
Teacher salary supplement	167,490
Four year old preschool state aid	81,499
Iowa early intervention block grant	75,566
Home school assistance program	69,287
Successful progression for early readers	45,120
Market factor incentives	16,282
Teacher leadership grants	15,173
Environment first funds	3,895
Professional development	3,429
Beginning teacher mentoring	783
Total	\$ 1,075,525

Note 13. Construction Commitments

The District has entered into various contracts totaling \$4,437,453 for an elementary school addition and other projects. As of June 30, 2014, costs of \$3,831,691 had been incurred against the contracts. The balance of \$605,762 remaining at June 30, 2014 will be paid as work on the project progresses.

Note 14. Subsequent Event

On July 14, 2014, the District approved a temporary loan of \$400,000 from the General Fund to the Special Revenue Fund, Management Levy. The loan is to be repaid by May 1, 2015 at a .5% per annum interest rate.

Note 15. Prospective Accounting Change

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

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, 2014

	Governmental Funds - Actual	Proprietary Fund - Actual	Total Actual	Original and Final	Final to Actual Variance
REVENUES:					
Local sources	\$ 14,669,460	\$ 579,564	\$ 15,249,024	\$ 19,175,230	\$ (3,926,206)
Intermediate sources	27,498	-	27,498	25,000	2,498
State sources	33,376,292	16,249	33,392,541	30,092,419	3,300,122
Federal sources	3,482,061	1,569,855	5,051,916	4,980,000	71,916
Total revenues	51,555,311	2,165,668	53,720,979	54,272,649	(551,670)
EXPENDITURES/EXPENSES:					
Instruction	29,662,895	-	29,662,895	31,011,848	1,348,953
Support services	14,269,212	120,927	14,390,139	13,889,038	(501,101)
Non-instructional programs	58,359	2,140,627	2,198,986	2,435,000	236,014
Other expenditures	10,488,596	647	10,489,243	13,188,413	2,699,170
Total expenditures/expenses	54,479,062	2,262,201	56,741,263	60,524,299	3,783,036
Excess (deficiency) of revenues over (under) expenditures/ expenses	(2,923,751)	(96,533)	(3,020,284)	(6,251,650)	3,231,366
Other financing sources, net	37,388	-	37,388	-	37,388
Excess (deficiency) of revenues and other financing sources over (under) expenditures/ expenses	(2,886,363)	(96,533)	(2,982,896)	(6,251,650)	3,268,754
Balance beginning of year	17,918,043	974,266	18,892,309	17,567,555	1,324,754
Balance end of year	<u>\$ 15,031,680</u>	<u>\$ 877,733</u>	<u>\$ 15,909,413</u>	<u>\$ 11,315,905</u>	<u>\$ 4,593,508</u>

See accompanying independent auditor's report.

OTTUMWA COMMUNITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING
Year Ended June 30, 2014

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting 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/expenses known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2014, expenditures/expenses in the support services 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, 2014

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
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%
2014	July 1, 2012	-	1,632	1,632	0.0%	29,374	5.6%

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, 2014

	Special Revenue		Total
	Management Levy	Student Activity	
Assets			
Cash and pooled investments	\$ 3,050	\$ 718,193	\$ 721,243
Receivables:			
Property tax:			
Current year	12,171	-	12,171
Succeeding year	599,996	-	599,996
Total assets	\$ 615,217	\$ 718,193	\$ 1,333,410
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	\$ 4	\$ 57,738	\$ 57,742
Salaries and benefits payable	-	3,526	3,526
Total liabilities	4	61,264	61,268
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	599,996	-	599,996
Fund balances:			
Management levy purposes	15,217	-	15,217
Student activities	-	656,929	656,929
Total fund balances	15,217	656,929	672,146
Total liabilities, deferred inflows of resources and fund balances	\$ 615,217	\$ 718,193	\$ 1,333,410

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, 2014

	Special Revenue		Total
	Management Levy	Student Activity	
Revenues:			
Local sources:			
Local tax	\$ 574,195	\$ -	\$ 574,195
Other	18,498	978,511	997,009
State sources	404	-	404
Total revenues	593,097	978,511	1,571,608
Expenditures:			
Current:			
Instruction	253,249	899,829	1,153,078
Support services:			
Administration	32,584	-	32,584
Operation and maintenance of plant	296,638	-	296,638
Transportation	-	18,899	18,899
Non-instructional programs	46,221	-	46,221
Total expenditures	628,692	918,728	1,547,420
Excess (deficiency) of revenues over (under) expenditures	(35,595)	59,783	24,188
Fund balances beginning of year	50,812	597,146	647,958
Fund balances end of year	\$ 15,217	\$ 656,929	\$ 672,146

See accompanying independent auditor's report.

OTTUMWA COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET
CAPITAL PROJECTS ACCOUNTS
June 30, 2014

	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Assets			
Cash and pooled investments	\$ 1,997,715	\$ 266,026	\$ 2,263,741
Receivables:			
Property tax:			
Current year	-	5,705	5,705
Succeeding year	-	266,304	266,304
Due from other governments	623,265	-	623,265
Prepaid expenses	198,000	-	198,000
Total assets	\$ 2,818,980	\$ 538,035	\$ 3,357,015
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	\$ 373,394	\$ -	\$ 373,394
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	-	266,304	266,304
Fund balances:			
Nonspendable:			
Prepaid expenses	198,000	-	198,000
Restricted for:			
Revenue bonds reserve fund	1,459,005	-	1,459,005
School infrastructure	788,581	-	788,581
Physical plant and equipment	-	271,731	271,731
Total fund balances	2,445,586	271,731	2,717,317
Total liabilities, deferred inflows of resources and fund balances	\$ 2,818,980	\$ 538,035	\$ 3,357,015

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, 2014

	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Other Construction Projects	Total
Revenues:				
Local sources:				
Local tax	\$ -	\$ 271,731	\$ -	\$ 271,731
Other	213,754	-	-	213,754
State sources	3,940,494	-	-	3,940,494
Total revenues	<u>4,154,248</u>	<u>271,731</u>	<u>-</u>	<u>4,425,979</u>
Expenditures:				
Other expenditures:				
Facilities acquisition	5,014,260	-	25,371	5,039,631
Excess (deficiency) of revenues over (under) expenditures				
	(860,012)	271,731	(25,371)	(613,652)
Other financing uses:				
Interfund transfers out	(3,174,247)	-	-	(3,174,247)
Net change in fund balances				
	(4,034,259)	271,731	(25,371)	(3,787,899)
Fund balances beginning of year				
	6,479,845	-	25,371	6,505,216
Fund balances end of year				
	<u>\$ 2,445,586</u>	<u>\$ 271,731</u>	<u>\$ -</u>	<u>\$ 2,717,317</u>

See accompanying independent auditor's report.

OTTUMWA COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF FUND NET POSITION
 ENTERPRISE FUNDS
 June 30, 2014

	School Nutrition	Youth Care	Career Academy House	Total
Assets				
Cash and pooled investments	\$ 411,384	\$ 98,831	\$ 189,079	\$ 699,294
Receivables:				
Accounts (net \$20,279 allowance for doubtful accounts)	6,759	-	-	6,759
Inventories	80,094	-	-	80,094
Capital assets, net of accumulated depreciation	294,350	-	3,950	298,300
Total assets	<u>792,587</u>	<u>98,831</u>	<u>193,029</u>	<u>1,084,447</u>
Liabilities				
Accounts payable	14,875	12,995	425	28,295
Salaries and benefits payable	112,298	21,393	-	133,691
Unearned revenue	14,773	3,955	-	18,728
Net OPEB liability	21,422	4,529	49	26,000
Total liabilities	<u>163,368</u>	<u>42,872</u>	<u>474</u>	<u>206,714</u>
Fund Net Position				
Net investment in capital assets	294,350	-	3,950	298,300
Unrestricted	334,869	55,959	188,605	579,433
Total fund net position	<u>\$ 629,219</u>	<u>\$ 55,959</u>	<u>\$ 192,555</u>	<u>\$ 877,733</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, 2014

	School Nutrition	Youth Care	Career Academy House	Total
Operating revenues:				
Local sources:				
Charges for services	\$ 391,126	\$ 187,380	\$ -	\$ 578,506
Operating expenses:				
Support services:				
Salaries	64,450	-	-	64,450
Benefits	9,408	-	-	9,408
Purchased services	25,709	21,360	-	47,069
	<u>99,567</u>	<u>21,360</u>	<u>-</u>	<u>120,927</u>
Non-instructional programs:				
Salaries	570,231	148,582	-	718,813
Benefits	98,682	21,981	-	120,663
Purchased services	50,245	4,765	-	55,010
Supplies	1,158,681	28,154	-	1,186,835
Depreciation	59,306	-	-	59,306
	<u>1,937,145</u>	<u>203,482</u>	<u>-</u>	<u>2,140,627</u>
Other expenditures:				
Purchased services	-	-	582	582
Supplies	-	-	65	65
	<u>-</u>	<u>-</u>	<u>647</u>	<u>647</u>
Total operating expenses	<u>2,036,712</u>	<u>224,842</u>	<u>647</u>	<u>2,262,201</u>
Operating loss	(1,645,586)	(37,462)	(647)	(1,683,695)
Non-operating revenues:				
Interest on investments	774	284	-	1,058
State sources	16,249	-	-	16,249
Federal sources	1,559,288	10,567	-	1,569,855
Total non-operating revenues	<u>1,576,311</u>	<u>10,851</u>	<u>-</u>	<u>1,587,162</u>
Change in net position	(69,275)	(26,611)	(647)	(96,533)
Net position beginning of year	<u>698,494</u>	<u>82,570</u>	<u>193,202</u>	<u>974,266</u>
Net position end of year	<u>\$ 629,219</u>	<u>\$ 55,959</u>	<u>\$ 192,555</u>	<u>\$ 877,733</u>

See accompanying independent auditor's report.

OTTUMWA COMMUNITY SCHOOL DISTRICT

COMBINING SCHEDULE OF CASH FLOWS
ENTERPRISE FUNDS

Year Ended June 30, 2014

	School Nutrition	Youth Care	Career Academy House	Total
Cash flows from operating activities:				
Cash received from sale of lunches and breakfasts	\$ 359,531	\$ -	\$ -	\$ 359,531
Cash received from miscellaneous operating activities	23,669	185,596	-	209,265
Cash payments to employees for services	(736,636)	(167,654)	-	(904,290)
Cash payments to suppliers for goods or services	(1,050,677)	(52,537)	(222)	(1,103,436)
Net cash used by operating activities	<u>(1,404,113)</u>	<u>(34,595)</u>	<u>(222)</u>	<u>(1,438,930)</u>
Cash flows from non-capital financing activities:				
State grants received	16,249	-	-	16,249
Federal grants received	1,378,080	10,567	-	1,388,647
Net cash provided by non-capital financing activities	<u>1,394,329</u>	<u>10,567</u>	<u>-</u>	<u>1,404,896</u>
Cash flows from capital and related financing activities:				
Purchase of equipment	(62,149)	-	-	(62,149)
Cash flows from investing activities:				
Interest on investments	774	284	-	1,058
Net decrease in cash and cash equivalents	(71,159)	(23,744)	(222)	(95,125)
Cash and cash equivalents beginning of year	482,543	122,575	189,301	794,419
Cash and cash equivalents end of year	<u>\$ 411,384</u>	<u>\$ 98,831</u>	<u>\$ 189,079</u>	<u>\$ 699,294</u>

OTTUMWA COMMUNITY SCHOOL DISTRICT

COMBINING SCHEDULE OF CASH FLOWS
ENTERPRISE FUNDS

Year Ended June 30, 2014

	<u>School Nutrition</u>	<u>Youth Care</u>	<u>Career Academy House</u>	<u>Total</u>
Reconciliation of operating loss to net cash used by operating activities:				
Operating loss	\$ (1,645,586)	\$ (37,462)	\$ (647)	\$ (1,683,695)
Adjustments to reconcile operating loss to net cash used by operating activities:				
Depreciation	59,306	-	-	59,306
Commodities used	181,208	-	-	181,208
(Increase) in accounts receivable	(6,759)	-	-	(6,759)
Decrease in inventories	711	-	-	711
Increase in accounts payables	2,039	1,742	425	4,206
Increase in salaries and benefits payable	2,894	2,150	-	5,044
(Decrease) in unearned revenue	(1,167)	(1,784)	-	(2,951)
Increase in net OPEB liability	3,241	759	-	4,000
Net cash used by operating activities	<u>\$ (1,404,113)</u>	<u>\$ (34,595)</u>	<u>\$ (222)</u>	<u>\$ (1,438,930)</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2014, the District received \$181,208 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, 2014

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
District-Wide:				
Interest	\$ 66,406	\$ 1,463	\$ 5,296	\$ 62,573
McCarroll Preschool Library	99	-	99	-
Musical Fees	3,185	1,957	253	4,889
Administration	1,016	-	-	1,016
Trips	211,774	288,091	249,182	250,683
Other	22,360	31,860	27,491	26,729
Agassiz	1,845	5,012	3,233	3,624
Douma	6,190	7,513	1,752	11,951
Eisenhower	3,991	13,657	11,403	6,245
Horace Mann	9,295	24,771	25,444	8,622
James	7,510	7,411	9,179	5,742
Liberty	-	64,201	46,751	17,450
Pickwick	9,141	-	9,141	-
Wildwood	7,350	7,095	9,031	5,414
Wilson	10,800	3,260	3,656	10,404
Evans	58,351	36,599	49,287	45,663
High School	177,663	485,005	467,128	195,540
Alternative High School	170	616	402	384
Total	<u>\$ 597,146</u>	<u>\$ 978,511</u>	<u>\$ 918,728</u>	<u>\$ 656,929</u>

See accompanying independent auditor's report.

OTTUMWA COMMUNITY SCHOOL DISTRICT

SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION

ALL GOVERNMENTAL FUNDS
FOR THE LAST TEN YEARS

	Modified Accrual Basis Years Ended June 30,			
	2014	2013	2012	2011
Revenues:				
Local sources:				
Local tax	\$ 11,901,017	\$ 15,502,055	\$ 14,818,569	\$ 14,167,990
Tuition	385,545	463,242	660,613	667,025
Other	2,382,898	1,536,589	1,495,823	1,453,878
Intermediate sources	27,498	26,642	-	192,655
State sources	33,376,292	27,865,198	28,290,351	27,705,836
Federal sources	3,482,061	3,075,317	3,752,653	4,536,787
Total revenues	<u>\$ 51,555,311</u>	<u>\$ 48,469,043</u>	<u>\$ 49,018,009</u>	<u>\$ 48,724,171</u>
Expenditures:				
Instruction	\$ 29,662,895	\$ 28,900,628	\$ 28,243,725	\$ 28,677,641
Support services:				
Student	2,363,758	1,706,820	1,724,072	1,634,091
Instructional staff	1,582,325	1,334,864	1,761,647	1,874,829
Administration	4,316,099	4,022,287	3,916,937	4,013,643
Operation and maintenance of plant	4,342,654	3,926,799	3,795,257	3,785,141
Transportation	1,664,376	1,606,263	1,551,382	1,453,860
Non-instructional programs	58,359	12,709	13,338	18,434
Other expenditures:				
Facilities acquisition	5,039,631	12,614,118	3,113,514	322,714
Long-term debt:				
Principal	3,260,000	7,540,000	2,920,000	6,060,000
Interest and fiscal charges	448,423	631,864	400,223	560,921
AEA flowthrough	1,740,542	1,650,357	1,647,866	1,822,278
Total expenditures	<u>\$ 54,479,062</u>	<u>\$ 63,946,709</u>	<u>\$ 49,087,961</u>	<u>\$ 50,223,552</u>

See accompanying independent auditor's report.

	2010	2009	2008	2007	2006	2005
\$	13,213,353	\$ 13,862,521	\$ 11,394,355	\$ 11,208,076	\$ 11,164,979	\$ 10,981,439
	640,221	626,137	706,636	707,458	703,647	674,413
	1,737,905	679,365	1,897,332	1,589,114	1,496,771	1,468,688
	138,198	23,023	21,065	17,871	19,195	44,665
	24,109,237	27,125,220	26,767,932	25,428,811	23,539,622	22,598,252
	6,135,396	2,866,181	3,070,534	2,608,625	2,682,677	3,321,783
\$	<u>45,974,310</u>	<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>
\$	27,716,944	\$ 26,782,056	\$ 26,056,421	\$ 25,424,111	\$ 24,393,086	\$ 23,843,305
	1,395,964	1,358,617	1,262,883	1,209,650	1,489,444	1,576,887
	1,928,677	1,547,588	1,772,491	1,394,278	1,398,523	1,163,541
	4,235,811	4,124,401	3,976,802	3,877,697	3,394,586	3,052,393
	3,609,090	3,606,585	3,538,876	3,595,889	3,512,685	3,240,112
	1,311,944	1,206,227	1,225,644	1,175,279	1,148,380	1,032,484
	27,815	10,929	12,810	16,473	54,216	18,886
	1,166,229	5,621,299	9,597,229	3,224,850	991,970	1,187,999
	2,025,000	680,000	635,000	615,000	550,000	525,000
	698,411	680,395	470,068	309,443	339,318	364,242
	1,769,471	1,586,078	1,559,499	1,480,592	1,395,915	1,341,364
\$	<u>45,885,356</u>	<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>

OTTUMWA COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2014

Grantor / Program	CFDA Number	Pass-Through or Grant Number	Expenditures
Indirect:			
U. S. Department of Agriculture:			
Iowa Department of Education:			
Child Nutrition Cluster Programs:			
School Breakfast Program	10.553	5049-14	\$ 198,507
National School Lunch Program	10.555	5049-14	1,309,126 *
Special Milk Program	10.556	5049-14	4,872
Summer Food Service Program for Children	10.559	5049-14	<u>10,566</u>
			<u>1,523,071</u>
Fresh Fruit and Vegetable Program	10.582	5049-14	<u>46,784</u>
National Endowment for the Arts:			
Iowa Arts Council:			
Promotion of the Arts-Partnership Agreements	45.025	5049-14	<u>1,600</u>
U. S. Department of Education:			
Iowa Department of Education:			
Title I Grants to Local Educational Agencies	84.010	5049-GC-14	48,053
Title I Grants to Local Educational Agencies	84.010	5049-G-14	1,166,312
Title I Grants to Local Educational Agencies	84.010	5049-SINA-14	38,432
Title I Grants to Local Educational Agencies	84.010	5049-SINA-13	4,780
			<u>1,257,577</u>
Migrant Education - State Grant Program	84.011	5049-14	134,130
Migrant Education - State Grant Program	84.011	5049-GC-14	10,192
			<u>144,322</u>
Safe and Drug-Free Schools and Communities - National Programs	84.184	5049-14	<u>94,823</u>
Education for Homeless Children and Youth	84.196	5049-14	<u>38,000</u>
Tech-Prep Education	84.243	5049-14	<u>67,505</u>

OTTUMWA COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2014

<u>Grantor / Program</u>	<u>CFDA Number</u>	<u>Pass-Through or Grant 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	5049-14	<u>223,964</u>
Grants for State Assessments and Related Activities	84.369	5049-14	<u>24,288</u>
Bureau of Student and Family Support Services:			
Fund for the Improvement of Education	84.215	P334S080012	<u>25,323</u>
Great Prairie Area Education Agency:			
Special Education - Grants to States	84.027	5049-14	<u>234,577</u>
English Language Acquisition State Grants	84.365	5049-14	<u>7,557</u>
U. S. Department of Health and Human Services:			
Iowa Department of Public Health:			
Abstinence Education	93.235	5884CH18A	<u>28,596</u>
Promoting Safe and Stable Families	93.556	DCAT414069	<u>12,000</u>
Iowa Department of Education:			
Cooperative Agreements to Support Comprehensive School Health Programs to Prevent the Spread of HIV and Other Important Health Problems	93.938	5049-14	<u>170</u>
Total			<u>\$ 3,730,157</u>

* = Includes \$181,208 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 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, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and Chapter 11 of the Code of Iowa, 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, 2014, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated February 12, 2015.

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 over financial reporting 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 financial reporting 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 deficiencies in internal control, described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-A-14 and II-B-14, that we consider to be significant deficiencies.

Compliance

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, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance 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, 2014 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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 report 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.

Hunt & Associates, P.C.

Oskaloosa, Iowa
February 12, 2015

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE 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, 2014. 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, 2014.

Report on Internal Control Over Compliance

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.

A deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct non-compliance with a type of compliance requirement of a federal program on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material non-compliance 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 is a deficiency, or a combination of deficiencies, in internal control over compliance that is less severe than a material weakness, 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. Given these limitations, during our audit 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.

Purpose of this Report

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.

Hunt + Associates, P.C.

Oskaloosa, Iowa
February 12, 2015

OTTUMWA COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2014

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

- (a) Unmodified opinions were issued on all opinion units.
- (b) No material weaknesses in internal control over financial reporting were reported. However, significant deficiencies in internal control over financial reporting were reported.
- (c) The audit did not report any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over major programs were reported.
- (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) The major program was 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, 2014

Part II: Findings Related to the Basic Financial Statements:

Instances of Non-Compliance:

No matters were reported.

Internal Control Deficiencies:

II-A-14 Special Revenue Fund, Student Activities Fund – James Elementary School Account – We noted several weaknesses in our testing of the business procedures practiced by personnel of the James Elementary School related to student activities. We noted that invoices related to purchases made were not always remitted to the business office on a timely basis and that some purchases were for instructional purposes. We also noted that purchase orders for two purchases were completed subsequent to the order and receipt of the goods. These practices bypass District budgeting and purchase approval procedures and weaken the Board’s control over purchases. This also prevents the Board from properly auditing the disbursements for propriety and insuring that the purchases are co-curricular in nature and not for instructional purposes. We also noted that receipts related to fundraisers and donations were not always deposited on a timely basis (some were deposited several months after the actual receipt) and that those receipts aren’t always kept in a secure area prior to being deposited. We noted that approximately \$4,000 of fundraising receipts and donations for certain events were never receipted or deposited into the District’s accounting system, and fundraiser reconciliations were not remitted to the business office. Some receipts for instructional purposes were also improperly receipted into the Activity Fund account. These practices prevent the proper safeguarding and accounting of all funds going through the elementary school office.

Recommendation – The District should review controls at James Elementary School and make necessary changes. All applicable personnel should be trained in the proper procedures for disbursing and receipting funds related to the Activity Fund to enable the Board to properly audit the disbursements and to protect the underlying assets. Office personnel should be educated in the differences between curricular and co-curricular activities and the reasons for properly segregating and accounting for those different activities. All receipts should be kept in a secure area and deposited on a timely basis.

Response – We have developed and implemented improvements to our control procedures to correct for these deficiencies. These procedures include keeping cash and checks in a locked and secure area and insuring that all receipts are deposited on a timely basis.

Conclusion – Response accepted.

II-B-14 Financial Reporting – During our testing of accounts payable recorded at year end, we noted one item recorded as payable at year end but was for services to be received in the fiscal years ended June 30, 2015 and June 30, 2016. This misrepresents the financial information reported in the financial statements by not properly matching the applicable expenditures to the proper period. The amount represented a significant misstatement in the financial statements and the District made the necessary adjustment to insure the accuracy of the financial information.

Recommendation – The District should develop controls over financial reporting that insure the accuracy of the related financial statements, including the proper matching of expenditures to the period incurred.

Response – We will develop controls over financial statement accruals to help insure the accuracy of our financial statements in the future and properly match the expenditures to the correct period.

OTTUMWA COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2014

Part II: Findings Related to the Basic Financial Statements (continued):

Internal Control Deficiencies (continued):

II-B-14 Financial Reporting (continued)

Conclusion – Response accepted.

OTTUMWA COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2014

Part III: Findings and Questioned Costs for Federal Awards

Instances of Non-Compliance:

No matters were reported.

Internal Control Deficiencies:

No matters were reported.

OTTUMWA COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2014

Part IV: Other Findings Related to Statutory Reporting:

IV-A-14 Certified Budget – Expenditures/expenses for the year ended June 30, 2014, exceeded the amount budgeted in the support services 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-14 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-14 Travel Expense – No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

IV-D-14 Business Transactions – Business transactions between the District and District officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Krista Burton, Spouse of Board Member Michael Burton	Teacher	\$59,772
Lynda Riley, Spouse of Board Member Greg Riley	Teacher	\$66,067
Dan Ford, Teacher Owner of Dandee Smokehouse	Supplies	\$600
Antonia Weilbrenner, Spouse of Board Member David Weilbrenner	Teacher	\$69,384

In accordance with Chapter 279.7A of the Code of Iowa, the transaction with Mr. Ford does not appear to represent a conflict of interest since the cumulative amount did not exceed \$2,500 for the fiscal year.

The transactions with the spouses of the Board Members do not represent conflicts of interest according to an Attorney General opinion dated November 9, 1976.

IV-E-14 Bond Coverage – Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.

IV-F-14 Board Minutes – No transactions requiring Board approval which had not been approved by the Board were noted.

OTTUMWA COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2014

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

- IV-G-14 Certified Enrollment – No variances in the basic enrollment data certified to the Iowa Department of Education were noted.
- IV-H-14 Supplementary Weighting – We noted one variance regarding the supplementary weighting certified to the Iowa Department of Education. This variance related to supplementary weighting for accounting courses not identified as concurrent enrollment and resulted in an understatement to supplementary weighting of .095 students.
- Recommendation – The District should contact the Iowa Departments of Education and Management to determine the disposition of this error.
- Response – We will contact the necessary departments and make the proper adjustments to our supplementary weighting.
- Conclusion – Response accepted.
- IV-I-14 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-14 Certified Annual Report – The Certified Annual Report was certified to the Iowa Department of Education timely and we noted no significant deficiencies in the amounts reported.
- IV-K-14 Categorical Funding – No instances of categorical funding being used to supplant rather than supplement other funds were noted.
- IV-L-14 Statewide Sales, Services and Use 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.

OTTUMWA COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2014

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

IV-L-14 Statewide Sales, Services and Use Tax (continued)

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2014, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance	\$		6,479,845
Revenues:			
Interest	\$	12,509	
Other local revenues		201,245	
Statewide sales, services and use tax		<u>3,940,494</u>	4,154,248
Expenditures/transfers out:			
School infrastructure construction		4,598,228	
Equipment		383,032	
Other		33,000	
Transfers to other funds:			
Debt Service Fund		<u>3,174,247</u>	<u>8,188,507</u>
Ending balance	\$		<u><u>2,445,586</u></u>

For the year ended June 30, 2014, 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	\$ 535,844

OTTUMWA COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2014

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

IV-M-14 Special Revenue Fund, Student Activities – Interest Account – The District has an interest account recorded in the Special Revenue Fund, Student Activities which accounts for the interest earned on the balances remaining in the individual activity accounts. Based on Iowa Department of Education regulations, this interest should be allocated annually among the Activity Fund accounts in a manner proscribed by the District’s Board of Education.

Recommendation – The Board should develop guidelines for the annual distribution of the interest earned among the various Activity Fund accounts. This procedure could be an allocation among all accounts or decided annually by the Board to allocate the interest to the accounts deemed to be in the most need. The Board should adopt a procedure to allocate the existing balance of \$62,573 among the accounts in an equitable manner.

Response – We will develop a method to annually distribute the interest earned in the Student Activities Fund accounts and we will determine the proper manner to handle the existing interest account balance.

Conclusion – Response accepted.