

OTTUMWA COMMUNITY SCHOOL DISTRICT
OTTUMWA, IOWA

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

JUNE 30, 2015

TABLE OF CONTENTS

	Page
OFFICIALS	4
INDEPENDENT AUDITOR’S REPORT	5-6
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)	7-17
BASIC FINANCIAL STATEMENTS:	
Exhibit	
Government-Wide Financial Statements:	
A Statement of Net Position	20-21
B Statement of Activities	22-25
Governmental Fund Financial Statements:	
C Balance Sheet	26-27
D Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position	28
E Statement of Revenues, Expenditures and Changes in Fund Balances	29-30
F Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to the Statement of Activities	31
Proprietary Fund Financial Statements:	
G Statement of Fund Net Position	32
H Statement of Revenues, Expenses and Changes in Fund Net Position	33
I Statement of Cash Flows	34-35
Fiduciary Fund Financial Statements:	
J Statement of Fiduciary Net Position	36
K Statement of Changes in Fiduciary Net Position	37
Notes to Financial Statements	38-58
REQUIRED SUPPLEMENTARY INFORMATION:	
Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances – Budget and Actual – All Governmental Funds and Proprietary Funds	60
Notes to Required Supplementary Information – Budgetary Reporting	61
Schedule of the District’s Proportionate Share of the Net Pension Liability	62
Schedule of District Contributions	64-65
Notes to Required Supplementary Information – Pension Liability	66-67
Schedule of Funding Progress for the Retiree Health Plan	68
SUPPLEMENTARY INFORMATION:	
Schedule	
Nonmajor Governmental Funds:	
1 Combining Balance Sheet	70
2 Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	71
Capital Projects Accounts:	
3 Combining Balance Sheet	72
4 Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	73
Nonmajor Enterprise Funds:	
5 Combining Schedule of Fund Net Position	74
6 Combining Schedule of Revenues, Expenses and Changes in Fund Net Position	75
7 Combining Schedule of Cash Flows	76-77
8 Schedule of Changes in Special Revenue Fund, Student Activity Accounts	78
9 Schedule of Revenues by Source and Expenditures by Function - All Governmental Funds	80-81

TABLE OF CONTENTS
(continued)

	Page
SUPPLEMENTARY INFORMATION (continued):	
Schedule (continued)	
10 Schedule of Expenditures of Federal Awards	82-83
 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	 84-85
 INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133	 86-87
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS	 88-94

OTTUMWA COMMUNITY SCHOOL DISTRICT

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<u>Board of Education</u>		
Greg Riley	President	2015
David Weilbrenner	Vice President	2017
Carol Mitchell	Board Member (Resigned July 1, 2014)	
Cindy Kurtz-Hopkins	Board Member	2015
Doug Mathias	Board Member	2015
Gary Granneman	Board Member (Appointed July 14, 2014)	2015
Jan Koehn	Board Member (Appointed July 2014)	2015
Michael Burton	Board Member	2017
<u>School Officials</u>		
Dr. Davis Eidahl	Superintendent	2015
Alex Barr	District Secretary/Treasurer	2015
Richard Gaumer	Attorney	Indefinite

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

HUNT & ASSOCIATES, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

1201 HIGH AVENUE WEST
OSKALOOSA, IA 52577
641/672-2541
FAX 641/672-2461

317 EAST ROBINSON
KNOXVILLE, IA 50138
641/842-3184
FAX 641/828-7404

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, 2015 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, 2015, 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.

Emphasis of Matter

As discussed in Note 15 to the financial statements, Ottumwa Community School District adopted new accounting guidance related to Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27. Our opinions are not modified with respect to this matter.

Other*Required Supplementary Information*

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the District's Proportionate Share of the Net Pension Liability, the Schedule of District Contributions and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 17 and 60 through 68 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, 2014 (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 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 December 16, 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
December 16, 2015

Ottumwa Community School District
MANAGEMENT DISCUSSION AND ANALYSIS
For the fiscal year ended June 30, 2015

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, 2015. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

Financial Highlights

- The District completed a \$5 million renovation of an elementary school. This project was financed with Sales Tax Revenue bonds.
- The District showed an increase in total net position of \$5,901,060 for the year ended June 30, 2015, a 43.89% increase, after adjusting for the effects of restatement required by GASB 68.
- Governmental funds reported a total fund balance on June 30, 2015 of \$16,711,410 compared to \$15,031,680 reported on June 30, 2014, or an increase of \$1,679,730. Fund balances by fund are as follows: General Fund \$7,743,953, Capital Projects Fund \$5,285,435, Student Activities Fund \$782,634, Debt Service \$2,716,190 and Management Fund \$183,198.

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 deferred outflows of resources and the liabilities and deferred inflows of resources, with the difference between them 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 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.

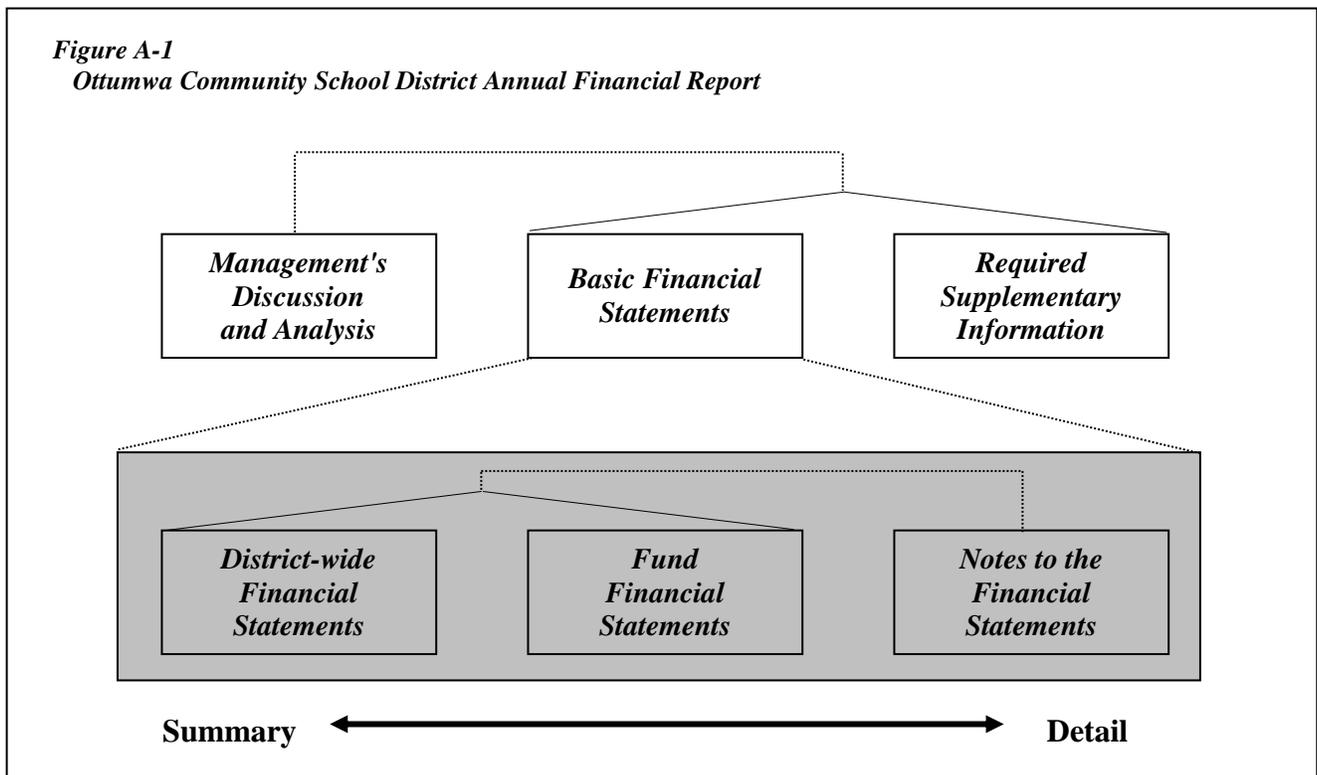


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain. The remainder of this overview section of the management’s discussion and analysis highlights the structure and contents 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 deferred outflow/inflow information	Consumption/acquisition of net position that is applicable to a future reporting period.	Consumption/acquisition of fund balance that is applicable to a future reporting period.	Consumption/acquisition of fund balance that is applicable to a future reporting period.	Consumption/acquisition of fund balance that is applicable to a future reporting period.
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, 2015 compared to June 30, 2014.

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>2015</u>	<u>2014</u> (Not restated)	<u>2015</u>	<u>2014</u> (Not restated)	<u>2015</u>	<u>2014</u> (Not restated)
ASSETS						
Current and other assets	\$37,398,654	\$35,526,513	\$823,485	\$786,147	\$38,222,139	\$36,312,660
Capital assets	39,140,851	40,333,030	259,330	298,300	39,400,181	40,631,330
Total assets	<u>\$76,539,505</u>	<u>\$75,859,543</u>	<u>\$1,082,815</u>	<u>\$1,084,447</u>	<u>\$77,622,320</u>	<u>\$76,943,990</u>
DEFERRED OUTFLOWS OF RESOURCES						
Pension related deferred outflows	<u>\$3,449,132</u>	<u>\$0</u>	<u>\$90,979</u>	<u>\$0</u>	<u>\$3,540,111</u>	<u>\$0</u>
LIABILITIES						
Other liabilities	\$7,025,288	\$7,210,377	\$190,437	\$180,714	\$7,215,725	\$7,391,091
Long-term liabilities	35,897,598	22,957,734	458,815	26,000	36,356,413	22,983,734
Total liabilities	<u>\$42,922,886</u>	<u>\$30,168,111</u>	<u>\$649,252</u>	<u>\$206,714</u>	<u>\$43,572,138</u>	<u>\$30,374,825</u>
DEFERRED INFLOWS OF RESOURCES						
Unavailable property tax revenue	\$11,524,705	\$11,680,807	\$0	\$0	\$11,524,705	\$11,680,807
Pension related deferred inflows	\$6,547,001	\$0	\$172,694	\$0	\$6,719,695	\$0
Total deferred inflows of resources	<u>\$18,071,706</u>	<u>\$11,680,807</u>	<u>\$172,694</u>	<u>\$0</u>	<u>\$18,244,400</u>	<u>\$11,680,807</u>
NET POSITION						
Net investment in capital assets	\$20,755,851	\$18,598,030	\$259,330	\$298,300	\$21,015,181	\$18,896,330
Restricted	10,215,216	9,110,110	0	0	10,215,216	9,110,110
Unrestricted	<u>-11,977,022</u>	<u>6,302,485</u>	<u>92,518</u>	<u>579,433</u>	<u>-11,884,504</u>	<u>6,881,918</u>
Total Net Position	<u>\$18,994,045</u>	<u>\$34,010,625</u>	<u>\$351,848</u>	<u>\$877,733</u>	<u>\$19,345,893</u>	<u>\$34,888,358</u>

The District’s combined total net position increased by \$5,901,060 or 43.89% for 2015, after adjusting for the effects of the restatement in the following paragraph required by GASB 68. The largest portion of the District’s net position is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets. Restricted net position is \$10,215,216 and are resources that are subject to external restrictions on how they may be used. Restricted net position is for debt repayment \$2,504,341, capital projects \$4,743,239, physical plant and equipment levy purposes \$542,196, student activities \$782,634, management levy purposes \$92,454 and categorical funds \$1,550,352. Unrestricted net position totaled -\$11,884,504 and may be used to meet the District’s ongoing obligations to students and creditors. This deficit of unrestricted net position is due to the District’s net pension liability as discussed in the following paragraph.

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27 was implemented during fiscal year 2015. The beginning net position as of July 1, 2014 for governmental activities and business type activities were restated by \$20,873,564 and \$569,961, respectively, to retroactively report the net pension liability as of June 30, 2013 and deferred outflows of resources related to contributions made after June 30, 2013 but prior to July 1, 2014. Fiscal year 2013 and 2014 financial statement amounts for net pension liabilities, pension expense, deferred outflows of resources and deferred inflows of resources were not restated because the information was not available. In the past, pension expense was the amount of the employer contribution. Current reporting provides a more comprehensive measure of pension expense which is more reflective of the amounts employees earned during the year.

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>2015</u>	<u>2014</u> (Not restated)	<u>2015</u>	<u>2014</u> (Not restated)	<u>2015</u>	<u>2014</u> (Not restated)	<u>2014 -2015</u>
Revenues							
Program Revenues							
Charges for services	\$1,706,069	\$1,553,529	\$594,077	\$578,506	\$2,300,146	\$2,132,035	7.89%
Grants and contributions	10,187,770	9,186,589	1,775,840	1,586,104	\$11,963,610	\$10,772,693	11.05%
General Revenues							
Property and other taxes	11,827,928	11,908,045	0	0	11,827,928	11,908,045	-0.67%
Statewide sales tax	4,342,664	3,940,494	0	0	4,342,664	3,940,494	10.21%
State and federal grants	25,842,386	24,496,017	0	0	25,842,386	24,496,017	5.50%
Other	100,139	127,823	924	1,058	101,063	128,881	-21.58%
Total Revenues	\$54,006,956	\$51,212,497	\$2,370,841	\$2,165,668	\$56,377,797	\$53,378,165	5.62%
Expenditures							
Instruction	\$29,991,773	\$29,382,162	\$0	\$0	\$29,991,773	\$29,382,162	2.07%
Pupil and instructional services	3,331,950	3,961,014	0	0	3,331,950	3,961,014	-15.88%
Administrative and business services	4,306,516	4,224,571	78,186	75,902	4,384,702	4,300,473	1.96%
Maintenance and operations	4,167,222	4,267,386	23,532	23,665	4,190,754	4,291,051	-2.34%
Transportation	1,715,904	1,670,674	23,090	21,360	1,738,994	1,692,034	2.78%
Other	4,584,772	4,584,532	0	647	4,584,772	4,585,179	-0.01%
Non instructional	51,835	58,359	2,201,957	2,140,627	2,253,792	2,198,986	2.49%
Total Expenditures	\$48,149,972	\$48,148,698	\$2,326,765	\$2,262,201	\$50,476,737	\$50,410,899	0.13%
Change in net position	\$5,856,984	\$3,063,799	\$44,076	-\$96,533	\$5,901,060	\$2,967,266	98.87%
Net position beginning of year, as restated	13,137,061	30,946,826	307,772	974,266	13,444,833	31,921,092	-57.88%
Net position end of year	\$18,994,045	\$34,010,625	\$351,848	\$877,733	\$19,345,893	\$34,888,358	-44.55%

Governmental Activities

- Net position increased by \$5,856,984 or 44.58%, after adjusting for the effects of restatement required by GASB 68.

Business Type Activities

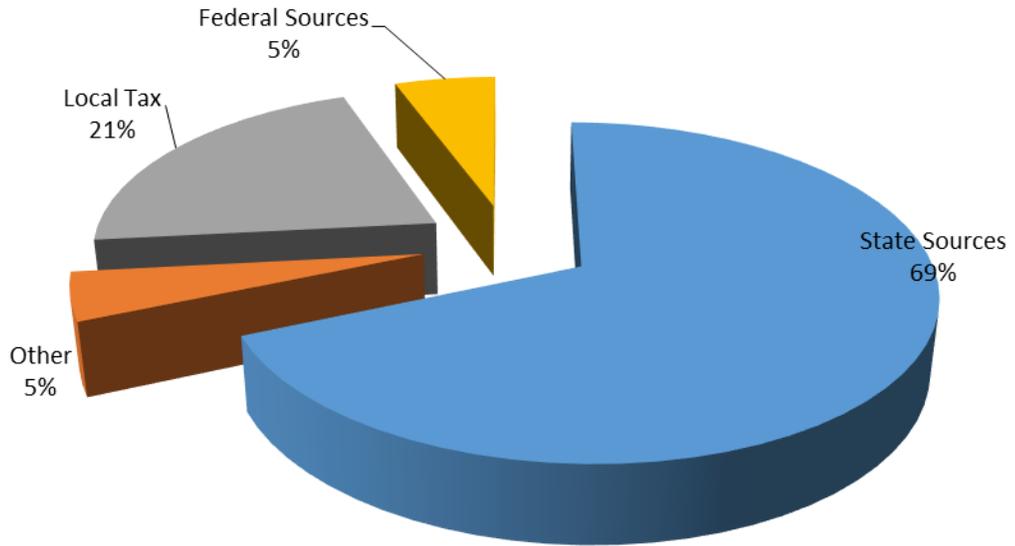
- Revenues from business-type activities increased by \$205,173, or 9.47%, and expenses increased by \$64,564 or 2.85%.

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

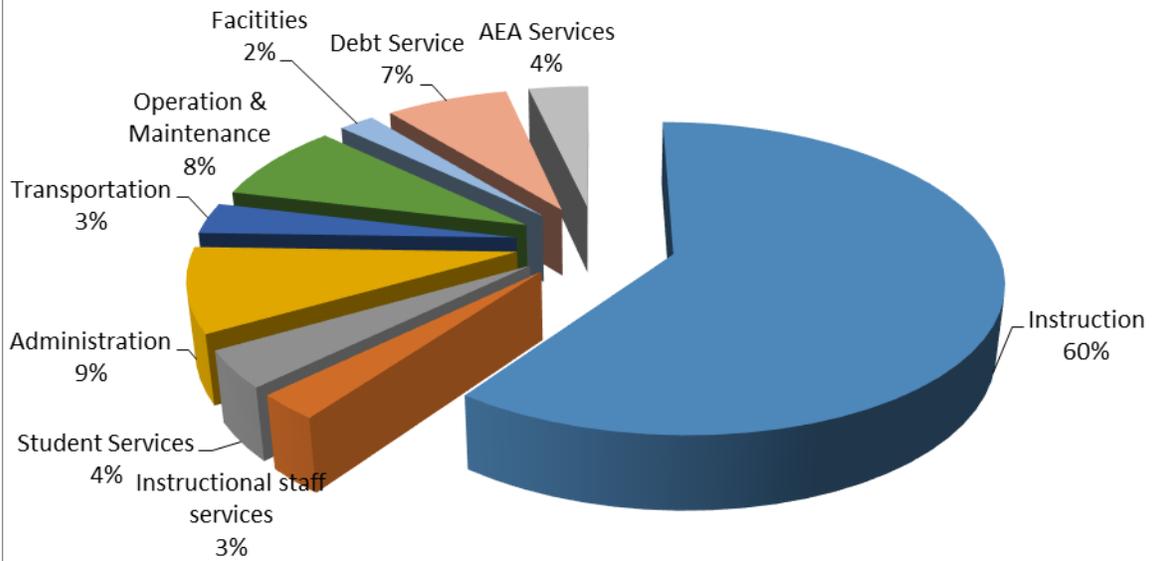
	<u>2015</u>	<u>2014</u>	<u>Change</u>	<u>% Change</u>
Revenues				
Local Tax	\$11,394,086	\$11,901,017	-\$506,931	-4.26%
Local Other	2,544,508	2,795,941	-251,433	-8.99%
State sources	37,029,372	33,376,292	3,653,080	10.95%
Federal sources	3,014,507	3,482,061	-467,554	-13.43%
Total Revenues	\$53,982,473	\$51,555,311	\$2,427,162	4.71%
Expenditures				
Instruction	\$31,418,614	\$29,662,895	\$1,755,719	5.92%
Student services	2,034,784	2,363,758	-328,974	-13.92%
Instructional staff services	1,425,681	1,582,325	-156,644	-9.90%
Administration services	4,577,420	4,316,099	261,321	6.05%
Operation and maintenance of plant services	4,324,053	4,342,654	-18,601	-0.43%
Transportation	1,720,176	1,664,376	55,800	3.35%
Non-instructional services	51,835	58,359	-6,524	-11.18%
Facilities acquisition	1,107,569	5,039,631	-3,932,062	-78.02%
Debt Service	3,809,771	3,708,423	101,348	2.73%
AEA flowthrough	1,857,323	1,740,542	116,781	6.71%
Total Expenditures	\$52,327,226	\$54,479,062	-\$2,151,836	-3.95%
Excess revenues over expenditures	\$1,655,247	-\$2,923,751	\$4,578,998	156.61%
Other financing sources (uses)				
Other financing sources	24,483	37,388	-12,905	-34.52%
Total Other Financing Sources	\$24,483	\$37,388	-\$12,905	-34.52%
Net change in fund balances	\$1,679,730	-\$2,886,363	\$4,566,093	-158.20%
Fund balances beginning of year	15,031,680	17,918,043	-2,886,363	-16.11%
Fund balances end of year	\$16,711,410	\$15,031,680	\$1,679,730	11.17%

Revenues for FY2015 showed an increase of \$2,427,162 or 4.71% as local other and federal sources showed decreases while state sources increased. Expenditures on the whole declined by \$2,151,836. The majority of the decline in expenditures is attributed to decreased facilities acquisition as significant projects were completed in FY2014. Expenditures reported in FY2015 for facility acquisitions reflect the completion of the remodeling of an elementary building. This significant decline was offset by increases to instruction, administration services, transportation, AEA flowthrough, and debt service.

Revenue Summary



Expenditures - Governmental Funds FY15



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
FY 16	780,519,168	-1.0%	14.70

Taxable valuation excludes TIF

Over the last five years taxable valuations have increased an average of 2.4% a year. The District's Levy rate has declined from \$14.80 to \$14.70 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, 2015 the District reported a total government funds fund balance of \$16,711,410, an increase of \$1,679,730, or 11%, from the prior year.

General Fund

- Total general fund revenues for FY 2015 were \$46,833,039, an increase of \$2,205,029 from the prior year. Federal revenue decreased by \$467,554, state funding increased by \$3,223,562, local tax decreased by 282,288, and local other decreased by \$268,691.
- Expenditures for FY 2015 were \$45,870,442, an increase of \$1,686,854 or 3.8%, from the prior year.
- For FY 2015 revenues exceeded expenditures by \$962,597.

Debt Service Fund

- The District expended \$3,809,771 in principal and interest repayment during FY2015.

Management Levy Fund

- The management levy fund balance increased by \$167,981 to \$183,198 as revenue increased by \$43,031 with expenditures decreasing by \$161,889 from the prior year.

Student Activities Fund

- The student activity fund had an ending balance of \$782,634, with an increase of \$125,705 from the prior year. Revenues were \$1,194,696 and expenditures were \$1,068,991 for the year.

Capital Projects Fund

The capital project fund reported an increased fund balance of \$2,568,118, to \$5,285,435. 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 completed in FY2014. During FY2014, \$3,831,691 of the proceeds were expended on this project, with the balance expended in FY2015 as the contract was completed and less expenditures were necessary. In addition, the District paid off its remaining general obligation debt during FY2015. This resulted in less funds transferred from the capital projects fund to the debt service fund during FY2015 in comparison to what was required in previous fiscal years.

Proprietary Fund Highlights

School Nutrition Fund

- Net position increased by \$40,748 to \$185,921 with revenues of \$2,122,076 and expenses of \$2,081,328.

Youth Care Fund

- Net position increased by \$3,328 to -\$26,628 with revenues of \$248,765 and expenses of \$245,437.

Student Constructed House Fund

- The District's students did not construct a home in FY2015. 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 2015 the District's amended total budget included revenue of \$54,928,386 and expenditures/expenses of \$56,027,899. 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 \$1,424,928 more than budgeted, and expenditures were \$1,373,908 less than budgeted. Although the District did not exceed total expenditures/expenses budget, it did exceed the amount budgeted in the support services function.

Capital Asset and Debt Administration

Capital Assets

	<u>Governmental Activities</u>		<u>Business- Type</u>		<u>District</u>
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>
Land	\$691,857	\$691,857	\$0	\$0	\$691,857
Construction in progress	0	4,389,334	0	0	0
Buildings	65,553,697	60,404,150	0	0	65,553,697
Improvements non-buildings	1,181,390	1,137,117	0	0	1,181,390
Furniture and Equipment	916,487	827,457	960,147	948,994	1,876,634
Total Capital Assets	\$68,343,431	\$67,449,915	\$960,147	\$948,994	\$69,303,578
Accumulated Depreciation	29,202,580	27,116,885	700,817	650,694	29,903,397
Capital Net Assets	\$39,140,851	\$40,333,030	\$259,330	\$298,300	\$39,400,181

The District started construction on a \$5 million remodel of an elementary school in FY14 that was completed in the summer of 2014.

Long-Term Debt

	<u>Outstanding</u>	<u>Net Change</u>	<u>Outstanding</u>
	2014	2015	2015
Early Retirement & Compensated Absence	\$275,734	-\$5,583	\$270,151
General Obligation Bonds	675,000	-675,000	0
Sales and Service Tax Bonds	21,060,000	-2,675,000	18,385,000
Net pension liability	23,924,935	-7,083,673	16,841,262
Net OPEB Liability	973,000	-113,000	860,000
Total	\$46,908,669	-\$10,552,256	\$36,356,413

Principal debt repayments on general obligation and sales and services tax bonds in the amount of \$3,350,000 were expended by the District during FY2015. Changes in the debt schedule traditionally have been due to the payment on general obligation bonds and the sale of new bonds. This will change moving forward as the District is required to report actuarial OPEB and Net Pension amounts. These amounts represent possible future costs based upon individual employee choices about retirement and the State's ability, and will, to fund its IPERS obligations moving forward. The District did not incur new "actual" debt during the fiscal year as debt on bonds and loans

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 2015 enrollment increased by 25 and by 21 October 2014, resulting with about .54% annual increase in the most recent certified enrollment. Under Iowa's school funding formula, District funding for the next year is highly dependent upon the District's enrolment on student count day in October. Future enrollment stability is a critical element in maintaining a sound financial foundation.
- Funding at the state level continues to be a focal point for educators. Low state supplemental aid increases are not satisfying cost of living increases as well as increased costs for operating expenses.
- The extension of the Secure an Advanced Vision for Education (SAVE, formerly LOST Fund) is critical for future bonding initiatives for school districts as well as maintaining all funds for school infrastructure as it was originally intended.

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, Chief Financial Officer, Ottumwa Community School District, 1112 N. Van Buren, Ottumwa, Iowa, 52501.

This page intentionally left blank

Basic Financial Statements

OTTUMWA COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET POSITION

June 30, 2015

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and pooled investments	\$ 23,002,742	\$ 742,372	\$ 23,745,114
Receivables:			
Property tax:			
Current year	256,593	-	256,593
Succeeding year	11,524,705	-	11,524,705
Accrued interest	20,061	-	20,061
Accounts (net of \$30,423 allowance for doubtful accounts)	-	10,141	10,141
Stop-loss reimbursement	228,718	-	228,718
Due from other governments	1,918,045	-	1,918,045
Inventories	61,470	70,972	132,442
Real estate deposit	2,500	-	2,500
Prepaid expenses	383,820	-	383,820
Capital assets, net of accumulated depreciation (note 5)	39,140,851	259,330	39,400,181
Total assets	76,539,505	1,082,815	77,622,320
Deferred Outflows of Resources			
Pension related deferred outflows	3,449,132	90,979	3,540,111
Liabilities			
Accounts payable	1,553,261	31,777	1,585,038
Salaries and benefits payable	4,948,699	137,664	5,086,363
Claims incurred but not reported	202,700	-	202,700
Advances from grantors	98,051	-	98,051
Unearned revenue	10,728	20,996	31,724
Accrued interest payable	211,849	-	211,849
Long-term liabilities (note 7):			
Portion due within one year:			
Early retirement	41,362	-	41,362
Bonds payable	1,020,000	-	1,020,000
Compensated absences	179,407	-	179,407
Portion due after one year:			
Early retirement	49,382	-	49,382
Bonds payable	17,365,000	-	17,365,000
Net pension liability	16,408,447	432,815	16,841,262
Net OPEB liability	834,000	26,000	860,000
Total liabilities	42,922,886	649,252	43,572,138

OTTUMWA COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET POSITION

June 30, 2015

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
Deferred Inflows of Resources			
Unavailable property tax revenue	\$ 11,524,705	\$ -	\$ 11,524,705
Pension related deferred inflows	6,547,001	172,694	6,719,695
Total deferred inflows of resources	<u>18,071,706</u>	<u>172,694</u>	<u>18,244,400</u>
Net Position			
Net investment in capital assets	20,755,851	259,330	21,015,181
Restricted for:			
Categorical funding and local grants	1,550,352	-	1,550,352
Debt service	2,504,341	-	2,504,341
Capital projects	4,743,239	-	4,743,239
Physical plant and equipment levy purposes	542,196	-	542,196
Management levy purposes	92,454	-	92,454
Student activities	782,634	-	782,634
Unrestricted	<u>(11,977,022)</u>	<u>92,518</u>	<u>(11,884,504)</u>
Total net position	<u>\$ 18,994,045</u>	<u>\$ 351,848</u>	<u>\$ 19,345,893</u>

See notes to financial statements.

OTTUMWA COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

Year Ended June 30, 2015

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Governmental Activities:			
Instruction:			
Regular	\$ 18,744,294	\$ 430,604	\$ 4,098,648
Special	4,765,657	49,239	2,440,260
Other	6,481,822	1,193,378	110,957
	<u>29,991,773</u>	<u>1,673,221</u>	<u>6,649,865</u>
Support services:			
Student	1,961,366	-	12,000
Instructional staff	1,370,584	-	1,661,720
Administration	4,306,516	-	-
Operation and maintenance of plant	4,167,222	32,848	432
Transportation	1,715,904	-	6,430
	<u>13,521,592</u>	<u>32,848</u>	<u>1,680,582</u>
Non-instructional programs	<u>51,835</u>	-	-
Other expenditures:			
Facilities acquisition	289,203	-	-
Long-term debt interest and fiscal charges	445,271	-	-
AEA flowthrough	1,857,323	-	1,857,323
Depreciation (unallocated) *	1,992,975	-	-
	<u>4,584,772</u>	<u>-</u>	<u>1,857,323</u>
Total governmental activities	<u>48,149,972</u>	<u>1,706,069</u>	<u>10,187,770</u>

Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Business-Type Activities	Total
\$ (14,215,042)	\$ -	\$ (14,215,042)
(2,276,158)	-	(2,276,158)
(5,177,487)	-	(5,177,487)
<u>(21,668,687)</u>	<u>-</u>	<u>(21,668,687)</u>
(1,949,366)	-	(1,949,366)
291,136	-	291,136
(4,306,516)	-	(4,306,516)
(4,133,942)	-	(4,133,942)
(1,709,474)	-	(1,709,474)
<u>(11,808,162)</u>	<u>-</u>	<u>(11,808,162)</u>
<u>(51,835)</u>	<u>-</u>	<u>(51,835)</u>
(289,203)	-	(289,203)
(445,271)	-	(445,271)
-	-	-
(1,992,975)	-	(1,992,975)
<u>(2,727,449)</u>	<u>-</u>	<u>(2,727,449)</u>
<u>(36,256,133)</u>	<u>-</u>	<u>(36,256,133)</u>

OTTUMWA COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

Year Ended June 30, 2015

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Business-Type Activities:			
Support services:			
Food service operations	\$ 101,718	\$ -	\$ -
Other operations	23,090	-	-
	<u>124,808</u>	<u>-</u>	<u>-</u>
Non-instructional programs:			
Food service operations	1,979,610	367,589	1,753,792
Other operations	222,347	226,488	22,048
	<u>2,201,957</u>	<u>594,077</u>	<u>1,775,840</u>
Total business-type activities	<u>2,326,765</u>	<u>594,077</u>	<u>1,775,840</u>
Total	<u>\$ 50,476,737</u>	<u>\$ 2,300,146</u>	<u>\$ 11,963,610</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, as restated (note 15)

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
\$ -	\$ (101,718)	\$ (101,718)
-	(23,090)	(23,090)
-	(124,808)	(124,808)
-	141,771	141,771
-	26,189	26,189
-	167,960	167,960
-	43,152	43,152
(36,256,133)	43,152	(36,212,981)
\$ 10,860,514	\$ -	\$ 10,860,514
697,876	-	697,876
269,538	-	269,538
4,342,664	-	4,342,664
25,842,386	-	25,842,386
57,052	924	57,976
43,087	-	43,087
42,113,117	924	42,114,041
5,856,984	44,076	5,901,060
13,137,061	307,772	13,444,833
\$ 18,994,045	\$ 351,848	\$ 19,345,893

OTTUMWA COMMUNITY SCHOOL DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2015

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Total</u>
Assets				
Cash and pooled investments	\$ 12,320,469	\$ 4,646,137	\$ 3,628,631	\$ 20,595,237
Receivables:				
Property tax:				
Current year	222,649	5,771	28,173	256,593
Succeeding year	10,559,662	265,042	700,001	11,524,705
Accrued interest	17,077	-	-	17,077
Due from other governments	1,244,737	673,308	-	1,918,045
Inventories	61,470	-	-	61,470
Real estate deposit	-	2,500	-	2,500
Prepaid expenses	79,500	165,000	139,320	383,820
	<hr/>			
Total assets	<u>\$ 24,505,564</u>	<u>\$ 5,757,758</u>	<u>\$ 4,496,125</u>	<u>\$ 34,759,447</u>

OTTUMWA COMMUNITY SCHOOL DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2015

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Total</u>
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts payable	\$ 1,157,743	\$ 207,281	\$ 111,558	\$ 1,476,582
Salaries and benefits payable	4,946,155	-	2,544	4,948,699
Advances from grantors	98,051	-	-	98,051
Total liabilities	<u>6,201,949</u>	<u>207,281</u>	<u>114,102</u>	<u>6,523,332</u>
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	<u>10,559,662</u>	<u>265,042</u>	<u>700,001</u>	<u>11,524,705</u>
Fund balances:				
Nonspendable:				
Inventories	61,470	-	-	61,470
Prepaid expenses	79,500	165,000	139,320	383,820
Restricted for:				
Categorical funding (note 12)	1,297,448	-	-	1,297,448
Local grants	252,904	-	-	252,904
Revenue bonds sinking fund	-	-	1,231,849	1,231,849
Revenue bonds reserve fund	-	-	1,459,005	1,459,005
Debt service	-	-	25,336	25,336
School infrastructure	-	4,578,239	-	4,578,239
Physical plant and equipment	-	542,196	-	542,196
Management levy purposes	-	-	183,198	183,198
Student activities	-	-	643,314	643,314
Assigned:				
Stevens Educational Trust	50,105	-	-	50,105
Unassigned	6,002,526	-	-	6,002,526
Total fund balances	<u>7,743,953</u>	<u>5,285,435</u>	<u>3,682,022</u>	<u>16,711,410</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 24,505,564</u>	<u>\$ 5,757,758</u>	<u>\$ 4,496,125</u>	<u>\$ 34,759,447</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, 2015

Total fund balances of governmental funds		\$ 16,711,410
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.		39,140,851
The Internal Service Fund net position is incorporated into the governmental activities net position due to the integral nature of the services performed.		2,349,100
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.		(211,849)
Pension related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental funds, as follows:		
	Deferred outflows of resources	\$ 3,449,132
	Deferred inflows of resources	<u>(6,547,001)</u> (3,097,869)
Long-term liabilities, including early retirement, bonds payable, compensated absences, net pension liability and net OPEB liability, are not due and payable in the current year and, therefore, are not reported in the governmental funds.		<u>(35,897,598)</u>
Net position of governmental activities		<u><u>\$ 18,994,045</u></u>

See notes to financial statements.

OTTUMWA COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2015

	General	Capital Projects	Nonmajor	Total
Revenues:				
Local sources:				
Local tax	\$ 9,847,440	\$ 264,699	\$ 1,281,947	\$ 11,394,086
Tuition	337,558	-	-	337,558
Other	948,866	6,834	1,224,893	2,180,593
Intermediate sources	26,357	-	-	26,357
State sources	32,658,311	4,347,502	23,559	37,029,372
Federal sources	3,014,507	-	-	3,014,507
Total revenues	<u>46,833,039</u>	<u>4,619,035</u>	<u>2,530,399</u>	<u>53,982,473</u>
Expenditures:				
Current:				
Instruction	<u>30,254,334</u>	-	1,164,280	31,418,614
Support services:				
Student	2,034,784	-	-	2,034,784
Instructional staff	1,425,681	-	-	1,425,681
Administration	4,541,089	3,650	32,681	4,577,420
Operation and maintenance of plant	4,036,453	-	287,600	4,324,053
Transportation	1,708,923	-	11,253	1,720,176
	<u>13,746,930</u>	<u>3,650</u>	<u>331,534</u>	<u>14,082,114</u>
Non-instructional programs	<u>11,855</u>	-	39,980	51,835
Other expenditures:				
Facilities acquisition	-	1,107,569	-	1,107,569
Long term debt:				
Principal	-	-	3,350,000	3,350,000
Interest and fiscal charges	-	-	459,771	459,771
AEA flowthrough	1,857,323	-	-	1,857,323
	<u>1,857,323</u>	<u>1,107,569</u>	<u>3,809,771</u>	<u>6,774,663</u>
Total expenditures	<u>45,870,442</u>	<u>1,111,219</u>	<u>5,345,565</u>	<u>52,327,226</u>
Excess (deficiency) of revenues over (under) expenditures	<u>962,597</u>	<u>3,507,816</u>	<u>(2,815,166)</u>	<u>1,655,247</u>

OTTUMWA COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2015

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Total</u>
Other financing sources (uses):				
Sale of equipment	\$ 1,558	\$ -	\$ -	\$ 1,558
Compensation for loss of capital assets	22,925	-	-	22,925
Interfund transfers in (note 3)	1,344	504,000	1,443,698	1,949,042
Interfund transfers out (note 3)	-	(1,443,698)	(505,344)	(1,949,042)
Total other financing sources (uses)	<u>25,827</u>	<u>(939,698)</u>	<u>938,354</u>	<u>24,483</u>
Net change in fund balances	988,424	2,568,118	(1,876,812)	1,679,730
Fund balances beginning of year	<u>6,755,529</u>	<u>2,717,317</u>	<u>5,558,834</u>	<u>15,031,680</u>
Fund balances end of year	<u>\$ 7,743,953</u>	<u>\$ 5,285,435</u>	<u>\$ 3,682,022</u>	<u>\$ 16,711,410</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, 2015

Net change in fund balances - total governmental funds \$ 1,679,730

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	\$ 893,516	
Depreciation expense	<u>(2,085,695)</u>	(1,192,179)

The change in net position of the Internal Service Fund represents an overcharge to the governmental funds for services performed. Expenses in governmental activities are adjusted to reflect this overcharge in the Statement of Activities. 519,102

Repayment of long-term liabilities is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position. 3,350,000

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. 14,500

The current year District employer share of IPERS contributions are reported as expenditures in the governmental funds, but are reported as a deferred outflow of resources in the Statement of Net Position. 131,216

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	(40,322)	
Compensated absences	45,905	
Pension expense	1,236,032	
Net OPEB liability	<u>113,000</u>	<u>1,354,615</u>

Change in net position of governmental activities \$ 5,856,984

See notes to financial statements.

OTTUMWA COMMUNITY SCHOOL DISTRICT

STATEMENT OF FUND NET POSITION
PROPRIETARY FUNDS

June 30, 2015

	Enterprise Funds	Internal Service Fund
	<u> </u>	<u> </u>
Assets		
Cash and pooled investments	\$ 742,372	\$ 2,407,505
Receivables:		
Accounts (net of \$30,423 allowance for doubtful accounts)	10,141	-
Accrued interest	-	2,984
Stop loss reimbursement	-	228,718
Inventories	70,972	-
Capital assets, net of accumulated depreciation (note 5)	259,330	-
Total assets	<u>1,082,815</u>	<u>2,639,207</u>
Deferred Outflows of Resources		
Pension related deferred outflows of resources	<u>90,979</u>	-
Liabilities		
Claims incurred but not reported	-	202,700
Accounts payable	31,777	76,679
Salaries and benefits payable	137,664	-
Unearned revenue	20,996	10,728
Net pension liability (note 7)	432,815	-
Net OPEB liability (note 7)	26,000	-
Total liabilities	<u>649,252</u>	<u>290,107</u>
Deferred Inflows of Resources		
Pension related deferred inflows of resources	<u>172,694</u>	-
Fund Net Position		
Net investment in capital assets	259,330	-
Unrestricted	92,518	2,349,100
Total fund net position	<u>\$ 351,848</u>	<u>\$ 2,349,100</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, 2015

	Enterprise Funds	Internal Service Fund
	<u> </u>	<u> </u>
Operating revenues:		
Local sources:		
Charges for services	\$ 594,077	\$ 3,248,660
	<u> </u>	<u> </u>
Operating expenses:		
Support services:		
Salaries	66,620	-
Benefits	9,767	-
Purchased services	48,421	-
	<u>124,808</u>	<u> </u>
Non-instructional programs:		
Salaries	740,155	-
Benefits	64,180	-
Purchased services	69,913	2,732,251
Supplies	1,277,586	-
Depreciation	50,123	-
	<u>2,201,957</u>	<u>2,732,251</u>
Total operating expenses	<u>2,326,765</u>	<u>2,732,251</u>
Operating income (loss)	(1,732,688)	516,409
Non-operating revenues:		
Interest on investments	924	2,693
State sources	17,877	-
Federal sources	1,757,963	-
Total non-operating revenues	<u>1,776,764</u>	<u>2,693</u>
Change in fund net position	44,076	519,102
Fund net position beginning of year, as restated (note 15)	<u>307,772</u>	<u>1,829,998</u>
Fund net position end of year	<u>\$ 351,848</u>	<u>\$ 2,349,100</u>

See notes to financial statements.

OTTUMWA COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2015

	Enterprise Funds	Internal Service Fund
	<u> </u>	<u> </u>
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 338,285	\$ -
Cash received from miscellaneous operating activities	254,678	3,025,893
Cash paid to employees for services	(932,180)	-
Cash paid to suppliers for goods or services	(1,195,756)	(2,733,636)
Net cash provided by (used by) operating activities	<u>(1,534,973)</u>	<u>292,257</u>
Cash flows from non-capital financing activities:		
State grants received	17,877	-
Federal grants received	1,570,403	-
Net cash provided by non-capital financing activities	<u>1,588,280</u>	<u>-</u>
Cash flows from capital and related financing activities:		
Purchase of equipment	<u>(11,153)</u>	<u>-</u>
Cash flows from investing activities:		
Interest on investments	<u>924</u>	<u>2,723</u>
Net increase in cash and cash equivalents	43,078	294,980
Cash and cash equivalents beginning of year	<u>699,294</u>	<u>1,112,525</u>
Cash and cash equivalents end of year	<u>\$ 742,372</u>	<u>\$ 1,407,505</u>

OTTUMWA COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2015

	<u>Enterprise Funds</u>	<u>Internal Service Fund</u>
Reconciliation of operating income (loss) to net cash provided by (used by) operating activities:		
Operating income (loss)	\$ (1,732,688)	\$ 516,409
Adjustments to reconcile operating income (loss) to net cash provided by (used by) operating activities:		
Depreciation	50,123	-
Commodities used	187,560	-
(Increase) in accounts receivable	(3,382)	-
(Increase) in stop-loss reimbursement receivable	-	(228,718)
Decrease in inventories	9,122	-
Increase (decrease) in accounts payable	3,482	(6,585)
Increase in claims incurred but not reported	-	5,200
Increase in salaries and benefits payable	3,973	-
Increase in unearned revenue	2,268	5,951
(Decrease) in net pension liability	(203,101)	-
(Increase) in deferred outflows of resources	(25,024)	-
Increase in deferred inflows of resources	172,694	-
	<u> </u>	<u> </u>
Net cash provided by (used by) operating activities	<u>\$ (1,534,973)</u>	<u>\$ 292,257</u>
Reconciliation of cash and cash equivalents at year end to specific assets included on the Statement of Net Position:		
Cash and pooled investments	\$ 742,372	\$ 2,407,505
Less items not meeting the definition of a cash equivalent:		
Certificate of deposit	-	1,000,000
	<u> </u>	<u> </u>
Cash and cash equivalents at year end	<u>\$ 742,372</u>	<u>\$ 1,407,505</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2015, the District received \$187,560 of federal commodities.

See notes to financial statements.

OTTUMWA COMMUNITY SCHOOL DISTRICT
 STATEMENT OF FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 June 30, 2015

		Private Purpose Trust
		<u>Scholarship</u>
Assets:		
Cash and pooled investments	\$	78,691
Accrued interest receivable		<u>408</u>
Total assets		<u>79,099</u>
Fiduciary Net Position:		
Restricted for scholarships	\$	<u><u>79,099</u></u>

See notes to financial statements.

OTTUMWA COMMUNITY SCHOOL DISTRICT
 STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 Year Ended June 30, 2015

	Private Purpose Trust
	<u>Scholarship</u>
Additions:	
Local sources:	
Interest	\$ <u>533</u>
Deductions:	
Non-instructional programs:	
Scholarships awarded	<u>2,700</u>
Change in fiduciary net position	(2,167)
Fiduciary net position beginning of year	<u>81,266</u>
Fiduciary net position end of year	\$ <u><u>79,099</u></u>
See notes to financial statements.	

OTTUMWA COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

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

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

The Statement of Net Position presents the District's nonfiduciary assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as net position. Net position is reported in the following 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, 2015

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 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, 2015

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, 2015

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Deferred Outflows of Resources, 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, 2015.

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, 2013 assessed property valuations; is for the tax accrual period July 1, 2014 through June 30, 2015 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2014.

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, 2015

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Deferred Outflows of Resources, 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

Deferred Outflows of Resources – Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense and contributions from the employer after the measurement date but before the end of the employer’s reporting period.

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.

OTTUMWA COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 1. Summary of Significant Accounting Policies (continued)

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

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.

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, 2015. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

Pensions – For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Iowa Public Employees' Retirement System (IPERS) and additions to/deductions from IPERS' fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Inflows of Resources – Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consist of property tax receivable and other receivables not collected within sixty days after year end.

Deferred inflows of resources in the Statement of Net Position consist of succeeding year property tax receivables that will not be recognized until the year for which it is levied and the unamortized portion of the net difference between projected and actual earnings on pension plan investments.

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.

OTTUMWA COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 1. Summary of Significant Accounting Policies (continued)

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

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, 2015, 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, 2015 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.

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, 2015, the District had investments as follows:

	<u>Fair Value/ Amortized Cost</u>
Money market mutual fund	\$ 1,304,001
Iowa Schools Joint Investment Trust, Diversified Portfolio	<u>764,189</u>
	<u>\$ 2,068,190</u>

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.

OTTUMWA COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 3. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2015 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects	\$ 1,443,698
Capital Projects	Debt Service	504,000
General	Special Revenue: Management Levy	<u>1,344</u>
		<u>\$ 1,949,042</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, 2015 totaled \$165,000.

OTTUMWA COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 5. Capital Assets

Capital assets activity for the year ended June 30, 2015 is as follows:

	<u>Balance Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance End of Year</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 691,857	\$ -	\$ -	\$ 691,857
Construction in progress	4,389,334	458,931	4,848,265	-
Total capital assets not being depreciated	<u>5,081,191</u>	<u>458,931</u>	<u>4,848,265</u>	<u>691,857</u>
Capital assets being depreciated:				
Buildings	60,404,150	5,149,547	-	65,553,697
Improvements other than buildings	1,137,117	44,273	-	1,181,390
Furniture and equipment	827,457	89,030	-	916,487
Total capital assets being depreciated	<u>62,368,724</u>	<u>5,282,850</u>	<u>-</u>	<u>67,651,574</u>
Less accumulated depreciation for:				
Buildings	25,819,084	1,968,357	-	27,787,441
Improvements other than buildings	525,730	81,610	-	607,340
Furniture and equipment	772,071	35,728	-	807,799
Total accumulated depreciation	<u>27,116,885</u>	<u>2,085,695</u>	<u>-</u>	<u>29,202,580</u>
Total capital assets being depreciated, net	<u>35,251,839</u>	<u>3,197,155</u>	<u>-</u>	<u>38,448,994</u>
Governmental activities capital assets, net	<u>\$ 40,333,030</u>	<u>\$ 3,656,086</u>	<u>\$ 4,848,265</u>	<u>\$ 39,140,851</u>
	<u>Balance Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance End of Year</u>
Business-type activities:				
Furniture and equipment	\$ 948,994	\$ 11,153	\$ -	\$ 960,147
Less accumulated depreciation	650,694	50,123	-	700,817
Business-type activities capital assets, net	<u>\$ 298,300</u>	<u>\$ (38,970)</u>	<u>\$ -</u>	<u>\$ 259,330</u>

OTTUMWA COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 5. Capital Assets (continued)

Depreciation expense was charged to the following functions:

Governmental activities:

Instruction:

Regular	\$ 80,953
---------	-----------

Support services:

Administration	3,928
----------------	-------

Operation and maintenance of plant	7,839
------------------------------------	-------

	92,720
--	--------

Unallocated depreciation	1,992,975
--------------------------	-----------

Total depreciation expense - governmental activities	\$ <u>2,085,695</u>
--	---------------------

Business-type activities:

Food service operations	\$ <u>50,123</u>
-------------------------	------------------

Note 6. Short-term Financing

During the year ended June 30, 2015, the District's General Fund made a \$400,000 temporary loan for cash flow purposes to the Special Revenue, Management Levy Fund at a .50 percent per annum interest rate. The loan was repaid prior to June 30, 2015, including interest charges of \$1,344.

OTTUMWA COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 7. Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2015 is as follows:

	Balance Beginning of Year, as Restated	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
Early retirement	\$ 50,422	\$ 76,504	\$ 36,182	\$ 90,744	\$ 41,362
General obligation bonds	675,000	-	675,000	-	-
Revenue bonds	21,060,000	-	2,675,000	18,385,000	1,020,000
Net pension liability	23,289,019	-	6,880,572	16,408,447	-
Net OPEB liability	947,000	-	113,000	834,000	-
Compensated absences	225,312	179,407	225,312	179,407	179,407
Total	\$ 46,246,753	\$ 255,911	\$ 10,605,066	\$ 35,897,598	\$ 1,240,769
	Balance Beginning of Year, as Restated	Additions	Reductions	Balance End of Year	Due Within One Year
Business-type activities:					
Net pension liability	\$ 635,916	\$ -	\$ 203,101	\$ 432,815	\$ -
Net OPEB liability	26,000	-	-	26,000	-
Total	\$ 661,916	\$ -	\$ 203,101	\$ 458,815	\$ -

Early Retirement

The District offered a voluntary early retirement plan to administrators and classified employees for the year ended June 30, 2015. 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, 2015.

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

OTTUMWA COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 7. Long-Term Liabilities (continued)

Early Retirement (continued)

At June 30, 2015, the District has obligations to ten participants with a total liability of \$90,744. Actual early retirement expenditures for the year ended June 30, 2015 totaled \$36,182. Early retirement is recorded as a long-term liability of the Governmental Activities in the District-wide financial statements.

Revenue Bonds

Details of the District's June 30, 2015 revenue bonded indebtedness are as follows:

Year Ending June 30,	Issue dated July 23, 2012			Issue dated April 11, 2013			Total	
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest	Principal	Interest
2016	2.00 %	\$ 515,000	\$ 230,450	1.250 %	\$ 505,000	\$ 184,941	\$ 1,020,000	\$ 415,391
2017	2.00	525,000	220,050	1.250	515,000	178,566	1,040,000	398,616
2018	2.00	535,000	209,450	1.250	520,000	172,098	1,055,000	381,548
2019	2.00	545,000	198,650	1.500	525,000	164,911	1,070,000	363,561
2020	2.00	560,000	187,600	1.500	535,000	156,960	1,095,000	344,560
2021	2.00	570,000	176,300	1.600	540,000	148,628	1,110,000	324,928
2022	2.10	580,000	164,510	1.850	550,000	139,220	1,130,000	303,730
2023	2.20	595,000	151,875	2.000	565,000	128,483	1,160,000	280,358
2024	2.30	605,000	138,373	2.200	575,000	116,507	1,180,000	254,880
2025	2.50	620,000	123,665	2.350	590,000	103,249	1,210,000	226,914
2026	2.65	635,000	107,501	2.500	605,000	88,755	1,240,000	196,256
2027	2.80	655,000	89,917	2.625	620,000	73,055	1,275,000	162,972
2028	3.00	670,000	70,698	2.750	640,000	56,118	1,310,000	126,816
2029	3.15	690,000	49,780	2.850	655,000	37,984	1,345,000	87,764
2030	3.25-3.30	1,190,000	27,294	3.000	955,000	18,525	2,145,000	45,819
		<u>\$ 9,490,000</u>	<u>\$ 2,146,113</u>		<u>\$ 8,895,000</u>	<u>\$ 1,768,000</u>	<u>\$ 18,385,000</u>	<u>\$ 3,914,113</u>

The District pledged future statewide sales, services and use tax revenues to repay the \$18,385,000 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, services and use tax revenues received by the District and are payable through June 30, 2030. The bonds are not a general obligation of the District and the debt is not subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require approximately 33 percent of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the bonds is \$22,299,113. For the current year, \$3,112,072 of principal and interest was paid on the bonds and total statewide sales, services and use tax revenues were \$4,342,664.

OTTUMWA COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 7. Long-Term Liabilities (continued)

Revenue Bonds (continued)

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 July 23, 2012 and April 11, 2013, \$1,459,005 is recorded in a debt service reserve fund within the Debt Service Fund.
- (b) All proceeds from the local option sales and services tax shall be placed in a Revenue Account.
- (c) Monies in the Revenue Account shall be disbursed to make deposits into a Sinking Account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- (d) Any monies remaining in the Revenue Account after the required transfer to the Sinking Account may be transferred to the Project Account to be used for any lawful purpose.

Note 8. Pension Plan

Plan Description – IPERS membership is mandatory for employees of the District, except for those covered by another retirement system. Employees of the District are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive P.O. Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code Chapter 97B and the administrative rules thereunder.

Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits – A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, anytime after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. (These qualifications must be met on the member's first month of entitlement to benefits.) Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier (based on years of service).
- The member's highest five-year average salary. (For members with service before June 30, 2012, the highest three-year average salary as of that date will be used if it is greater than the highest five-year average salary.)

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25 percent for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50 percent for each month that the member receives benefits before age 65.

OTTUMWA COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 8. Pension Plan (continued)

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits – A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions – Effective July 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2015, pursuant to the required rate, Regular members contributed 5.95 percent of pay and the District contributed 8.93 percent for a total rate of 14.88 percent.

The District's contributions to IPERS for the year ended June 30, 2015 were \$2,613,846.

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2015, the District reported a liability of \$16,841,262 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2014, the District's proportion was 0.4246763 percent, which was an increase of 0.007987 from its proportion measured as of June 30, 2013.

OTTUMWA COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 8. Pension Plan (continued)

For the year ended June 30, 2015, the District recognized pension expense of \$1,191,151. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 183,022	\$ -
Changes of assumptions	743,243	-
Net difference between projected and actual earnings on pension plan investments	-	6,422,772
Changes in proportion and differences between District contributions and proportionate share of contributions	-	296,923
District contributions subsequent to the measurement date	<u>2,613,846</u>	<u>-</u>
Total	<u>\$ 3,540,111</u>	<u>\$ 6,719,695</u>

\$2,613,846 reported as deferred outflows of resources related to pensions resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Amount
2016	\$ (1,458,651)
2017	(1,458,651)
2018	(1,458,651)
2019	(1,458,651)
2020	<u>41,174</u>
Total	<u>\$ (5,793,430)</u>

OTTUMWA COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 8. Pension Plan (continued)

Actuarial Assumptions – The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of Inflation (effective June 30, 2014)	3.00 percent per annum
Salary increases (effective June 30, 2010)	4.00 to 17.00 percent, average, including inflation Rates vary by membership group.
Long-term investment rate of return (effective June 30, 1996)	7.50 percent, compounded annually, net of investment expense, including inflation

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Equity	23%	6.31
Non US Equity	15%	6.76
Private Equity	13%	11.34
Real Estate	8%	3.52
Core Plus Fixed Income	28%	2.06
Credit Opportunities	5%	3.67
TIPS	5%	1.92
Other Real Assets	2%	6.27
Cash	1%	(0.69)
	<hr/>	
Total	100%	
	<hr/> <hr/>	

OTTUMWA COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 8. Pension Plan (continued)

Discount Rate – The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the District will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the District’s proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate.

	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
District's proportionate share of the net pension liability	\$ 31,821,091	\$ 16,841,262	\$ 4,196,734

Pension Plan Fiduciary Net Position – Detailed information about the pension plan’s fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS’ website at www.ipers.org.

Note 9. 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 221 active and 27 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.

OTTUMWA COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 9. Other Postemployment Benefits (OPEB) (continued)

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2015, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$	332,908
Interest on net OPEB obligation		15,632
Adjustment to annual required contribution		421,070
Annual OPEB cost		<u>(72,530)</u>
Contributions made		<u>40,470</u>
Decrease in net OPEB obligation		(113,000)
Net OPEB obligation beginning of year		<u>973,000</u>
 Net OPEB obligation end of year	 \$	 <u><u>860,000</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, 2015.

For the year ended June 30, 2015, the District contributed \$40,470 to the medical plan.

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

<u>Year Ended</u> <u>June 30,</u>	<u>Annual</u> <u>OPEB Cost</u>	<u>Percentage of</u> <u>Annual OPEB</u> <u>Cost Contributed</u>	<u>Net</u> <u>OPEB</u> <u>Obligation</u>
2013	\$ 283,803	52.3%	\$ 840,000
2014	238,833	44.3%	973,000
2015	(72,530)	100.0%	860,000

Funded Status and Funding Progress – As of July 1, 2014, the most recent actuarial valuation date for the period July 1, 2014 through June 30, 2015, the actuarial accrued liability was \$1,851,891, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,851,891. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$31,318,000, and the ratio of the UAAL to covered payroll was 5.9%. As of June 30, 2015, 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.

OTTUMWA COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 9. Other Postemployment Benefits (OPEB) (continued)

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

As of the July 1, 2014 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. Annual retirement and termination probabilities were developed from the 2006 Society of Actuaries study.

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

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 \$60,000 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 \$2,349,100 at June 30, 2015 and is recorded in the Internal Service Fund. The incurred but not reported claims liability of \$202,700 is reported as a liability of the Internal Service Fund and as a liability under governmental activities at June 30, 2015.

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.

OTTUMWA COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

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 \$1,857,323 for the year ended June 30, 2015 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Note 12. Categorical Funding

The District's fund balance restricted for categorical funding at June 30, 2015 is comprised of the following programs:

Program	Amount
Professional development for model core curriculum	\$ 283,296
Gifted and talented programs	244,651
Special education programs	181,223
Teacher salary supplement	167,490
Four year old preschool state aid	111,370
Iowa early intervention block grant	105,957
Home school assistance program	97,206
Successful progression for early readers	70,821
Teacher leadership grants	15,173
Market factor incentives	10,465
Environment first funds	4,223
Professional development	3,429
Non-public textbooks	1,361
Beginning teacher mentoring	783
Total	\$ 1,297,448

Note 13. Construction Commitments

The District has entered into a contract totaling \$4,437,453 for an elementary school renovation. As of June 30, 2015, costs of \$4,213,021 had been incurred against the contract. The balance of \$224,432 remaining at June 30, 2015 will be paid as work on the project progresses.

Note 14. Subsequent Event

On July 13, 2015, the District approved a temporary loan of \$425,000 from the General Fund to the Special Revenue Fund, Management Levy. The loan is to be repaid by May 1, 2016 at a .5% per annum interest rate.

OTTUMWA COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 15. Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27 was implemented during fiscal year 2015. The revised requirements establish new financial reporting requirements for state and local government which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, GASB No. 68 requires a state or local government employer to recognize a net pension liability and changes in the net pension liability, deferred outflows of resources and deferred inflows of resources which arise from other types of events related to pensions. During the transition year, as permitted, beginning balances for deferred outflows of resources and deferred inflows of resources will not be reported, except for deferred outflows of resources related to contributions made after the measurement date of the beginning net pension liability which is required to be reported by Governmental Accounting Standards Board Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. Beginning net position for governmental and business-type activities were restated to retroactively report the beginning net pension liability and deferred outflows of resources related to contributions made after the measurement date, as follows:

	Governmental Activities	Business-type Activities	Enterprise Funds	
			School Nutrition	Youth Care
Net position June 30, 2014, as previously reported	\$ 34,010,625	\$ 877,733	\$ 629,219	\$ 55,959
Net pension liability at June 30, 2014	(23,289,019)	(635,916)	(540,059)	(95,857)
Deferred outflows of resources related to contributions made after the June 30, 2013 measurement date	2,415,455	65,955	56,013	9,942
Net position July 1, 2014, as restated	\$ 13,137,061	\$ 307,772	\$ 145,173	\$ (29,956)

Note 16. Financial Condition

The School Nutrition and Youth Care funds within the Proprietary Enterprise funds had deficit unrestricted net positions of \$65,459 and \$30,628, respectively, at June 30, 2015.

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 Funds

Required Supplementary Information

Year Ended June 30, 2015

	Governmental Funds - Actual	Proprietary Funds - Actual	Total Actual	Budgeted Amounts Original and Final	Final to Actual Variance
REVENUES:					
Local sources	\$ 13,912,237	\$ 595,001	\$ 14,507,238	\$ 14,392,271	\$ 114,967
Intermediate sources	26,357	-	26,357	25,000	1,357
State sources	37,029,372	17,877	37,047,249	35,556,115	1,491,134
Federal sources	3,014,507	1,757,963	4,772,470	4,955,000	(182,530)
Total revenues	53,982,473	2,370,841	56,353,314	54,928,386	1,424,928
EXPENDITURES/EXPENSES:					
Instruction	31,418,614	-	31,418,614	32,195,961	777,347
Support services	14,082,114	124,808	14,206,922	14,199,300	(7,622)
Non-instructional programs	51,835	2,201,957	2,253,792	2,385,000	131,208
Other expenditures	6,774,663	-	6,774,663	7,247,638	472,975
Total expenditures/expenses	52,327,226	2,326,765	54,653,991	56,027,899	1,373,908
Excess (deficiency) of revenues over (under) expenditures/ expenses	1,655,247	44,076	1,699,323	(1,099,513)	2,798,836
Other financing sources, net	24,483	-	24,483	-	24,483
Excess (deficiency) of revenues and other financing sources over (under) expenditures/ expenses	1,679,730	44,076	1,723,806	(1,099,513)	2,823,319
Balance beginning of year, as restated	15,031,680	307,772	15,339,452	12,259,045	3,080,407
Balance end of year	\$ <u>16,711,410</u>	\$ <u>351,848</u>	\$ <u>17,063,258</u>	\$ <u>11,159,532</u>	\$ <u>5,903,726</u>

See accompanying independent auditor's report.

OTTUMWA COMMUNITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING
Year Ended June 30, 2015

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, 2015, expenditures/expenses in the support services function exceeded the amount budgeted.

OTTUMWA COMMUNITY SCHOOL DISTRICT

Schedule of the District's Proportionate Share of the Net Pension Liability

Iowa Public Employees' Retirement System
Last Fiscal Year*
(In Thousands)

Required Supplementary Information

	2015
District's proportion of the net pension liability	0.4246763
District's proportionate share of the net pension liability	\$ 16,841
District's covered-employee payroll	\$ 29,265
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	57.55%
Plan fiduciary net position as a percentage of the total pension liability	87.61%

* The amounts presented for each fiscal year were determined as of June 30.

See accompanying independent auditor's report.

Note: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

This page intentionally left blank

OTTUMWA COMMUNITY SCHOOL DISTRICT

Schedule of the District's Contributions

Iowa Public Employees' Retirement System
Last Ten Fiscal Years
(In Thousands)

Required Supplementary Information

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Statutorily required contributions	\$ 2,614	\$ 2,481	\$ 2,370	\$ 2,220
Contributions in relation to the statutorily required contribution	<u>(2,614)</u>	<u>(2,481)</u>	<u>(2,370)</u>	<u>(2,220)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 29,265	\$ 27,787	\$ 27,331	\$ 27,508
Contributions as a percentage of covered-employee payroll	8.93%	8.93%	8.67%	8.07%

See accompanying independent auditor's report.

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$ 1,928	\$ 1,845	\$ 1,707	\$ 1,578	\$ 1,492	\$ 1,436
<u>(1,928)</u>	<u>(1,845)</u>	<u>(1,707)</u>	<u>(1,578)</u>	<u>(1,492)</u>	<u>(1,436)</u>
\$ <u>-</u>					
\$ 27,738	\$ 27,750	\$ 26,883	\$ 26,092	\$ 25,953	\$ 24,974
6.95%	6.65%	6.35%	6.05%	5.75%	5.75%

OTTUMWA COMMUNITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – PENSION LIABILITY
Year Ended June 30, 2015

Changes of benefit terms:

Legislation passed in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3 percent per year measured from the member's first unreduced retirement age to a 6 percent reduction for each year of retirement before age 65.

In 2008, legislative action transferred four groups – emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers – from Regular membership to the protection occupation group for future service only.

Benefit provisions for sheriffs and deputies were changed in the 2004 legislative session. The eligibility for unreduced retirement benefits was lowered from age 55 by one year each July 1 (beginning in 2004) until it reached age 50 on July 1, 2008. The years of service requirement remained at 22 or more. Their contribution rates were also changed to be shared 50-50 by the employee and employer, instead of the previous 40-60 split.

Changes of assumptions:

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25 percent to 3.00 percent.
- Decreased the assumed rate of interest on member accounts from 4.00 percent to 3.75 percent per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates.
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included in the calculation of the UAL amortization payments the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate.

OTTUMWA COMMUNITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – PENSION LIABILITY
Year Ended June 30, 2015

The 2006 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted salary increase assumptions to service based assumptions.
- Decreased the assumed interest rate credited on employee contributions from 4.25 percent to 4.00 percent.
- Lowered the inflation assumption from 3.50 percent to 3.25 percent.
- Lowered disability rates for sheriffs and deputies and protection occupation members.

OTTUMWA COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN
(In Thousands)

Required Supplementary Information
Year Ended June 30, 2015

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)
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%
2015	July 1, 2014	-	1,852	1,852	0.0%	31,318	5.9%

See note 9 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, 2015

	Special Revenue				
	Management Levy	Student Activity	Debt Service	Total	
Assets					
Cash and pooled investments	\$ 175,964	\$ 749,419	\$ 2,703,248	\$ 3,628,631	
Receivables:					
Property tax:					
Current year	13,231	-	14,942	28,173	
Succeeding year	700,001	-	-	700,001	
Prepaid expenses	-	139,320	-	139,320	
 Total assets	 <u>\$ 889,196</u>	 <u>\$ 888,739</u>	 <u>\$ 2,718,190</u>	 <u>\$ 4,496,125</u>	
 Liabilities, Deferred Inflows of Resources and Fund Balances					
Liabilities:					
Accounts payable	\$ 5,997	\$ 103,561	\$ 2,000	\$ 111,558	
Salaries and benefits payable	-	2,544	-	2,544	
Total liabilities	<u>5,997</u>	<u>106,105</u>	<u>2,000</u>	<u>114,102</u>	
 Deferred inflows of resources:					
Unavailable revenues:					
Succeeding year property tax	700,001	-	-	700,001	
 Fund balances:					
Nonspendable:					
Prepaid expenses	-	139,320	-	139,320	
Restricted for:					
Revenue bonds sinking fund	-	-	1,231,849	1,231,849	
Revenue bonds reserve fund	-	-	1,459,005	1,459,005	
Debt service	-	-	25,336	25,336	
Management levy purposes	183,198	-	-	183,198	
Student activities	-	643,314	-	643,314	
Total fund balances	<u>183,198</u>	<u>782,634</u>	<u>2,716,190</u>	<u>3,682,022</u>	
 Total liabilities, deferred inflows of resources and fund balances	 <u>\$ 889,196</u>	 <u>\$ 888,739</u>	 <u>\$ 2,718,190</u>	 <u>\$ 4,496,125</u>	

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, 2015

	Special Revenue		Debt Service	Total
	Management Levy	Student Activity		
Revenues:				
Local sources:				
Local tax	\$ 596,596	\$ -	\$ 685,351	\$ 1,281,947
Other	28,498	1,194,696	1,699	1,224,893
State sources	11,034	-	12,525	23,559
Total revenues	<u>636,128</u>	<u>1,194,696</u>	<u>699,575</u>	<u>2,530,399</u>
Expenditures:				
Current:				
Instruction	106,542	1,057,738	-	1,164,280
Support services:				
Administration	32,681	-	-	32,681
Operation and maintenance of plant	287,600	-	-	287,600
Transportation	-	11,253	-	11,253
Non-instructional programs	39,980	-	-	39,980
Other expenditures:				
Long term debt:				
Principal	-	-	3,350,000	3,350,000
Interest and fiscal charges	-	-	459,771	459,771
Total expenditures	<u>466,803</u>	<u>1,068,991</u>	<u>3,809,771</u>	<u>5,345,565</u>
Excess (deficiency) of revenues over (under) expenditures	169,325	125,705	(3,110,196)	(2,815,166)
Other financing sources (uses):				
Interfund transfers in	-	-	1,443,698	1,443,698
Interfund transfers out	(1,344)	-	(504,000)	(505,344)
Total other financing sources (uses)	<u>(1,344)</u>	<u>-</u>	<u>939,698</u>	<u>938,354</u>
Net change in fund balances	167,981	125,705	(2,170,498)	(1,876,812)
Fund balances beginning of year	<u>15,217</u>	<u>656,929</u>	<u>4,886,688</u>	<u>5,558,834</u>
Fund balances end of year	<u>\$ 183,198</u>	<u>\$ 782,634</u>	<u>\$ 2,716,190</u>	<u>\$ 3,682,022</u>

See accompanying independent auditor's report.

OTTUMWA COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET
CAPITAL PROJECTS ACCOUNTS
June 30, 2015

	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Assets			
Cash and pooled investments	\$ 4,109,712	\$ 536,425	\$ 4,646,137
Receivables:			
Property tax:			
Current year	-	5,771	5,771
Succeeding year	-	265,042	265,042
Due from other governments	673,308	-	673,308
Real estate deposit	2,500	-	2,500
Prepaid expense	165,000	-	165,000
Total assets	\$ 4,950,520	\$ 807,238	\$ 5,757,758
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	\$ 207,281	\$ -	\$ 207,281
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	-	265,042	265,042
Fund balances:			
Nonspendable:			
Prepaid expenses	165,000	-	165,000
Restricted for:			
School infrastructure	4,578,239	-	4,578,239
Physical plant and equipment	-	542,196	542,196
Total fund balances	4,743,239	542,196	5,285,435
Total liabilities, deferred inflows of resources and fund balances	\$ 4,950,520	\$ 807,238	\$ 5,757,758

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, 2015

	<u>Statewide Sales, Services and Use Tax</u>	<u>Physical Plant and Equipment Levy</u>	<u>Total</u>
Revenues:			
Local sources:			
Local tax	\$ -	\$ 264,699	\$ 264,699
Other	5,906	928	6,834
State sources	4,342,664	4,838	4,347,502
Total revenues	<u>4,348,570</u>	<u>270,465</u>	<u>4,619,035</u>
Expenditures:			
Current:			
Support services:			
Administration	3,650	-	3,650
Other expenditures:			
Facilities acquisition	1,107,569	-	1,107,569
Total expenditures	<u>1,111,219</u>	<u>-</u>	<u>1,111,219</u>
Excess of revenues over expenditures	3,237,351	270,465	3,507,816
Other financing sources (uses):			
Interfund transfers in	504,000	-	504,000
Interfund transfers out	(1,443,698)	-	(1,443,698)
Total other financing sources (uses)	<u>(939,698)</u>	<u>-</u>	<u>(939,698)</u>
Net change in fund balances	2,297,653	270,465	2,568,118
Fund balances beginning of year	<u>2,445,586</u>	<u>271,731</u>	<u>2,717,317</u>
Fund balances end of year	<u>\$ 4,743,239</u>	<u>\$ 542,196</u>	<u>\$ 5,285,435</u>

See accompanying independent auditor's report.

OTTUMWA COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF FUND NET POSITION
 ENTERPRISE FUNDS
 Year Ended June 30, 2015

	School Nutrition	Youth Care	Career Academy House	Total
Assets				
Cash and pooled investments	\$ 451,904	\$ 101,814	\$ 188,654	\$ 742,372
Receivables:				
Accounts (net of \$30,423 allowance for doubtful accounts)	10,141	-	-	10,141
Inventories	70,972	-	-	70,972
Capital assets, net of accumulated depreciation	251,380	4,000	3,950	259,330
Total assets	<u>784,397</u>	<u>105,814</u>	<u>192,604</u>	<u>1,082,815</u>
Deferred Outflows of Resources				
Pension related deferred outflows of resources	<u>76,896</u>	<u>14,083</u>	-	<u>90,979</u>
Liabilities				
Accounts payable	11,931	19,846	-	31,777
Salaries and benefits payable	113,887	23,777	-	137,664
Unearned revenue	16,350	4,646	-	20,996
Net pension liability	365,819	66,996	-	432,815
Net OPEB liability	21,422	4,529	49	26,000
Total liabilities	<u>529,409</u>	<u>119,794</u>	<u>49</u>	<u>649,252</u>
Deferred Inflows of Resources				
Pension related deferred inflows of resources	<u>145,963</u>	<u>26,731</u>	-	<u>172,694</u>
Fund Net Position				
Net investment in capital assets	251,380	4,000	3,950	259,330
Unrestricted	<u>(65,459)</u>	<u>(30,628)</u>	<u>188,605</u>	<u>92,518</u>
Total fund net position	<u>\$ 185,921</u>	<u>\$ (26,628)</u>	<u>\$ 192,555</u>	<u>\$ 351,848</u>

See accompanying independent auditor's report.

OTTUMWA COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
 ENTERPRISE FUNDS
 Year Ended June 30, 2015

	School Nutrition	Youth Care	Career Academy House	Total
Operating revenues:				
Local sources:				
Charges for services	\$ 367,589	\$ 226,488	\$ -	\$ 594,077
Operating expenses:				
Support services:				
Salaries	66,620	-	-	66,620
Benefits	9,767	-	-	9,767
Purchased services	25,331	23,090	-	48,421
	<u>101,718</u>	<u>23,090</u>	<u>-</u>	<u>124,808</u>
Non-instructional programs:				
Salaries	574,250	165,905	-	740,155
Benefits	47,830	16,350	-	64,180
Purchased services	63,777	6,136	-	69,913
Supplies	1,243,630	33,956	-	1,277,586
Depreciation	50,123	-	-	50,123
	<u>1,979,610</u>	<u>222,347</u>	<u>-</u>	<u>2,201,957</u>
Total operating expenses	<u>2,081,328</u>	<u>245,437</u>	<u>-</u>	<u>2,326,765</u>
Operating loss	(1,713,739)	(18,949)	-	(1,732,688)
Non-operating revenues:				
Interest on investments	695	229	-	924
State sources	17,877	-	-	17,877
Federal sources	1,735,915	22,048	-	1,757,963
Total non-operating revenues	<u>1,754,487</u>	<u>22,277</u>	<u>-</u>	<u>1,776,764</u>
Change in fund net position	40,748	3,328	-	44,076
Fund net position beginning of year, as restated	<u>145,173</u>	<u>(29,956)</u>	<u>192,555</u>	<u>307,772</u>
Fund net position end of year	<u>\$ 185,921</u>	<u>\$ (26,628)</u>	<u>\$ 192,555</u>	<u>\$ 351,848</u>

See accompanying independent auditor's report.

OTTUMWA COMMUNITY SCHOOL DISTRICT
COMBINING SCHEDULE OF CASH FLOWS
ENTERPRISE FUNDS
Year Ended June 30, 2015

	School Nutrition	Youth Care	Career Academy House	Total
Cash flows from operating activities:				
Cash received from sale of lunches and breakfasts	\$ 338,285	\$ -	\$ -	\$ 338,285
Cash received from miscellaneous operating activities	27,499	227,179	-	254,678
Cash paid to employees for services	(746,038)	(186,142)	-	(932,180)
Cash paid to suppliers for goods or services	(1,139,000)	(56,331)	(425)	(1,195,756)
Net cash used by operating activities	<u>(1,519,254)</u>	<u>(15,294)</u>	<u>(425)</u>	<u>(1,534,973)</u>
Cash flows from non-capital financing activities:				
State grants received	17,877	-	-	17,877
Federal grants received	1,548,355	22,048	-	1,570,403
Net cash provided by non-capital financing activities	<u>1,566,232</u>	<u>22,048</u>	<u>-</u>	<u>1,588,280</u>
Cash flows from capital and related financing activities:				
Purchase of equipment	<u>(7,153)</u>	<u>(4,000)</u>	<u>-</u>	<u>(11,153)</u>
Cash flows from investing activities:				
Interest on investments	<u>695</u>	<u>229</u>	<u>-</u>	<u>924</u>
Net increase (decrease) in cash and cash equivalents	40,520	2,983	(425)	43,078
Cash and cash equivalents beginning of year	<u>411,384</u>	<u>98,831</u>	<u>189,079</u>	<u>699,294</u>
Cash and cash equivalents end of year	<u>\$ 451,904</u>	<u>\$ 101,814</u>	<u>\$ 188,654</u>	<u>\$ 742,372</u>

OTTUMWA COMMUNITY SCHOOL DISTRICT
COMBINING SCHEDULE OF CASH FLOWS
ENTERPRISE FUNDS
Year Ended June 30, 2015

	School Nutrition	Youth Care	Career Academy House	Total
Reconciliation of operating loss to net cash used by operating activities:				
Operating loss	\$ (1,713,739)	\$ (18,949)	-	\$ (1,732,688)
Adjustments to reconcile operating loss to net cash used by operating activities:				
Depreciation	50,123	-	-	50,123
Commodities used	187,560	-	-	187,560
(Increase) in accounts receivable	(3,382)	-	-	(3,382)
Decrease in inventories	9,122	-	-	9,122
Increase (decrease) in accounts payable	(2,944)	6,851	(425)	3,482
Increase in salaries and benefits payable	1,589	2,384	-	3,973
Increase in unearned revenue	1,577	691	-	2,268
(Decrease) in net pension liability	(174,240)	(28,861)	-	(203,101)
(Increase) in deferred outflows of resources	(20,883)	(4,141)	-	(25,024)
Increase in deferred inflows of resources	145,963	26,731	-	172,694
Net cash used by operating activities	<u>\$ (1,519,254)</u>	<u>\$ (15,294)</u>	<u>\$ (425)</u>	<u>\$ (1,534,973)</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2015, the District received \$187,560 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, 2015

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
District-Wide:				
Interest	\$ 62,573	\$ 1,317	\$ 63,890	\$ -
Musical Fees	4,889	2,160	2,838	4,211
Trips	250,683	327,673	348,116	230,240
Other	27,745	24,300	21,380	30,665
Agassiz	3,624	-	3,232	392
Douma	11,951	11,357	1,097	22,211
Eisenhower	6,245	13,592	14,195	5,642
Horace Mann	8,622	21,811	23,863	6,570
James	5,742	14,212	13,701	6,253
Liberty	17,450	75,062	77,891	14,621
Wildwood	5,414	-	5,414	-
Wilson	10,404	1,715	3,844	8,275
Evans	45,663	35,851	32,585	48,929
High School	195,540	664,741	456,230	404,051
Alternative High School	384	905	715	574
	<u>656,929</u>	<u>1,194,696</u>	<u>1,068,991</u>	<u>782,634</u>
Total	\$ <u>656,929</u>	\$ <u>1,194,696</u>	\$ <u>1,068,991</u>	\$ <u>782,634</u>

See accompanying independent auditor's report.

This page intentionally left blank

OTTUMWA COMMUNITY SCHOOL DISTRICT

SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION

ALL GOVERNMENTAL FUNDS
FOR THE LAST TEN YEARS

	Modified Accrual Basis Years Ended June 30,			
	2015	2014	2013	2012
Revenues:				
Local sources:				
Local tax	\$ 11,394,086	\$ 11,901,017	\$ 15,502,055	\$ 14,818,569
Tuition	337,558	385,545	463,242	660,613
Other	2,180,593	2,382,898	1,536,589	1,495,823
Intermediate sources	26,357	27,498	26,642	-
State sources	37,029,372	33,376,292	27,865,198	28,290,351
Federal sources	3,014,507	3,482,061	3,075,317	3,752,653
Total revenues	<u>\$ 53,982,473</u>	<u>\$ 51,555,311</u>	<u>\$ 48,469,043</u>	<u>\$ 49,018,009</u>
Expenditures:				
Instruction	\$ 31,418,614	\$ 29,662,895	\$ 28,900,628	\$ 28,243,725
Support services:				
Student	2,034,784	2,363,758	1,706,820	1,724,072
Instructional staff	1,425,681	1,582,325	1,334,864	1,761,647
Administration	4,577,420	4,316,099	4,022,287	3,916,937
Operation and maintenance of plant	4,324,053	4,342,654	3,926,799	3,795,257
Transportation	1,720,176	1,664,376	1,606,263	1,551,382
Non-instructional programs	51,835	58,359	12,709	13,338
Other expenditures:				
Facilities acquisition	1,107,569	5,039,631	12,614,118	3,113,514
Long-term debt:				
Principal	3,350,000	3,260,000	7,540,000	2,920,000
Interest and fiscal charges	459,771	448,423	631,864	400,223
AEA flowthrough	1,857,323	1,740,542	1,650,357	1,647,866
Total expenditures	<u>\$ 52,327,226</u>	<u>\$ 54,479,062</u>	<u>\$ 63,946,709</u>	<u>\$ 49,087,961</u>

See accompanying independent auditor's report.

	2011	2010	2009	2008	2007	2006
\$	14,167,990	\$ 13,213,353	\$ 13,862,521	\$ 11,394,355	\$ 11,208,076	\$ 11,164,979
	667,025	640,221	626,137	706,636	707,458	703,647
	1,453,878	1,737,905	679,365	1,897,332	1,589,114	1,496,771
	192,655	138,198	23,023	21,065	17,871	19,195
	27,705,836	24,109,237	27,125,220	26,767,932	25,428,811	23,539,622
	4,536,787	6,135,396	2,866,181	3,070,534	2,608,625	2,682,677
\$	<u>48,724,171</u>	<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>
\$	28,677,641	\$ 27,716,944	\$ 26,782,056	\$ 26,056,421	\$ 25,424,111	\$ 24,393,086
	1,634,091	1,395,964	1,358,617	1,262,883	1,209,650	1,489,444
	1,874,829	1,928,677	1,547,588	1,772,491	1,394,278	1,398,523
	4,013,643	4,235,811	4,124,401	3,976,802	3,877,697	3,394,586
	3,785,141	3,609,090	3,606,585	3,538,876	3,595,889	3,512,685
	1,453,860	1,311,944	1,206,227	1,225,644	1,175,279	1,148,380
	18,434	27,815	10,929	12,810	16,473	54,216
	322,714	1,166,229	5,621,299	9,597,229	3,224,850	991,970
	6,060,000	2,025,000	680,000	635,000	615,000	550,000
	560,921	698,411	680,395	470,068	309,443	339,318
	1,822,278	1,769,471	1,586,078	1,559,499	1,480,592	1,395,915
\$	<u>50,223,552</u>	<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>

OTTUMWA COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2015

Grantor / Program	CFDA Number	Pass-through Grantor Number	Expenditures
Indirect:			
U. S. Department of Agriculture:			
Iowa Department of Education:			
Child Nutrition Cluster Programs:			
School Breakfast Program	10.553	5049-15	\$ 290,849
National School Lunch Program	10.555	5049-15	1,336,726 *
Special Milk Program	10.556	5049-15	1,529
Summer Food Service Program for Children	10.559	5049-15	<u>19,843</u>
			<u>1,648,947</u>
Fresh Fruit and Vegetable Program	10.582	5049-15	<u>109,016</u>
National Endowment for the Arts:			
Iowa Arts Council:			
Promotion of the Arts-Partnership Agreements	45.025	5049-15	<u>1,400</u>
U. S. Department of Education:			
Iowa Department of Education:			
Title I Grants to Local Educational Agencies	84.010	5049-G-15	1,095,225
Title I Grants to Local Educational Agencies	84.010	5049-SINA-15	<u>21,878</u>
			<u>1,117,103</u>
Migrant Education - State Grant Program	84.011	5049-15	127,945
Migrant Education - State Grant Program	84.011	5049-GC-15	<u>42,654</u>
			<u>170,599</u>
Safe and Drug-Free Schools and Communities - National Programs	84.184	5049-15	<u>74,725</u>
Education for Homeless Children and Youth	84.196	5049-15	<u>34,997</u>
Tech-Prep Education	84.243	5049-15	<u>64,685</u>
Improving Teacher Quality State Grants	84.367	5049-15	<u>236,441</u>
Grants for State Assessments and Related Activities	84.369	5049-15	<u>21,960</u>
Bureau of Student and Family Support Services:			
Fund for the Improvement of Education	84.215	P334S080012	<u>35,907</u>

OTTUMWA COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2015

<u>Grantor / Program</u>	<u>CFDA Number</u>	<u>Pass-through Grantor Number</u>	<u>Expenditures</u>
Indirect (continued):			
U. S. Department of Education (continued):			
Great Prairie Area Education Agency:			
Special Education - Grants to States	84.027	5049-15	\$ <u>229,798</u>
English Language Acquisition State Grants	84.365	5049-15	<u>17,367</u>
U. S. Department of Health and Human Services:			
Iowa Department of Public Health:			
Abstinence Education	93.235	5885CH18A	<u>13,627</u>
Promoting Safe and Stable Families	93.556	DCAT414069	<u>12,000</u>
Total			\$ <u><u>3,788,572</u></u>

* = Includes \$187,560 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.

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

HUNT & ASSOCIATES, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

1201 HIGH AVENUE WEST
OSKALOOSA, IA 52577
641/672-2541
FAX 641/672-2461
317 EAST ROBINSON
KNOXVILLE, IA 50138
641/842-3184
FAX 641/828-7404

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, 2015, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 16, 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified a deficiency in internal control over financial reporting we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-A-15 to be a material weakness.

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, 2015 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 the 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 results 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
December 16, 2015

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

HUNT & ASSOCIATES, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

1201 HIGH AVENUE WEST
OSKALOOSA, IA 52577
641/672-2541
FAX 641/672-2461
317 EAST ROBINSON
KNOXVILLE, IA 50138
641/842-3184
FAX 641/828-7404

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 its major federal programs for the year ended June 30, 2015. 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 of the 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, 2015.

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
December 16, 2015

OTTUMWA COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2015

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

- (a) Unmodified opinions were issued on all opinion units.
- (b) A material weakness in internal control over financial reporting was 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) Major programs were as follows:
 - Clustered programs:
 - CFDA Number 10.553 – School Breakfast Program
 - CFDA Number 10.555 – National School Lunch Program
 - CFDA Number 10.556 – Special Milk Program
 - CFDA Number 10.559 – Summer Food Service Program for Children
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Ottumwa Community School District qualified as a low-risk auditee.

OTTUMWA COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2015

Part II: Findings Related to the Basic Financial Statements:

Instances of Non-Compliance:

No matters were reported.

Internal Control Deficiencies:

II-A-15 Financial Reporting – During the audit, we identified material amounts of receivables in the Internal Service Fund not recorded in the District’s financial statements or certified annual report. Adjustments were subsequently made by the District to properly include these amounts in the financial statements.

Recommendation – The District should implement procedures to ensure all receivables are identified and included in the District’s financial statements so that the financial statements are free of material misstatements.

Response – We will double check these in the future to avoid missing any receivables.

Conclusion – Response accepted.

OTTUMWA COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2015

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, 2015

Part IV: Other Findings Related to Statutory Reporting:

IV-A-15 Certified Budget – Expenditures/expenses for the year ended June 30, 2015, 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-15 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-15 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-15 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	\$64,316
Lynda Riley, Spouse of Board Member Greg Riley	Teacher	\$61,625
Dan Ford, Teacher Owner of Dandee Smokehouse	Supplies	\$700
Antonia Weilbrenner, Spouse of Board Member David Weilbrenner	Teacher	\$73,927
Gail Granneman, Spouse of Board Member Gary Granneman	Teacher	\$78,567

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-15 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.

OTTUMWA COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2015

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

IV-F-15 Board Minutes – No transactions requiring Board approval which had not been approved by the Board were noted.

IV-G-15 Certified Enrollment – We noted an underclaim of 2.0 full time equivalent resident students in the basic enrollment data certified to the Iowa Department of Education. We also noted an overstatement of 2.64 students related to ELL weighting.

Recommendation – The District should contact the Iowa Department of Education and Department of Management regarding these errors.

Response – We will take the necessary actions regarding this error.

Conclusion – Response accepted.

IV-H-15 Supplementary Weighting – We noted one variance regarding the supplementary weighting certified to the Iowa Department of Education. This variance related to supplementary weighting for math courses which were short on accreditation and resulted in an overstatement to supplementary weighting of 2.842 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-15 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-15 Certified Annual Report – The Certified Annual Report was timely certified to the Iowa Department of Education. However, we noted significant deficiencies in the amounts reported as noted in comment II-A-15.

Recommendation – The District should develop review procedures to help insure the accuracy of amounts reported.

Response – We will try to insure the accuracy of all amounts reported in the future.

Conclusion – Response accepted.

IV-K-15 Categorical Funding – No instances of categorical funding being used to supplant rather than supplement other funds were noted.

OTTUMWA COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2015

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

IV-L-15 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.

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, 2015, the District reported the following information regarding the statewide sales, services and use tax revenue in the District’s CAR:

Beginning balance		\$	2,445,586
Revenues:			
Interest	\$		5,906
Statewide sales, services and use tax			4,342,664
Transfers from other funds:			
Debt Service Fund		<u>504,000</u>	4,852,570
Expenditures/transfers out:			
School infrastructure construction			878,391
Equipment			199,828
Other			33,000
Transfers to other funds:			
Debt Service Fund		<u>1,443,698</u>	<u>2,554,917</u>
Ending balance		\$	<u><u>4,743,239</u></u>

For the year ended June 30, 2015, 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
		<u> </u>	<u> </u>
Physical plant and equipment levy	\$	0.31846	\$ 256,988

OTTUMWA COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2015

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

- IV-M-15 Deficit Family Meal Account Balances – We noted in our testing of the balances of family deposits into student meal accounts that many family accounts were in a negative position and the overall negative balances increased from the prior year. This situation results in the District’s Enterprise Fund, School Nutrition subsidizing those families that can’t or won’t keep their accounts properly funded.

Recommendation – The District should implement control processes to limit the deficit family account balances in the School Nutrition Fund. The District should educate families on how to apply for meal program benefits to determine if their children qualify for free or reduced price meals. The District should also set a limit on the account balances beyond which the student receives a reduced meal, as long as the District remains in compliance with USDA meal requirements. For chronic deficit balances, the District should implement collection procedures by utilizing an independent collection agency.

Response – We will look into this situation and will take the appropriate measures in the future.

Conclusion – Response accepted.

- IV-N-15 Financial Condition – The District’s governmental activities had a deficit unrestricted net position of \$11,977,022 at June 30, 2015. In addition, the Enterprise Fund, School Nutrition and the Enterprise Fund, Youth Care had deficit unrestricted net positions of \$65,459 and \$30,628, respectively, at June 30, 2015. These deficit balances arose due to the implementation of Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27 which required the inclusion of the District’s proportionate share of the IPERS pension liability and related deferred inflows and outflows in the District’s financial statements.

Recommendation – Even though the deficits arose due to the inclusion of the proportionate share of the IPERS net pension liability in the financial statements, the District should investigate ways to return the governmental activities and the School Nutrition and Youth Care Funds to sound financial conditions.

Response – We are unsure of what steps can be taken at this time to alleviate the strain of the District’s proportionate share of the IPERS pension liability and the related deferred outflows and inflows of resources since actions related to this area are controlled by the Iowa Legislature. However, we will look into this situation and investigate ways to return the governmental activities, the School Nutrition Fund and the Youth Care Fund to sound financial conditions.

Conclusion – Response accepted.